SCOTGOLD
RESOURCES LIMITED

ANNUAL REPORT 2011

ABN 42 127 042 773

Contents

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Company Information 01

ABN	42 127 042 773	
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Securities Exchange Listing	Scotgold Resources Limited Shares are listed on the Australian Securities Exchange. The home exchange is Perth, Western Australia.	
ASX Codes	Shares	SGZ
	Options	SGZO
AIM Code	Shares	SGZ
Website	www.scotgoldresources.com	

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Review of Operations

ABOUT SCOTGOLD

Australian Securities Exchange listed Scotgold Resources Limited (ASX:SGZ) was established in 2007 and listed on the ASX in January 2008 after raising $A4.9M through an IPO, with the objective of advancing the Cononish Gold and Silver Project in Scotland's Grampian Highlands to a production decision and to explore the highly prospective tenements comprising the Grampian Gold Project for additional deposits.

Scotgold has focused initially on the development of the Cononish Gold and Silver Project and has identified resources (estimated in accordance with the JORC Code) in the Measured, Indicated and Inferred categories (see later for breakdown) of 163,000 oz of gold and 596,000oz of silver (at 3.5g/t gold cut-off).

An application for planning permission for the project was submitted in January 2010 and was narrowly refused by the National Parks Board in August 2010. The Company subsequently submitted an appeal against the decision in November 2010.

Based on further discussions with the Planning Authority, the Company indicated its intention to re-apply for permission in December 2010 and subsequently withdrew its appeal and submitted a revised application in July 2011.

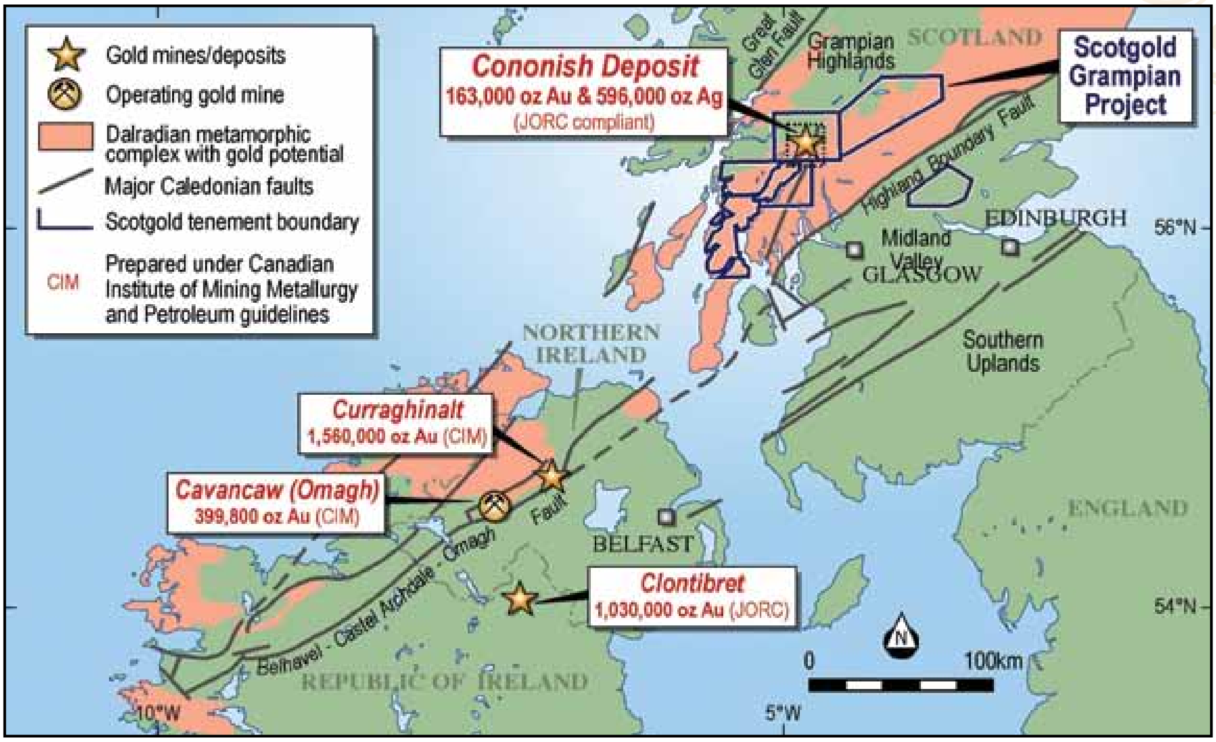
On 13th October 2011, the Director of Planning issued a report to the Parks Board recommending approval of the application and at a special meeting on 25th October, the Board approved the application subject to conditions.

Production of gold and silver is expected to begin in second quarter 2013 subject to financing, based on the positive outcome of a scoping study conducted by AMC Consultants UK Limited (AMC) which used a long term gold price of US$720/oz. This study is currently being updated with a view to finalising development options.

