SCOTGOLD
RESOURCES LIMITED

ABN : 42 127 042 773

ANNUAL REPORT 2017

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COMPANY INFORMATION

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
	Gabriel Chiappini	Non-Executive Director (resigned 16 May 2017)
Company Secretary	Gabriel Chiappini (resigned 16 May 2017) Richard Barker (appointed 16 May 2017)	
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	HLB Mann Judd Level 4, 130 Stirling Street Perth, WA 6000	
	Telephone: +61 8 9227 7500	
Bankers	Westpac Banking Corporation 1257 Hay Street West Perth WA 6005	
Securities Exchange Listing	AIM board of the London Stock Exchange.	
	AIM Code: "SGZ"	
Nominated Adviser and Joint Broker	Stockdale Securities Limited Beaufort House, 15 St Botolph St, London EC3A 7BB	
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.

<u>Cononish Gold and Silver Project</u> –

On 15th February 2012, the Board of the Loch Lomond and the Trossachs Parks ("the Parks Board") 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, scaleability 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 Addendum to the Bankable Feasibility Study. 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 has submitted a revised application for planning permission to incorporate the new tailings disposal methodology. The application has been validated and a decision is expected around year end.

<u>Grampian Gold Project</u> **–**

The Grampian Gold Project comprises Crown Option agreements covering some 4100 km^2 in the south west Grampians of Scotland and covers some of the most prospective areas of the Dalradian geological sequence in the UK. This sequence extends westward from the UK to the eastern seaboard of Canada and the Appalachian belt in the US, and eastward into Sweden and Norway, has been identified by the British Geological Survey as being 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 continues a regional stream sediment sampling program over the wider Grampian gold project area whilst evaluating a number of previously identified high grade outcrops in the vicinity of the Cononish project.

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

CONONISH GOLD AND SILVER PROJECT

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

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

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

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

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

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

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

The table below shows the assumptions used for each scenario:

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

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

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

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

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

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

Cononish Mineral Resources

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

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

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

Scotgold Resources Limited - Cononish Gold Project Mineral Resource Estimate as at 12 January, 2015 *Reported at a 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 30/06/2016 other than the depletion of the mined stockpile, the resource will be adjusted on full depletion of the stockpile. Approximately 4.7kt had been depleted to end June 2017.

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

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

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

Cononish Ore Reserves

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

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

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

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

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

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

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

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

Bulk Processing Trial

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

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

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

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

In addition, sales of gold in concentrate have been sold prior to year-end and are included in the results for the year ended 30 June 2017. A further shipment containing an estimated 100 troy ounces of gold has been made in August

2017 and further production of varying grades and quantities is expected to be shipped in early October and December with a final shipment, containing the final production from the existing stockpile, expected to be shipped in early January 2018. Proceeds from sale of concentrates are received net of off-take commissions, discounts, transport, refining and treatment charges.

GRAMPIAN GOLD PROJECT

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

Whilst advancing the Cononish project to production, the Company's strategy has been to conduct early stage regional exploration over the Grampian Gold project area in conjunction with follow up work on the more advanced prospects close to the Cononish project area.

The Grampian Gold project encompasses a large area (~4100 km^2) of the highly prospective Dalradian sequence. Basic exploration data, including gravity and airborne magnetics, is available from government surveys but is of a quality and spacing that does not adequately reflect the prospectivity of the area. This, and the general lack of previous exploration over the area (other than early stage exploration in the vicinity of the Cononish project), has dictated the Company's approach to exploration.

In order to advance its understanding of the regional setting the Company embarked on a regional scale stream sediment sampling program. In an initial wide spaced regional program, in excess of 750 stream sediment samples were taken across the project area. Interpretation of these results continues and this program has been followed up by a more detailed infill sampling program in the anomalous result areas in order to further target areas for detailed fieldwork and prospecting. To date in excess of 1200 samples have been collected with interpretation of these results on-going.

In parallel with this regional program, Scotgold continues to evaluate previously identified high grade outcrop samples identified by previous exploration close to the Cononish project. Initially, the Company conducted a re-sampling program to verify previously identified occurrences and this program confirmed the presence of a large number of high grade gold / silver vein outcrops in an area located between two major regional faults, the Tyndrum – Glen Fyne fault and the Ericht - Laidon fault, and associated with the fractures generated by movement along these faults.