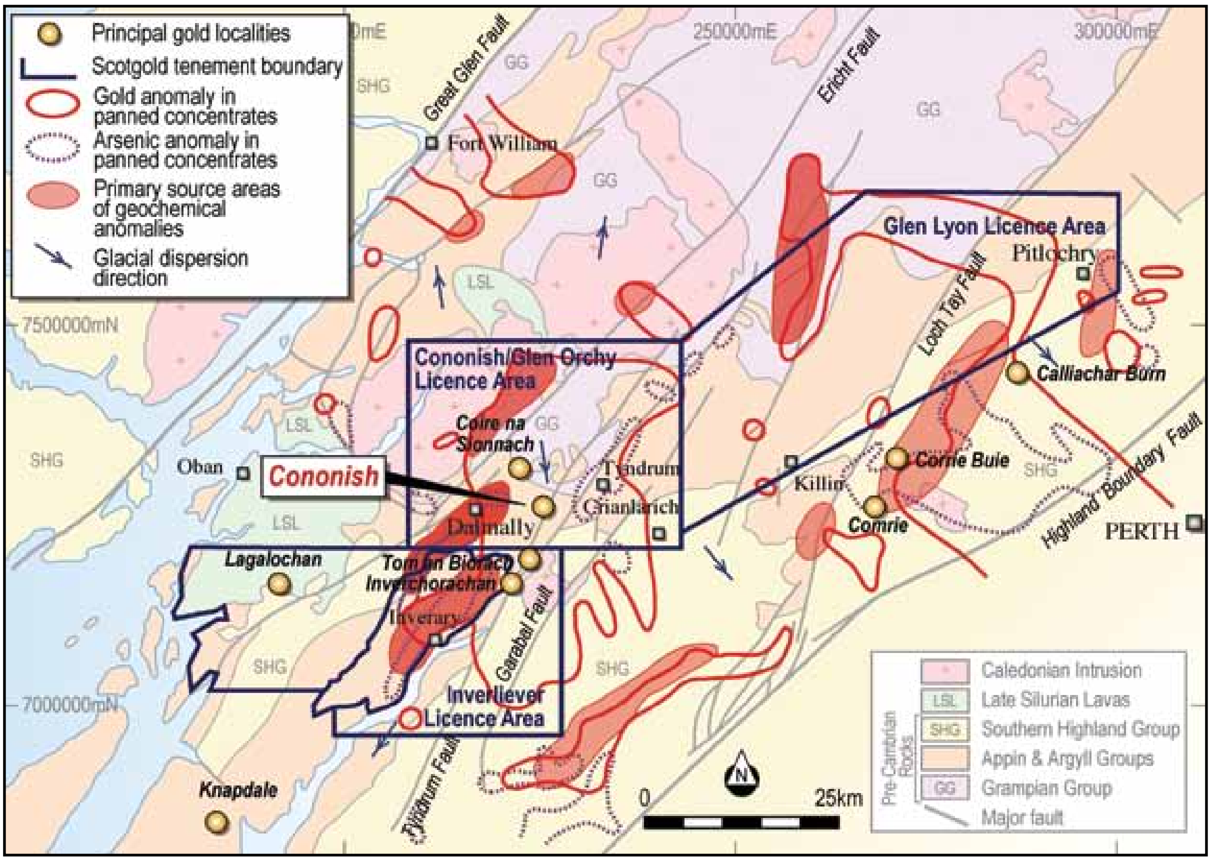
The Grampian Gold Project comprises relevant Crown Licences of some 3200km2 surrounding the Cononish deposit and covers some of the most prospective areas of the Dalradian geological sequence in the UK. This sequence extends westward from the UK to the eastern seaboard of Canada and the Appalachian belt 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 the north of Ireland where it hosts other gold deposits at Cavancaw (399,800 oz of gold) which has been operating as an open cut mine since 2006, Curraghinalt (1,560,000 oz of gold), and at Clontibret (1,030,000 oz of gold).

On acquisition of the Cononish Gold and Silver Project, Scotgold accessed significant amounts of historic exploration information over the Grampian Gold Project area. This information has been assimilated into a GIS database and forms the basis for ongoing exploration activities which include regional stream sediment sampling, rock chip sampling over the area and diamond drilling (both shallow surface and deeper drilling) at identified key prospects.

The Company's shares were admitted to trading on the AIM market of the London Stock Exchange in February 2010.



Scotgold's Grampian Gold Project license areas in relation to regional geology and structures, gold deposits and operating gold mines in Scotland and Ireland.



Cononish Gold and Silver Project - Regional geology showing principal gold occurrences and regional geochemical anomalies.

CONONISH GOLD AND SILVER PROJECT

CONONISH MINE PLANNING APPLICATION

The Cononish gold and silver project was initially granted planning permission in 1996 for the establishment of an underground mine, processing facility, tailings management facility and associated infrastructure. The permission was valid for ten years from the commencement of the development (deemed to have started in April 1997). In April 2007, prior to expiry of the permission, Scotgold submitted an application for extension which remains undetermined and would be withdrawn on final grant of a 'new' permission.

Scotgold submitted a 'new' application for planning in January 2010 after the requisite consultation processes which drew widespread local support. In August 2010, after a recommendation for refusal by the Director of Planning at the National Parks, the Parks Board narrowly upheld this recommendation at a special Board meeting. The Company submitted an appeal against the decision in November 2010.

Subsequent to the decision, Scotgold's directors met on several occasions with senior representatives of the Parks Authority to discuss the issues surrounding their recommendation for refusal, namely the potential landscape and visual impact of the proposed Tailings Management Facility as a consequence of its scale and landform and the probability of success of the restoration techniques proposed. The Company focused on resolving these concerns and sought additional independent input regarding restoration and landscape issues with a view to reapplying for planning permission.

Based on the result of these meetings, Scotgold lodged a Planning Application Notice in December 2010 as the start of the process of re-application including further public consultation. A substantial proportion of the community attended the open day in 2011 and continued public support for the project was most encouraging. This support has continued to be reflected in reporting on the Cononish project by the mainstream UK news media over the last few months.

During April 2011 the Company announced that it had accepted an offer of a Regional Selective Assistance (RSA) grant from economic development agency, Scottish Enterprise, of up to £600,000 for the establishment of mine facilities and job creation, conditional on the firm obtaining planning permission.

Scotgold submitted its revised application for planning permission for the Cononish Gold and Silver project on 17th July 2011 and was again encouraged by the widespread support registered from a range of national and local organizations as well as individuals including local residents, politicians, academia and Scottish based jewellers.

The revised application incorporated a significant reduction in the scale of the Tailings Management Facility (afforded by a commitment to underground disposal, post the creation of a suitable underground void) and a revised form for this Facility, in order to minimize the visual impact on the landscape. The application also incorporated more detailed restoration techniques and a number of additional measures aimed at mitigating possible impacts of the development.

The application was prepared with the assistance of Scotgold's planning and environmental consultants, Dalgleish Associates. Dalgleish Associates is a well established consultancy based in Scotland, specialising in resource (minerals and renewable energy) projects in the United Kingdom with considerable expertise in the Scottish system.

Technical input regarding the application was provided by Scotgold's tailings consultants AMEC Earth and Environmental (UK) (AMEC), Cantab Consulting (as competent person for 'sign off' of the tailings management facility), Vibrock Ltd (ground vibration and noise consultants) and Rathmell (archaeological studies) as well as by independent specialists in the fields of restoration, landscape and visual impacts and socio economic studies by Ecological Restoration Consultants Ltd, Land Use Consultants and Professor David Bell of Stirling University respectively.

At the closure of the 'formal' consultation period in September 2011, SEPA (as previously) raised no objection to the application and although SNH raised a 'technical' objection regarding mitigatory works proposed by Scotgold as part of the Greater Cononish Glen Management Plan, indicated in their response, that it was capable of being resolved through the application of suitable conditions. The objection was subsequently withdrawn prior to the Board meeting on agreement of conditions .

On 13th October 2011, the Director of Planning issued a report recommending approval of the application subject to conditions, this recommendation for approval was upheld by the National Parks Board at a special board meeting on 24 / 25 October 2011.