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

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

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

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

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

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

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

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

PORTUGAL - POMAR PROJECT

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

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

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

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

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

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

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

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

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

FRANCE – VENDRENNES

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

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

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

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

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

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

Tenement details

United Kingdom -

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

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

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

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

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

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

Knapdale: Location – county of Argyll, Scotland UK

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

Portugal –

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

France –

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

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

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

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

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

The information in this report that relates to the 2015 Mineral Resources for Cononish Gold Project (refer ASX release - Resource Estimate Update – 22/01/2015) is based on information compiled by Malcolm Titley, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Titley is employed by CSA Global (UK) Limited, an independent consulting company. Mr Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Titley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the 2015 Ore Reserves for Cononish Gold Project (refer ASX announcement dated 26/05/2015) is based on information compiled by Pat Willis, a Competent Person who is registered as a Professional Engineer (Pr.Eng.) with the Engineering Council for South Africa (ECSA) and a Fellow in good standing and Past President of the Southern Africa Institute of Mining and Metallurgy (FSAIMM). Mr Willis is employed by Bara Consulting Limited, an independent consulting company. Mr Willis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Willis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

STRATEGIC REVIEW

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

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

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

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

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

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

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

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

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

Company's recently appointed investment bank, Invenio Corporate Finance. Invenio have been engaged to explore the debt and private equity markets in search for project development funding.

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

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

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 2017. 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
Gabriel Chiappini	Non Executive Director	27/05/2016	16/05/2017

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.

Interest in Shares and Options at 30 June 2017

Fully Paid Shares	632,220,806
Options	45,656,433

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 earns interest at the rate of 10% per annum.

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.

Interest in Shares and Options

Fully Paid Shares	5,204,240
Options	291,294

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

Mr Sangster is a mining engineer with over 30 years experience in the mining industry. He has a Bachelor of Science (Honours) Degree in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand. He currently lives close to the Company's exploration licences at Comrie in Scotland.

Mr Sangster's career covers extensive production and technical experience at senior levels in both junior and multi-national companies in gold, diamonds and base metals in Africa, UK and Canada and covers a wide range of mining applications.

Between 1996 and 1999 Mr Sangster was General Manager for Caledonia Mining Corporation for the Cononish Gold Project and a Director of Fynegold Exploration, where he was responsible for all aspects of the project including feasibility study preparation, project due diligence, finance negotiations, exploration initiatives and planning permission applications.

After 1999, Mr Sangster moved to the Zambian Copperbelt with Anglo American Plc / KCM Plc where he attained the position of Vice President of Mining Services and in 2005 joined Australian Mining Consultants as a Principal Mining Engineer. More recently, Mr Sangster was employed as General Manager for an AIM – listed company European Diamonds Plc.

Interest in Shares and Options

Fully Paid Shares	18,204,484
Options	493,333

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 Miinerals Limited, Peninsula Mines Limited, and Predictive Discovery Limited

Interest in Shares and Options

Fully Paid Shares	4,331,250

Special Responsibilities

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

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

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.

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
3,000,000	$0.0800	31 March 2022
30,000,000	$0.0069	22 September 2017
123,457,334	£0.0100	30 September 2017

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 $1,348,167 (2016: $1,505,592).

Financial Position

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

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 with a view to the commencement of mining operations as soon as possible.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2017, 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	5
Richard Gray	6	6
Chris Sangster	6	6
Phillip Jackson	6	6
Gabriel Chiappini	5	4

AUDIT COMMITTEE

The Audit Committee is comprised of Mr Jackson who chaired one meeting of the audit committee during the year ended 30 June 2017.

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. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold securities in the Company.

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 the cost to the company and expensed.

Performance-based remuneration

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

Details of remuneration for year ended 30 June 2017

Directors' Remuneration

No salaries, commissions, bonuses or superannuation were paid or payable to Directors during the year. 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:

Executive Directors

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 £100,000 ($162,000) 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.

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 $115,079.

Non-Executive Directors

The Company's constitution provides that the Non-Executive 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. 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 $	Post Employment $	Total $	Performance based %
Year ended 30 June 2016						
Nat le Roux		32,308	-	-	32,308	-
Richard Gray		-	203,666	2,037	205,703	-
Richard Harris	Golden Matrix Holdings Pty Ltd	17,100	43,250	-	60,350	-
Chris Sangster		18,843	159,800	-	178,643	-
Phillip Jackson	Holihox Pty Ltd	22,187	-	-	22,187	-
Gabriel Chiappini	Laurus Corporate Services Pty Ltd	1,616	21,948	-	23,564	-
Peter Newcomb	Symbios Pty Ltd	-	104,137	-	104,137	-
		92,054	532,801	2,037	626,892	
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	