Subsequent to the planning decision, a number of legal agreements require to be completed regarding the development and three months from the conclusion of these, the Crown Estate will issue the requisite mining lease, which is expected to be in early 2012.

PROJECT STUDIES

In late 2008, Scotgold commissioned Australian Mining Consultants (AMC) to conduct a scoping study on the Cononish Gold and Silver Project. A summary of the study was announced to the ASX on 17th February 2009 - Cononish Scoping Study confirms economic viability.

The study estimated annualised production of 21,000 ozs of gold and 80,000 ozs of silver for a six and a half year production life. Returns using the then spot price of gold (£662 / oz) gave an NPV_{10} of £25.6M and an IRR of 74%. Operating costs were estimated to be £229 /oz.

In June 2010, Scotgold commissioned AMC to update critical components of the 2009 study though this work was put on hold subsequent to the planning refusal in August 2010.

Scotgold are in the process of re-engaging AMC to resume work on the update. It is intended that AMC review and update the mining development and production schedule and mining capital and operating costs (with a target +/-15% accuracy) based on the updated resource at Cononish (see ASX Release 5th February 2010 – Cononish Drilling and JORC Update).

AMC will also oversee the compilation of the overall Project Development Study with contributions from the Company, its processing, tailings and environmental consultants as a key component of its development decision and basis for examining possible funding arrangements. The study is expected to be completed by December 2011.

During the 2010 study period, Scotgold completed a further phase of metallurgical testwork at AMMTEC Laboratories in Perth (Australia), to optimize and finalise the plant flowsheet. The testwork examined various combinations of flotation and gravity / flotation circuits to maximise gold recovery to 'free gold' (recovered on site) and overall recovery. All testwork indicated a high amenability to the proposed flowsheet arrangements with recoveries from all testwork in excess of 90% for gold.

Following this detailed metallurgical testwork programme, Scotgold commissioned a Definitive Costing Study (+/- 10% accuracy) for the Cononish project processing plant. The study was substantially completed in September 2010 and Scotgold are in discussion to update capital and operating costs as input to the Project Development Study.

The proposed flowsheet encompasses two stage crushing, milling followed by a gravity recovery section and subsequent flotation. Concentrates from both the gravity and flotation process will be combined and reground to maximize recovery of 'free gold' and to reduce the mass of concentrate required to be transported for further processing.

As part of the revised planning application, AMEC completed a revised feasibility level design for the Tailings Management Facility for the Cononish project. The design provides for a facility to retain 0.4Mt of tailings in line with the reduction of visual impacts discussed with the Park Authority and is designed in accordance with all applicable EU and UK legislation. Initial discussions have been held with potential contractors to provide costing input to the Project Development Study.

Indicative Key Milestones for Project Development

October 2011	Planning Approval subject to conditions
December 2011	Project Development Study by AMC complete
February 2012	Issue of Crown lease
April 2012	Financing arrangements for project concluded
Second quarter 2012	Commencement of project development

Subject to the successful outcome of these project milestones, Scotgold anticipates first gold production in second quarter 2013.

RESOURCES

In May 2008, Scotgold released the first Mineral Resource Statement on the Cononish gold-silver deposit reported in accordance with the JORC code, prepared by Snowden Mining Industry Consultants Ltd ("Snowden"). The Measured, Indicated and Inferred Mineral Resource categories totalled 154,000 ounces of gold and 589,000 ounces of silver (using 3.5 g/t gold cut-off).

Snowden subsequently noted "based on our experience of the Cononish vein system, we believe that there is an Exploration Target around the mine of between 0.5 Mt to 1.0 Mt at a grade of between 10 g/t Au to 15 g/t Au for up to 320,000 oz Au. Much of this potential is based on the along strike and down dip extensions of the Cononish vein, but there are indications that other reefs are present in the area too. At this stage, such figures are highly conceptual and there is no guarantee that further exploration will define additional resources."

During 2009, the Company identified additional, high grade gold mineralisation in and around the Cononish gold and silver project, following a thorough search of historic data generated by previous exploration companies.

As a result of these further investigations and exploration by Scotgold during 2008 - 2009, Snowden was asked in late 2009 to undertake an update on the Cononish resource.

The revised resource for Cononish is shown below.

Cononish Main Vein Gold Mineral Resources (reported at a 3.5 g/t Au cut-off).

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 1,000 t or 1,000 oz. Grade rounded to the nearest 0.1 g/t Au. The Inferred Resource grade is reported with a grade range to indicate the likely upside due to the information effect.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Gold	Gold
Measured	53,000	17.9	31,000
Indicated	73,000	10.2	24,000
Inferred	311,000	10.8 (10 – 16)	108,000

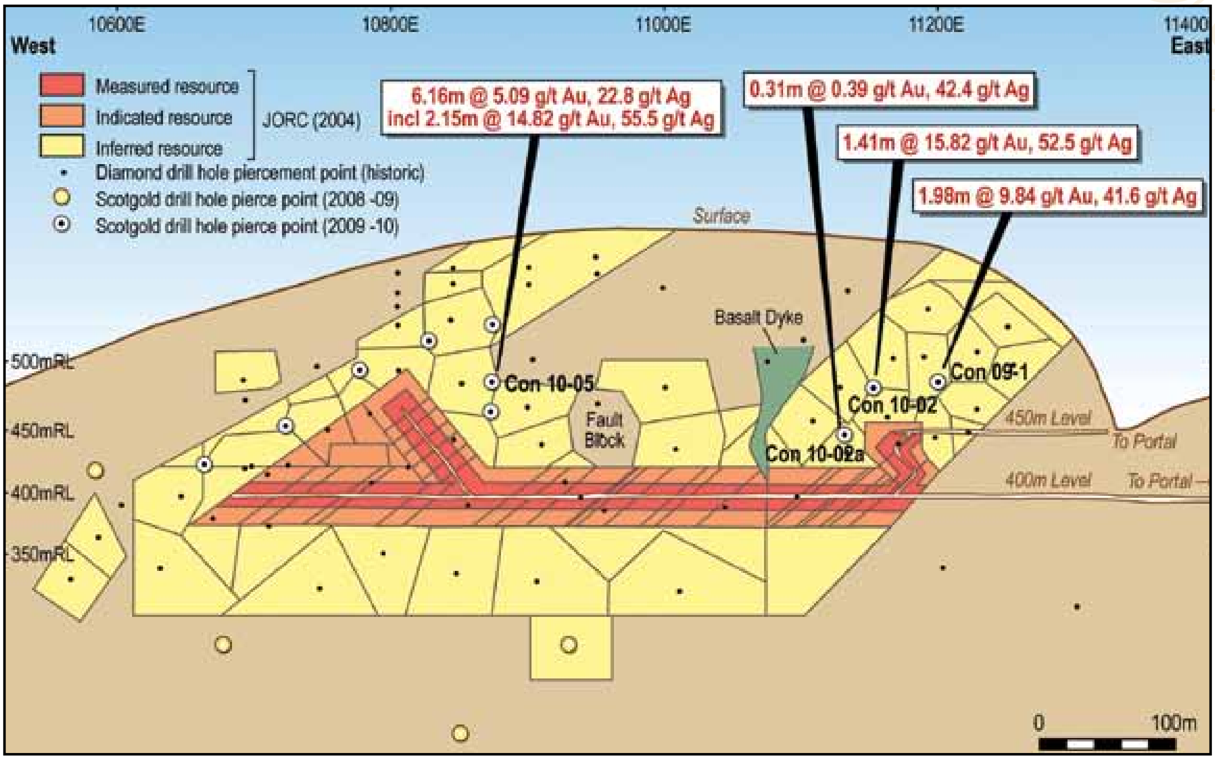
Scotgold Note: Incorporating the grade range, the Inferred Mineral Resource is estimated to lie between 100,000 oz Au and 160,000 oz Au. It should be noted that any upside may not exist or it may only be present in a portion of the resource.