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

Key management personnel share holdings

Year ended 30 June 2016

	Balance 30 June 2015	Purchase and Sales	Conversion of Note	At date of resignation	Balance 30 June 2016
Nat le Roux	456,564,373	45,656,433	73,900,000	-	576,120,806
Richard Gray	2,912,946	1,291,294	-	-	4,204,240
Richard Harris	42,999,999	-	-	(42,999,999)	-
Chris Sangster	17,150,213	1,054,271	-	-	18,204,484
Phillip Jackson	4,331,250	-	-	-	4,331,250
Peter Newcomb	11,921,179	774	-	(11,921,953)	-
	535,879,960	48,002,772	73,900,000	(54,921,952)	602,860,780

Year ended 30 June 2017

	Balance 30 June 2016	Purchase and Sales	Conversion of Note	At date of resignation	Balance 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

Key management personnel option holdings

Year ended 30 June 2016

	Free attaching options	Purchase and Sales	Expiry or exercise of options	At date of resignation	Balance 30 June 2016
Nat le Roux	102,502,587	(20,593,750)	(36,252,404)	-	45,656,433
Richard Gray	291,294	1,000,000	(1,000,000)	-	291,294
Chris Sangster	493,333	-	-	-	493,333
	103,287,214	(19,593,750)	(37,252,404)	-	46,441,060

Year ended 30 June 2017

	Free attaching options	Purchase and Sales	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

The consolidated entity does not have any full time Executive officers, other than the Managing Director as detailed above.

Aggregate amounts payable to Directors and their related entities.

	Consolidated Entity **2017** **$**	Consolidated Entity **2016** **$**
Accounts payable	14,248	86,707

There were no performance related payments made during the year.

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

On 4 July 2017 the Company announced that 50,000 fully paid ordinary shares had been issued on conversion of options exercisable at £0.01.

On 18 August 2017 the Company announced that it had received confirmation from the Loch Lomond and Trossachs National Park Planning Authority that its application for a revision of the currently permitted operation had been received and validated. The revisions from the permitted operation are firstly to redesign the Tailings Storage Facility using a "dry stack" system and secondly, to alter the phasing of the project, allowing for a lower capital first production phase followed by a subsequent expansion to the currently permitted production levels. A decision on the revision is expected by 31 December 2017.

On 25 August 2017, after approval by shareholders at General Meeting, the Company announced that it had completed its 1 for 100 share consolidation. Options in issue will also be consolidated on a 1 for 100 basis and the exercise price adjusted accordingly. The reason for the consolidation is to reduce the number of shares in issue to a level that is more in line with other comparable AIM-traded companies and to create a higher share price per share that will improve investor perception of the Company.

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

HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

There were no non-audit services provided during the current year by our auditors, HLB Mann Judd.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration has been received for the year ended 30 June 2017 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.

....
RICHARD GRAY – Managing Director

Dated at London, England, this 28th day of September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Scotgold Resources Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 September 2017

M R Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Revenue – interest received	2	211	1,459
Other income	2	41,417	-
Administration costs		(389,511)	(438,021)
Interest expense		(64,966)	(983)
Unwinding of convertible note discount	12	(55,974)	(215,526)
Depreciation and gain on disposal of property, plant and equipment	3	(103,132)	(15,376)
Exploration expensed as incurred		(111,579)	(131,303)
Employee and consultant costs		(211,191)	(278,702)
Listing and share registry costs		(260,438)	(229,571)
Legal fees		(60,622)	(84,417)
Office and communication costs		(91,117)	(71,549)
Other expenses		(41,265)	(41,603)
LOSS BEFORE INCOME TAX BENEFIT		(1,348,167)	(1,505,592)
Income tax benefit	4	-	-
LOSS FOR THE YEAR		(1,348,167)	(1,505,592)
Other Comprehensive Income			
Items that may be reclassified to Profit or Loss			
Exchange difference on translation of foreign subsidiaries		(41,477)	(94,490)
Total comprehensive result for the year		(1,389,644)	(1,600,082)
Basic (loss) per share (cents per share)	24	(0.09)	(0.13)

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

	Notes	CONSOLIDATED 2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	5	572,332	738,866
Trade and other receivables	6	42,110	63,004
Inventory	7	222,248	26,993
Other current assets	8	16,269	21,109
Total Current Assets		852,959	849,972
NON-CURRENT ASSETS			
Trade and other receivables	6	92,923	89,977
Plant and equipment	9	289,840	348,626
Mineral exploration and evaluation	10	16,346,365	15,730,586
Total Non Current assets		16,729,128	16,169,189
TOTAL ASSETS		17,582,087	17,019,161
CURRENT LIABILITIES			
Trade and other payables	11	180,522	157,835
Other current liabilities	11	45,895	121,439
Interest bearing liabilities	12	1,742,964	1,124,409
TOTAL LIABILITIES		1,969,381	1,403,683
NET ASSETS		15,612,706	15,615,478
EQUITY			
Issued capital	13	27,216,549	25,829,677
Reserves	14	54,283	344,515
Accumulated losses	14	(11,658,126)	(10,558,714)
TOTAL EQUITY		15,612,706	15,615,478

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

CONSOLIDATED

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

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

SCOTGOLD RESOURCES LIMITED
AND CONTROLLED ENTITIES

	Notes	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers		(1,328,402)	(1,343,403)
Interest income received		-	326
Net Cash Outflow From Operating Activities	20	(1,328,402)	(1,343,077)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(717,927)	(1,050,176)
Purchase of property, plant and equipment		(45,216)	(259,398)
Net Cash Outflow From Investing Activities		(763,143)	(1,309,574)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		884,133	2,784,301
Share and option issue transaction costs		(53,861)	(109,553)
Borrowings costs and interest		(38,658)	-
Proceeds from borrowings		1,166,667	-
Net Cash Inflow From Financing Activities		1,958,281	2,674,748
Net increase/(decrease) in cash held		(133,264)	22,097
Effect of exchange rate fluctuations on cash and cash equivalents		(33,270)	(85,880)
Cash and cash equivalents at the beginning of this financial year		738,866	802,649
Cash and cash equivalents at the end of this financial year	5	572,332	738,866

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 $852,959 and current liabilities of $1,969,381. In addition, the Group had a net cash outflow from operating activities of $1,328,402 and investing activities of $763,143 and available cash and cash equivalents of $572,332.

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

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

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

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

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

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

Statement of Compliance

The financial report was authorised for issue on 27 September 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised 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.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the consolidated entity's business and, therefore, no change necessary to the consolidated entity's accounting policies.

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.

Exploration and evaluation expenditure, of which the Bulk Processing Trial is an integral part, is reclassified to 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) 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.

(q) 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 2017, the Group had capitalised mineral exploration and evaluation expenditure of $16,346,365 (2016: $15,730,586). The Directors do not believe any indications of impairment are present. The Company announced

on 16 March 2017, an updated Bankable Feasibility Study on the Cononish Gold and Silver Project showing a reported a base case (US$1,150 per ounce) net present value (10% WACC) of the project of £43 million.
Classification of exploration and evaluation

The Bulk Processing Trial is designed to demonstrate technical feasibility and commercial viability. Accordingly, the criteria to reclassify any exploration and evaluation expenditure to development have not yet been met.

	2017 $	2016 $
NOTE 2 – REVENUE		
Revenue		
Interest received	211	1,459
Other income (currency variance)	41,417	-
Total revenue	41,628	1,459
NOTE 3 - LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSES		
Expenses		
Interest expensed	64,966	983
Total borrowing cost expensed	64,966	983
Depreciation of non-current assets		
Plant and Equipment	100,892	11,749
Motor vehicles	2,220	3,598
Office furniture and equipment	20	29
Total depreciation of non-current assets	103,132	15,376

NOTE 4 - INCOME TAX

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

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

	2017 $	2016 $

INCOME TAX BENEFIT

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

UNRECOGNISED DEFERRED TAX ASSETS

	2017 $	2016 $
Revenue losses after permanent differences	2,747,235	2,351,082
Capital raising costs yet to be claimed	55,083	61,822
	2,802,318	2,412,904

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

(a) The company and its controlled entity derive future assessable income of an amount and type sufficient to enable the benefit from the deductions for the tax losses and the un-recouped exploration expenditure to be realised;
(b) The company and its controlled entity continue to comply with the conditions for deductibility imposed by tax legislation; and
(c) No changes in tax legislation adversely affect the company and its controlled entity in realising the benefit from the deductions for the tax losses and un-recouped exploration expenditure.

Franking Credits

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

NOTE 5 – CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and on hand	572,332	738,866

NOTE 6 – TRADE AND OTHER RECEIVABLES

Current

	2017 $	2016 $
GST / VAT receivable	38,900	61,825
Other receivables	3,210	1,179
	42,110	63,004

Non-current

	2017 $	2016 $
Bond on Tenement	92,923	89,997

NOTE 7 – INVENTORY

	2017 $	2016 $
Inventory of gold concentrates	222,248	26,993

NOTE 8 – OTHER CURRENT ASSETS

	2017 $	2016 $
Prepayments	16,269	21,109

NOTE 9 – PLANT AND EQUIPMENT

Plant and equipment

	2017	2016
Cost	655,293	610,947
Accumulated Depreciation	(365,453)	(262,321)
	289,840	348,626

Movement for the year

	2017	2016
Opening balance	348,626	104,605
Additions	44,346	259,397
Depreciation expensed	(103,132)	(15,376)
Closing balance	289,840	348,626