Cononish Main Vein Silver Mineral Resources (reported at a 3.5 g/t Au cut-off).

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 1,000 t or 1,000 oz.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Silver	Silver
Measured	53,000	75.0	128,000
Indicated	73,000	43.1	101,000
Inferred	285,000	40.1	367,000

This update gives a total metal inventory of 163,000 oz Au and 596,000 oz Ag.



Recent Infill drilling results at Cononish.

Snowden noted that there is resource potential in the eastern adit zone and that the estimation of additional Mineral Resources are likely once further drilling is complete.

Scotgold resumed drilling at the Cononish gold and silver project in Scotland in October 2009 within the defined resource.

The drilling program also targeted mineralisation outside the previously defined resource envelope, specifically the potential down dip continuation of the mineralisation encountered in trenches (up to 16.12 g/t Au over 2.10 metres) surface drill holes (up to 73.10 g/t Au over 1.77 metres) and underground holes (up to 12.35 g/t Au over 1.49 metres). A limited program of short AQ size diamond drill holes was also conducted from within the Cononish adit to test for possible extensions to the identified mineralisation in the eastern part of the adit outside the existing resource, in particular a 'parasitic' 1.6 metre-wide quartz vein where high grades (up to 119.9 g/t gold and 97.2g/t silver) have been reported from historic assays and also possible 'off adit' intersections on the Cononish vein.

The first phase of the program was completed in early 2010 and results finally released in July 2010 are shown in Tables 1 and 2 overleaf.

Table 1 Infill Drilling Results

Hole	From (m)	To (m)	Downhole intersection (m)	Est. true thickness (m)	Au g/t	Ag g/t	Comment
Con 09 01	103.95	106.00	2.05	1.98	9.84	41.6	Main Vein intersection
Con 10 02	103.00	104.50	1.50	1.41	15.82	52.5	Main Vein intersection
Con 10 02a	126.90	127.25	0.35	0.31	0.39	42.4	Main Vein Sheared, dyke
Con 10 05	67.24	83.75	11.04	6.16	5.09	22.8	Mineralised intersection
Including	66.24	70.46	4.22	2.35	2.55	7.2	Upper vein
And	79.15	83.00	3.85	2.15	14.82	55.5	Main vein intersection

The drilling into the main vein within the Inferred Resource zone above the 400 level continued to encounter high grades and excellent widths of gold and silver mineralisation in most cases

Table 2 Eastern Extension Results

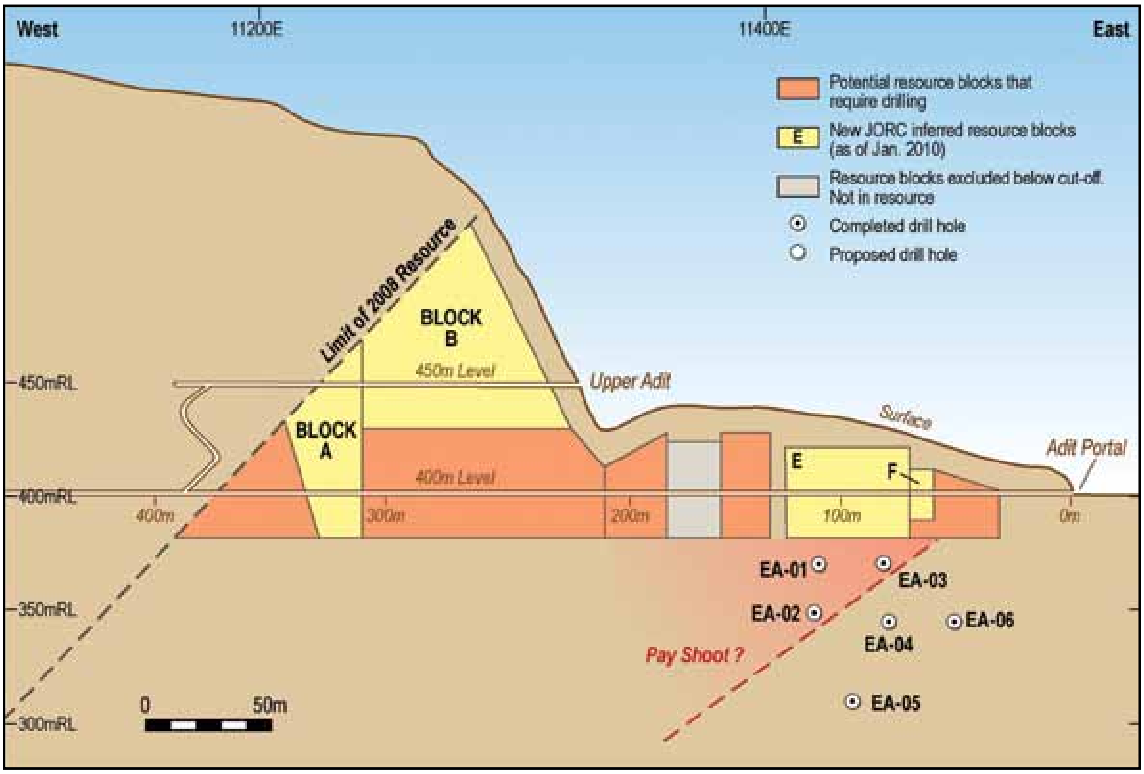
Hole	From (m)	To (m)	Downhole intersection (m)	Est. true thickness (m)	Au g/t	Ag g/t	Comment
EA 01	49.30	51.60	2.30	1.99	2.68	1.8	Main vein intersection
EA 02 including	60.40 60.40 63.00	64.00 60.65 64.00	3.60 0.25 1.00	2.25 0.18 0.72	7.84 28.35 15.67	12.2 16.6 33.8	Main vein intersection
EA 03	46.73	47.30	0.57	0.52	3.67	4.8	Main vein intersection
EA 04	62.80	65.00	2.20	1.58	0.94	1.4	Out of payshoot?
EA 05	112.6	113.15	0.55	0.25	0.54	0.5	Out of payshoot?
EA 06	74.92	76.00	1.08	0.68	1.24	<0.5	Out of payshoot?
EA UG 03	2.50	3.00	0.50		5.16	3.4	'Adit' vein
EA UG 02	0.50	1.00	0.50		7.50	5.4	'Adit' vein

Results from the eastern extension possibly indicate a westerly plunging payshoot extending over 300 metres beyond the eastern boundary of the previously defined JORC resource, delineated by surface holes EA 01, 02 and 03, underneath the recently announced extension of the resource to the east. Further drilling to define this area is hampered by extreme topography and will be followed up by underground drilling during mine development.

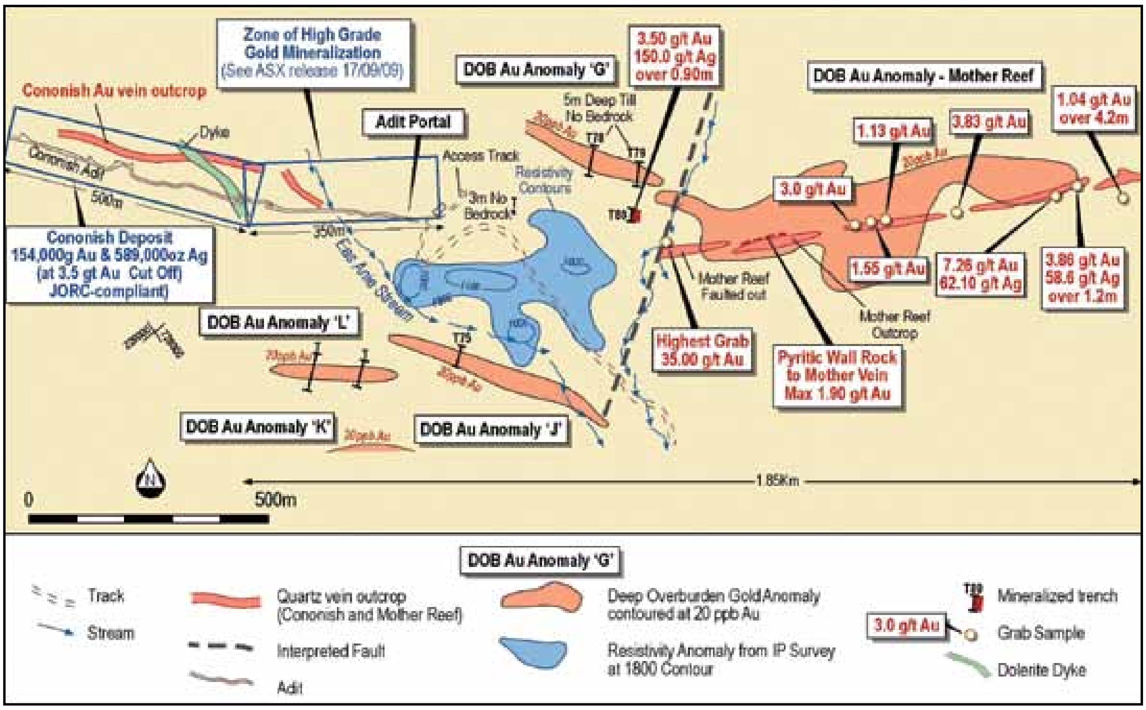
Underground holes EA UG 03 and 02 were drilled to test the possible extension of the high grade vein encountered in the adit (Block F). The results indicate vein continuity with encouraging values and warrant further investigation at a later stage.

Future possible resource infill drilling requirements will be determined by the results of the Project Development Study.

Scotgold believes that there is potential to define further resources close to the Cononish mine, subject to appropriate studies. The extensive gold-in-soil anomalies, mineralisation associated with outcrops and trenching and the large, unexplained geophysical anomaly clearly warrants further follow-up during the development stage.