NOTE 10 – MINERAL EXPLORATION AND EVALUATION

	2017	2016
Opening balance	15,730,586	14,794,913
Net (gain)/loss from the BPT	(32,357)	90,801
Additional expenditure deferred during the year	759,715	976,175
Expenditure as incurred	(111,579)	(131,303)
Closing balance	16,346,365	15,730,586

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

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

NOTE 11 – TRADE AND OTHER PAYABLES

	2017	2016
Trade creditors	180,522	157,835
Other accruals	45,895	121,439
	226,417	279,274
Trade creditors and accruals relating to exploration expenditure	96,822	115,142
Trade creditors and accruals relating to administration	129,595	164,132
	226,417	279,274

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

NOTE 12 – INTEREST BEARING LIABILITIES

Convertible Notes

The Company entered into Convertible Note Agreements (Convertible Notes) on the terms and conditions set out in the Company's Notice of Meeting dated 23 June 2014 (and approved by Shareholders at the General Meeting on 30 July 2014). The Convertible Notes were fully settled in the year ended to 30 June 2017.

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

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

On 23rd September 2016 a further $336,600 Convertible Notes were converted into 56,100,000 ordinary shares of the Company at the conversion price of $0.006 per share.

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

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

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

Shareholder loans

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

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

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

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

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

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

NOTE 13 – ISSUED CAPITAL

	2017 $	2016 $
(a) Issued capital		
1,593,220,665 ordinary shares fully paid (2016: 1,437,697,714)	27,216,549	25,829,678

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

Date	Details	Shares	Value (cents)	$
	Balance at 30 June 2015	1,135,392,472		22,711,529
07/10/2015	Entitlements Issue	95,295,889	1.3000	1,238,847
28/10/2015	Entitlements Issue Shortfall	18,243,341	1.3000	237,163
24/10/2015	Placement	10,556,659	1.3000	137,237
20/01/2016	Options conversion	12,000	1.9000	228
22/03/2016	Loan conversion	73,900,000	0.6000	443,400
29/03/2016	Placement	83,333,333	1.1000	916,667
14/04/2016	Options conversion	20,593,750	1.2000	247,125
15/06/2016	Options conversion	370,271	1.9000	7,035
	Transaction costs arising on share issues			(109,554)
	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)
		1,593,220,666		27,216,549

Shares issued for non-cash consideration amounted to Nil during the year (2016: $Nil).

(c) Movements in options were as follows:

	Number	$
Balance at 30 June 2015	66,486,494	1,141,769
Options expired during the year 24 July 2015	(26,222,222)	(785,000)
Options expired during the year 7 December 2015	(153,161)	(7,000)
Options expired during the year 28 March 2016	(7,111,111)	(125,000)
Options issued expiring 30 September 2017	124,095,889	-
Options exercised	(382,271)	-
Options issued on part conversion of note	56,846,154	-
Note options exercised 31 March 2016	(20,593,750)	-
Note options expired 31 March 2016	(36,252,404)	-
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

Option exercise dates and prices

Number	Exercise Price	Expiry Date
3,000,000	$0.0800	31 March 2022
30,000,000	£0.0069	22 September 2017
123,457,334	£0.0100	30 September 2017

(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 14 – RESERVES AND ACCUMULATED LOSSES

Accumulated Losses	**2017 $**	**2016 $**
Balance at beginning of the year	(10,558,714)	(10,077,922)
Net loss from ordinary activities	(1,348,167)	(1,505,592)
Movement on Convertible Note Reserve	248,755	107,800
Options expiry	-	917,000
Balance at end of the year	(11,658,126)	(10,558,714)

	2017 $	2016 $
Foreign Currency Translation Reserve		
Balance at beginning of the year	(129,009)	(34,519)
Reserve arising on translation of foreign currency subsidiary	(41,477)	(94,490)
Balance at end of the year	(170,486)	(129,009)
Share Option Reserve		
Balance at beginning of the year	224,769	1,141,769
Options expiry	-	(917,000)
Balance at end of the year	224,769	224,769
Convertible Note Reserve		
Balance at beginning of the year	248,755	356,555
Partial conversion of convertible note	(248,755)	(107,800)
Balance at end of the year	-	248,755

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 15 – SHARE BASED PAYMENTS

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

On 6 July 2015 an Incentive Option Agreement was announced by the Company, whereby 38 million (380,000 post consolidation of shares) options to acquire shares were agreed to be granted to Mr Richard Gray upon the achievement of certain performance criteria, including project funding and gold production. The options will be exerciseable at £0.006 (£0.60 post consolidation of shares). The options will lapse on 30 June 2025.