Eastern Extension drill hole locations

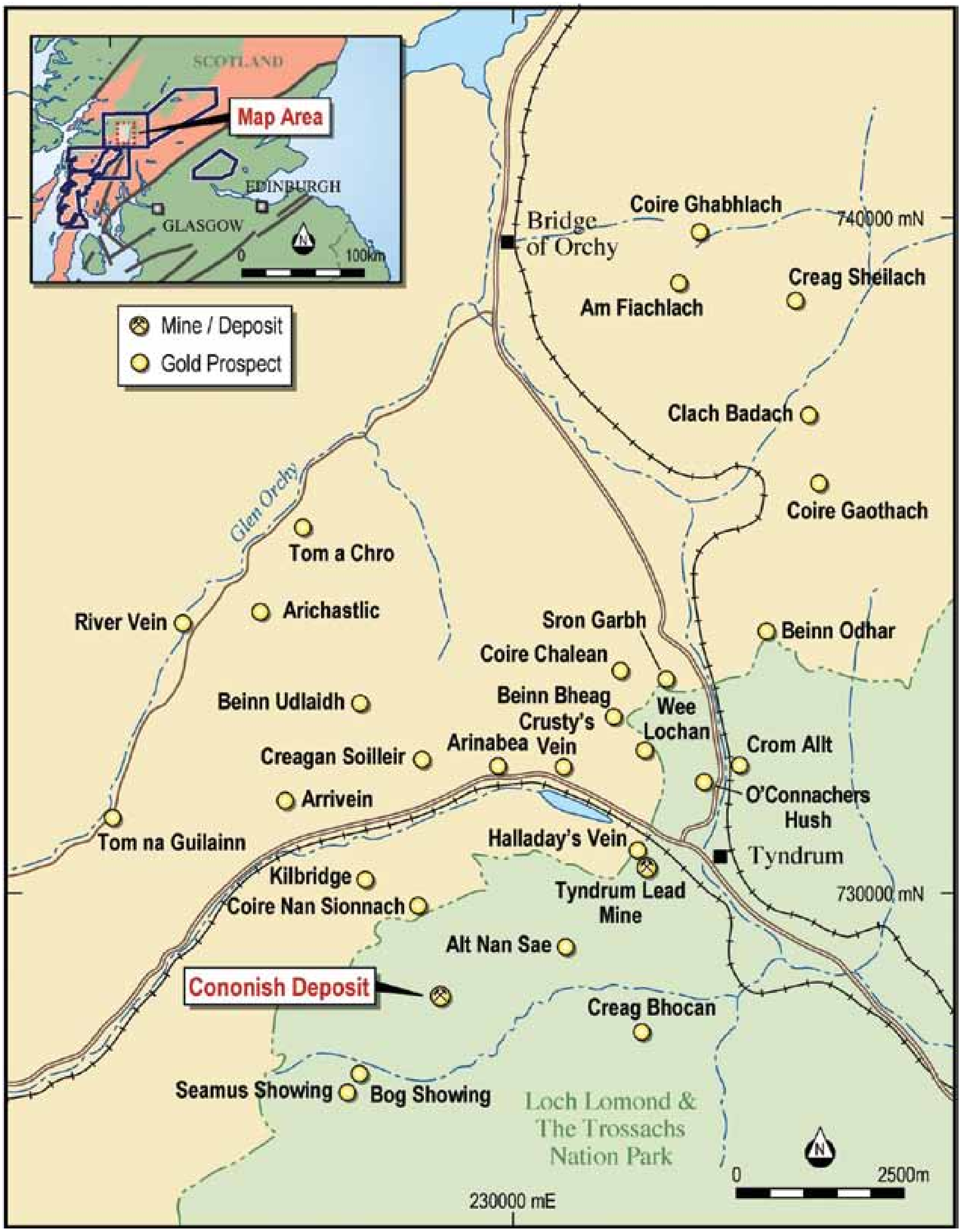


Plan of area east of audit showing soil and IP anomalies.

CONONISH GOLD AND SILVER PROJECT

The Company continues to actively pursue exploration activities on its substantial land position outside the National Park, primarily currently at the Beinn Udlaidh and Auch project areas.

It is noted that 85% of the area currently under license to Scotgold is located outside the National Park.



Principal prospects in Tyndrum Area

BACKGROUND

When Scotgold acquired the Cononish Gold and Silver Project and the greater Grampian Gold Project area in 2007, the Company also obtained a large volume of paper-based historic exploration data generated by previous exploration companies and this data was captured electronically into a Geographic Information System (GIS) database.

The Scotgold GIS database includes a broad range of exploration data consisting of rock and soil sample geochemistry, induced polarization (IP), very low frequency (VLF), magnetic and gravity geophysical data, digital geology, mineral occurrences and other data which can be viewed in conjunction with topographic and cartographic information (contours, towns, roads, property boundaries etc).

Specific historical data captured for the Grampian Gold Project GIS includes:

- 3,189 rock chip samples (boulder and outcrop)
- 11,459 soil samples (surface and deep overburden)
- 1,923 stream sediment samples
- 2,184 geophysical data points

Most of the historic data is centred around the town of Tyndrum and it extends over an area of 7 km by 37 km, along the Tyndrum / Glen Fyne Fault

A distinction is made between rock chips derived from outcrop and those from boulders which may be some distance from their source. Glacial deposits are known to occur in the area, which have the potential to transport boulders over large distances.

Scotgold's preliminary analysis of the historic data indicates that there are many high grade outcrop and boulder samples within the Company's licence areas, as shown in the table below:

Grade category	Number of outcrop samples	Number of boulder samples
Samples greater than 100 g/t gold	3	10
Samples greater than 10 g/t gold	35	79
Samples greater than 1 g/t gold	95	166

In 2009 / 2010 Scotgold embarked on a comprehensive follow up program to validate this data and to further extend the coverage over other parts of the Grampian Gold Project, including an extensive rock chip and mapping program in the field.

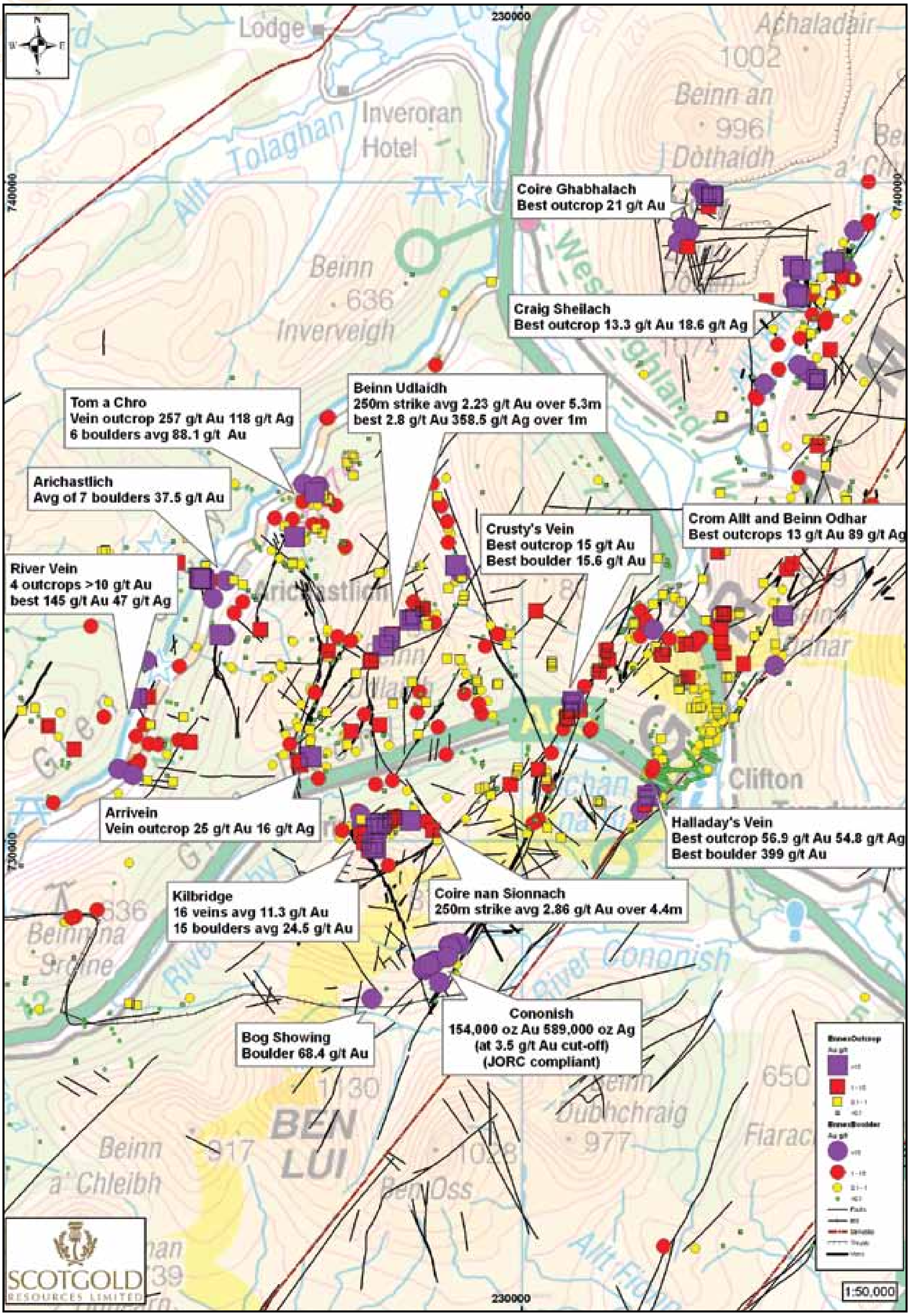
Amongst the highlights of the verification program were high grade outcrops identified at Halladay's Vein (217.2 and 196.8 g/t gold and > 200 g/t silver) and Coire nan Sionnach (51.2 g/t gold and 14.4 g/t silver).

The results of the program show little difference between the gold and silver assays of the 367 new outcrop samples recently collected when compared to their equivalent datasets within the historic database, thus confirming its reliability for use in regional exploration by Scotgold.

The frequency of high grade outcrops in the new and historic datasets, and their alignment with regional structural features, are similar to that at the Cononish Project. This pattern supports Scotgold's contention that its Grampian Gold Project has the potential to host a number of other 'Cononish style' gold deposits, in addition to other styles of mineralization such as the breccia pipes at Beinn Udlaidh.

Table 3 shows an overall comparison of the 2009 / 2010 outcrop rock chip sampling results with the equivalent historic database data. The data indicates that there is no overall difference between the new and old datasets.

Grade category	Historic Data No. of outcrop samples (%)	Scotgold Data No. of outcrop samples (%)
Total samples	728	367
Samples greater than 100 g/t gold	3 (0.4%)	2 (0.5%)
Samples greater than 5 g/t gold	55 (7.5%)	17 (6.1%)
Samples greater than 1 g/t gold	72 (9.9%)	47 (10.3%)



Historical outcrop and boulder sampling.

The results provide confirmation of the significant number of high grade outcrop gold values and the prospectivity of the 250 km² "principal zone of interest" which surrounds the Cononish Gold and Silver deposit.

From the historical database, follow up verification sampling and ongoing exploration initiatives, Scotgold have identified a number of high priority targets for follow up including

- Beinn Udlaidh River Vein
- Beinn Udlaidh Au Vein
- Beinn Udlaidh Breccia Pipes
- Auch vein systems
- 'Near Cononish' targets – Kilbridge, Coire nan Sionnach and Halladays vein

BEINN UDLAIDH PROSPECT

Scotgold considers the veins systems in the Beinn Udlaidh area to be valid exploration targets in their own right in addition to the already identified breccia pipe target (see Press Release 18 February 2010 – Beinn Udlaidh – Breccia Pipes – Exploration Target Confirmation).

An extensive mapping and rock chip sampling program has identified a number of high grade, narrow vein systems, in addition to a significant strike extension to the previously identified Beinn Udlaidh Vein.

Beinn Udlaidh River Vein area

The River Vein area is located five kilometres northwest of the Cononish gold and silver deposit and outside the boundaries of the Loch Lomond and Trossachs National Park.

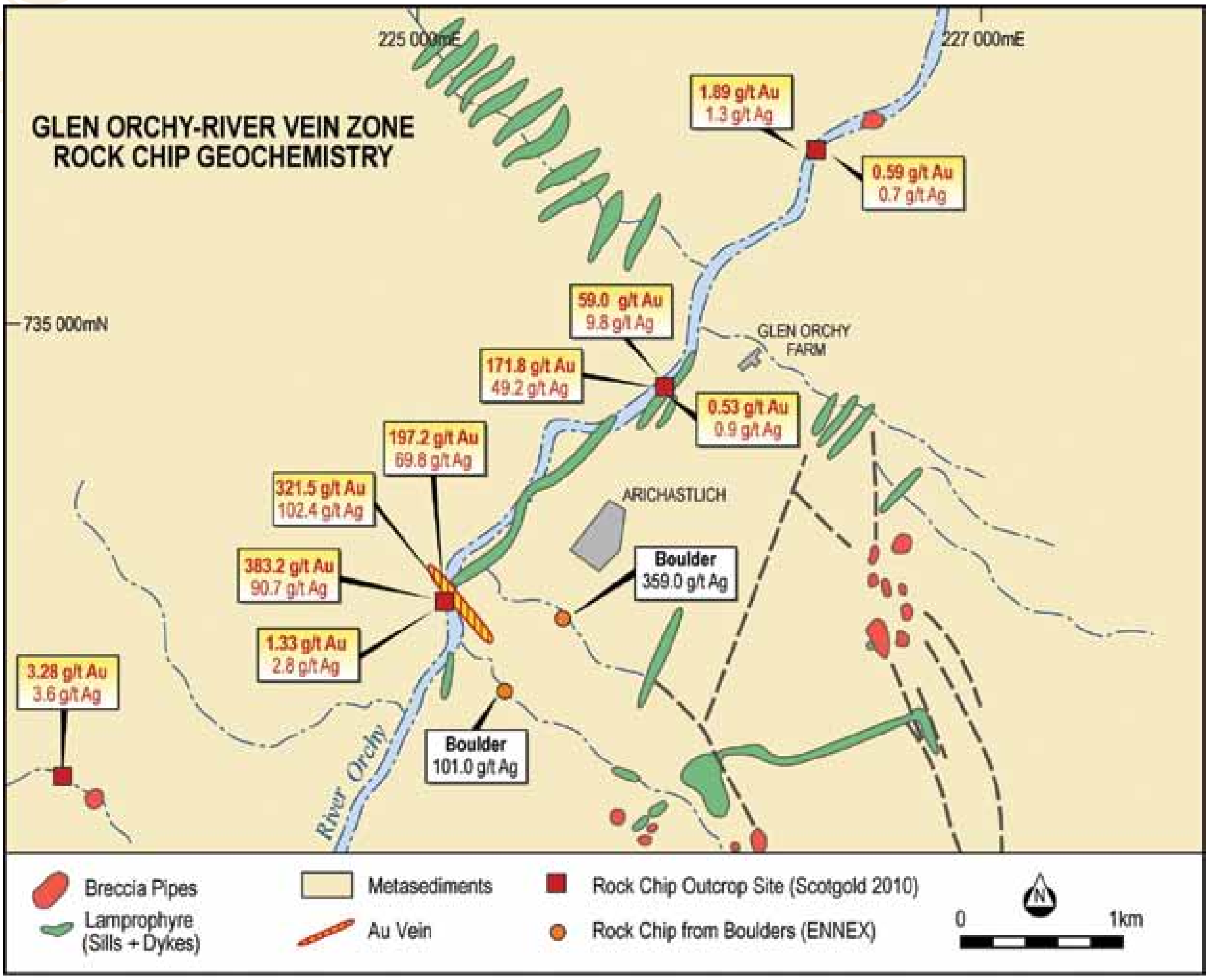
Outcrop is confined to rivers and burns due to extensive glacial till cover which is, in many places, deeper than 10 metres throughout Glen Orchy.