NOTE 16 - COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

In order to maintain current rights of tenure to exploration and mining tenements, the consolidated entity will be required to outlay in the year ending 30 June 2018 amounts of up to $500,000 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 accounts.

	Minimum expenditure $	Licence Fee $	Total $
Not later than one year	450,000	50,000	500,000
Later than 1 year but not later than 2 years	700,000	50,000	750,000
Later than 2 years but not later than 5 years	1,800,000	150,000	1,950,000
	2,950,000	250,000	3,200,000

NOTE 17 - 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 2017.

NOTE 18 - INVESTMENT IN CONTROLLED ENTITIES

	Registered Number	Country of Incorporation	Interest Held	Value of investment $
Parent				
Scotgold Resources Limited	42 127 042 773	Australia	100%	N/A
Subsidiary				
Scotgold Resources Limited	SC 309525	Scotland	100%	5,491,881
SGZ France SAS	804 686 582	France	100%	288,434
Scotgold Resources Portugal Ltda	513 303 057	Portugal	100%	1,490
Fynegold Exploration Limited	SC 084497	Scotland	100%	-

NOTE 19 - 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 2016	Scotland $	Australia $	Other $	Total $
Segment revenues	1,133	326	-	1,459
Segment loss	492,999	810,756	201,387	1,505,592
Segment assets	16,869,064	72,550	77,547	17,019,161
Segment non-current assets	16,121,603	7,366	40,220	16,169,189
Segment liabilities	141,274	1,231,156	31,253	1,403,683
Included in segment result:				
Interest expense	983	-	-	983
Depreciation	14,734	642	-	15,376
Capitalised exploration	895,454	-	40,219	935,673
Acquisition of fixed assets	259,397	-	-	259,397

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

	2017 $	2016 $
NOTE 20 - NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of loss after income tax to net operating cash flows		
Loss from ordinary activities	(1,348,167)	(1,505,592)
Depreciation	103,132	15,376
Exploration expenditure expensed	111,579	131,303
Unwinding of convertible note discount	55,974	215,526
	(1,077,482)	(1,143,387)
Movement in assets and liabilities		
Receivables	22,925	(11,892)
Inventory	(195,255)	(26,993)
Other current assets	(2,032)	2,603
Payables	(38,537)	(110,714)
Revaluation effect of foreign currency working capital	(38,021)	(52,694)
Net cash used in operating activities	(1,328,402)	(1,343,077)

NOTE 21 - 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
Gabriel Chiappini	Non Executive Director	27/05/2016	16/05/2017

(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 2017 $	Consolidated 2016 $
Short-term employee benefits	392,132	624,855
Post-employment benefits	3,364	2,037
Share-based payments	-	-
	395,496	626,892

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

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Accounts payable	14,248	86,707

NOTE 22 - RELATED PARTY INFORMATION

Transactions within the Consolidated Entity	Parent Entity 2017 $	Parent Entity 2016 $
Aggregate amount receivable within the consolidated entities at balance date		
Total non-current receivables	20,293,978	18,811,307
Write down of loans attributable to losses of subsidiaries	(8,730,842)	(7,819,028)
Non-current receivables in parent entity	11,563,136	10,992,279

NOTE 23 - REMUNERATION OF AUDITORS

	Consolidated 2017 $	Consolidated 2016 $
Auditing and reviewing of the financial statements of Scotgold Resources Limited and of its controlled entities.	38,000	36,750
	38,000	36,750

NOTE 24 - LOSS PER SHARE

	Consolidated 2017 $	2016 $
Earnings used in calculation of earnings per share	(1,348,167)	(1,505,592)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	1,567,677,877	1,273,583,261

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

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	
	2017	2016	2017 $	2016 $
Financial Assets				
Cash at Bank	0.03%	0.05%	572,332	738,866
Trade and other receivables	-	-	151,302	174,090
Total Financial Assets			723,634	912,956
Financial Liabilities				
Trade and other payables	-	-	180,522	157,835
Interest bearing liabilities	9.5%	1.0%	1,742,964	1,124,409
Total Financial Liabilities			1,923,486	1,282,244

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 2017 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
	2017 $	2017 $	2016 $	2016 $
£ Sterling	178,927	679,065	141,276	747,462
€ Euro	-	19,111	31,253	37,327
	178,927	698,176	172,529	784,789

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

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

On 4 July 2017 the Company announced that 50,000 fully paid ordinary shares had been issued on conversion of options exercisable at £0.01.

On 18 August 2017 the Company announced that it had received confirmation from the Loch Lomond and Trossachs National Park Planning Authority that its application for a revision of the currently permitted operation had been received and validated. The revisions from the permitted operation are firstly to redesign the Tailings Storage Facility using a "dry stack" system and secondly, to alter the phasing of the project, allowing for a lower capital first production phase followed by a subsequent expansion to the currently permitted production levels. A decision on the revision is expected by 31 December 2017. This event did not affect the state of affairs of the consolidated entity.

On 25 August 2017, after approval by shareholders at General Meeting, the Company announced that it had completed its 1 for 100 share consolidation. Options in issue will also be consolidated on a 1 for 100 basis and the exercise price adjusted accordingly. The reason for the consolidation is to reduce the number of shares in issue to a level that is more in line with other comparable AIM-traded companies and to create a higher share price per share that will improve investor perception of the Company. This event did not affect the state of affairs of the consolidated entity.

NOTE 27 - PARENT ENTITY DISCLOSURES

Financial Position

	2017	2016
	$	$
CURRENT ASSETS		
Cash and cash equivalents	17,163	61,661
Trade and other receivables	8,294	3,523
Total Current Assets	25,457	65,184
NON CURRENT ASSETS		
Plant and equipment	6,867	7,366
Investment in subsidiary	5,781,805	5,781,805
Loan to subsidiaries	11,563,136	10,992,279
Total Non-Current assets	17,351,808	16,781,450
TOTAL ASSETS	17,377,265	16,846,634
CURRENT LIABILITIES		
Trade and other payables	21,595	106,747
Interest bearing loan	1,742,964	1,124,409
Total Current Liabilities	1,764,559	1,231,156
TOTAL LIABILITIES	1,764,559	1,231,156
NET ASSETS	15,612,706	15,615,478
EQUITY		
Issued capital	31,294,040	29,907,169
Reserves	224,769	581,324
Accumulated losses	(15,906,103)	(14,873,015)
TOTAL EQUITY	15,612,706	15,615,478

Financial Performance

	2017	2016
Loss for the year attributable to the parent	1,033,088	1,600,082
Total comprehensive loss	1,033,088	1,600,082

The loss attributable to the parent entity includes write down of loans to subsidiaries caused by subsidiary losses of $911,812 (2016: $789,326). 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

SCOTGOLD
RESOURCES LIMITED
AND CONTROLLED ENTITIES

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 2017 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 2016.

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

....

RICHARD GRAY – Managing Director

Dated at London, England, this 28th day of September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

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 controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, 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:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of mineral exploration and evaluation Note 10 of the financial report	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised mineral exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: - We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; - We considered the Directors' assessment of potential indicators of impairment; - We performed our own assessment of the existence of any potential impairment indicators; - We obtained evidence that the Group has current rights to tenure of its areas of interest; - We examined the exploration budget for the year ending 30 June 2018 and discussed with management the nature of planned ongoing activities; - We enquired with management, reviewed AIM announcements and minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at its areas of interest; and - We examined the disclosures made in the financial report.
Accounting for Bulk Processing Trial income and expenditure Note 10 of the financial report	
During the financial year, a bulk processing trial was conducted in relation to the Cononish deposit which resulted in the sale of gold dore and concentrate and the associated production costs. We considered this to be a key audit matter as it involved the most communication with management, significant judgement was required and it was determined to be of importance to users' understanding of the financial report.	Our procedures included but were not limited to the following: - We performed audit procedures in relation to the costs incurred and revenues arising and the inventory balance at year end; - We tested sales of dore and concentrate back to source documentation and independent evidence in addition to testing for completeness; and - We considered the appropriateness of the presentation of the net result from the bulk processing trial within the financial statements.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 have 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

HLB Mann Judd

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Scotgold Resources Limited for the year ended 30 June 2017 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
28 September 2017

SHAREHOLDER DETAILS

ANALYSIS OF SHAREHOLDING

Shareholding			Number of Shareholders: Aust (Certificated)	AIM	Total
1	-	1,000	669	14	683
1,001	-	5,000	144	17	161
5,001	-	10,000	16	6	22
10,001	-	100,000	19	15	34
100,001	-	or more	8	16	24
			856	68	924

Shareholding			Number of Shares: Aust (Certificated)	AIM	Total
1	-	1,000	184,936	3,317	188,253
1,001	-	5,000	311,079	38,021	349,100
5,001	-	10,000	122,183	44,539	166,722
10,001	-	100,000	523,405	626,273	1,149,678
100,001	-	or more	1,505,168	12,574,011	14,079,179
Total on Issue			2,646,771	13,286,161	15,932,932

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	6,322,209	39.68%
Mr Richard Milne Harris	680,000	4.27%
Mr Graham Donaldson & Mrs Christine Donaldson	508,143	3.19%

Directors' Shareholding

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

SHAREHOLDER DETAILS

TOP TWENTY SHAREHOLDERS

	Name	Shares	%
1	HARGREAVE HALE NOMINEES LIMITED	6,325,616	39.70%
2	HSDL NOMINEES LIMITED	1,043,751	6.55%
3	HARGREAVES LANSDOWN (NOMINEES) LIMITED	936,450	5.88%
4	TD DIRECT INVESTING NOMINEES (EUROPE) LIMITED	754,052	4.73%
5	JIM NOMINEES LIMITED	611,237	3.84%
6	BARCLAYS DIRECT INVESTING NOMINEES LIMITED	460,539	2.89%
7	INVESTOR NOMINEES LIMITED	457,976	2.87%
8	BEAUFORT NOMINEES LIMITED	353,079	2.22%
9	MR GRAHAM DONALDSON & MRS CHRISTINE DONALDSON	347,368	2.18%
10	ALLIANCE TRUST SAVINGS NOMINEES LTD	294,497	1.85%
11	SVS (NOMINEES) LIMITED	257,566	1.62%
12	GOLDEN MATRIX HOLDINGS PTY LTD	255,000	1.60%
13	SHARE NOMINEES LTD	226,771	1.42%
14	HSBC CUSTODY NOMINEES	210,555	1.32%
15	HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	200,884	1.26%
16	WEALTH NOMINEES LIMITED	184,873	1.16%
17	MR ALEXANDER LITTLEJOHN	170,001	1.07%
18	PERSHING INTERNATIONAL NOMINEES LIMITED	160,386	1.01%
19	VIDACOS NOMINEES LIMITED	160,196	1.01%
20	MR RICHARD MILNE HARRIS	150,000	0.94%
	TOTAL	**13,560,797**	**85.12%**

TOP TWENTY OPTIONHOLDERS

	Name	Options	%
1	MR NAT LE ROUX	456,565	29.76%
2	MR ALAN STANLEY STARKEY	200,000	13.04%
3	MR KARL ALAN STARKEY	130,000	8.47%
4	MR WILLIAM STYSLINGER	100,000	6.52%
5	BARCLAYSHARE NOMINEES LIMITED	91,702	5.98%
6	MR ADAM JAMES STARKEY	70,000	4.56%
7	JIM NOMINEES LIMITED	45,814	2.99%
8	HSDL NOMINEES LIMITED	37,029	2.41%
9	INVESTOR NOMINEES LIMITED	34,391	2.24%
10	MR GRAHAM DONALDSON & MRS CHRISTINE DONALDSON	27,761	1.81%
11	INVESTOR NOMINEES LIMITED	25,270	1.65%
12	MR KARL ALAN STARKEY	25,000	1.63%
13	NR ADAM JAMES STARKEY	25,000	1.63%
14	HSDL NOMINEES LIMITED	21,468	1.40%
15	TD DIRECT INVESTING NOMINEES (EUROPE) LIMITED	16,557	1.08%
16	ALLIANCE TRUST SAVINGS NOMINEES LIMITED	15,019	0.98%
17	HARGREAVES LANSDOWN (NOMINEES) LIMITED	13,537	0.88%
18	HARGREAVES LANSDOWN (NOMINEES) LIMITED	11,365	0.74%
19	TD DIRECT INVESTING NOMINEES (EUROPE) LIMITED	10,868	0.71%
20	HARGREAVES LANSDOWN (NOMINEES) LIMITED	9,510	0.62%
	TOTAL	**1,366,856**	**89.10%**

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 (subject to access agreements with the landowner (see below)) and on the grant of planning permission (and other conditions), to take out a lease for exploitation of these metals.

Surface rights (and other minerals rights) are generally held by the landowner with whom access and lease agreements must separately be obtained.

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.

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. The 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/

COMPANY INFORMATION - SCOTLAND

Exploration Office	Upper Tyndrum Station Tyndrum, Stirlingshire Scotland FK20 8RY Phone +44(0) 183 840 0306
Nominated Adviser (NOMAD)	Stockdale Securities Limited Beaufort House 15 St. Botolph Street London EC3A 7BB Phone +44(0) 207 601 6114
Share Registry	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ Phone +44(0) 870 703 6300
Auditor	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL Phone +44(0) 131 473 3500
Solicitors	Harper McLeod LLP The Ca'd'oro Glasgow G1 3PE Phone +44(0) 141 221 8888
Bankers	Bank of Scotland Shandwick Place Edinburgh EH11 1YH Phone +44(0) 870 850 1671
Media	Capital M Consultants 1 Royal Exchange Avenue London EC3V 3LT Phone +44(0) 7703 167065