Previous exploration in this area by Ennex International plc in the 1980s identified high grade boulders, up to 358.9 g/t Au, and which are now thought to be linked to the identified veins. Lamprophyre sills and dykes have also been mapped in close proximity to these veins by Scotgold and previous explorers.

Initial mapping and outcrop sampling in the River Orchy by Scotgold in 2010, following up previous explorer's rock chip sampling results returned exceptional values of 383.2 g/t Au, 321.5 g/t Au and 197.3 g/t Au in rock chip samples at Area A. High grade values were also recorded from rock chip samples at two additional new veins located upstream of the River Vein at Area B, including 171.8 g/t Au, 59.0 g/t Au and 1.89 g/t Au.

The veins trend at 300^0 – 320^0 and are perpendicular to the normal Caledonide trend (220^0 – 240^0). Observed vein widths are between 10cms and 65cms and exhibit typical pinch and swell characteristics. The veins occur individually and in groups.

Further sampling by Scotgold in 2010 over Area B has confirmed the high grade nature of the gold mineralisation, including a grab sample between veins one metre apart, assaying 145.5 g/t Au and 28.5 g/t Ag. Other high gold values in grab samples from the narrow quartz veins in this area included 134.5 g/t Au, 31.8 g/t Ag and 15.0 g/t Au and 7.7 g/t Ag.



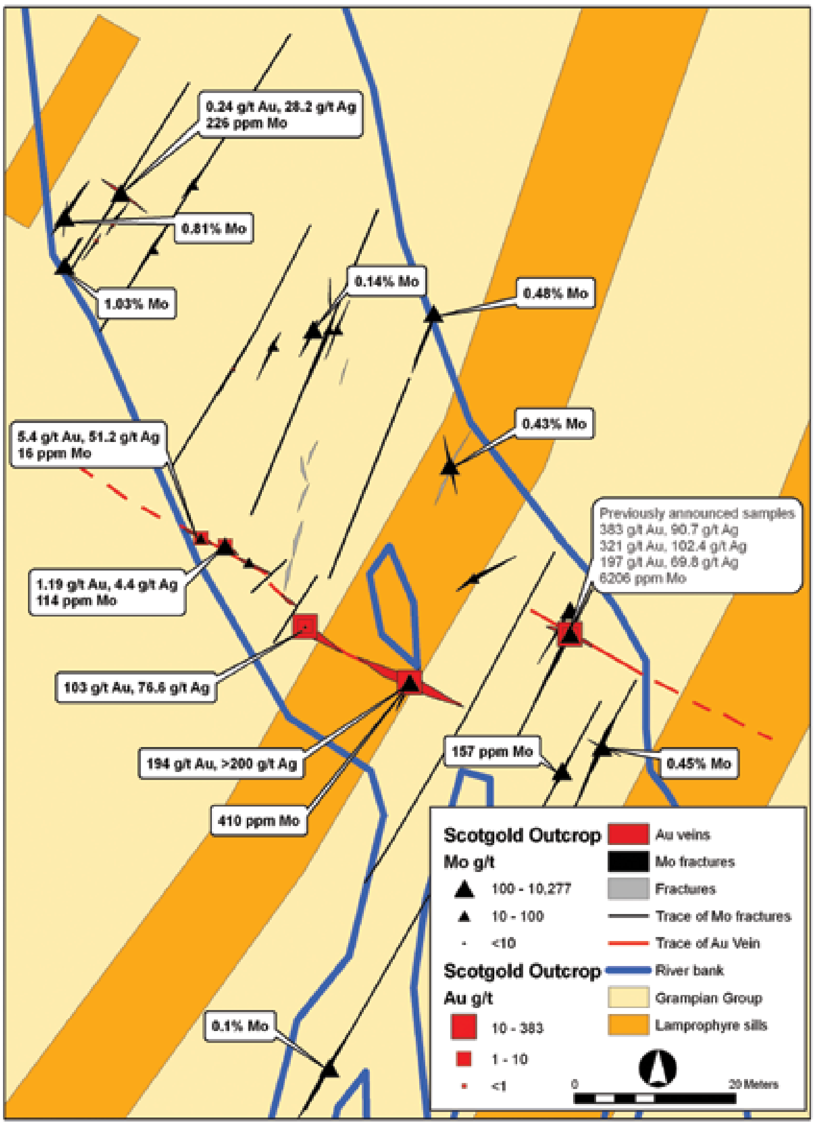
Glen Orchy River Vein Area Rock Chip and Boulder Geochemistry

Subsequent detailed mapping and sampling over a portion of Area A has defined a quartz sulphide vein rich in gold as well as several aplitic fracture zones, rich in molybdenum.

A total of 27 rock chip samples were collected from separate areas in order to trace the gold bearing vein across the river as well as to test the extent and grade of the molybdenum mineralisation across the zone

The gold bearing vein has now been traced from its discovery location, northwest, across the river to the bank for a distance of 30 metres, where it disappears under several meters of glacial till. The seven samples on the gold vein returned peak values of 194.6 g/t Au with >200 g/t Ag and 103.2 g/t Au with 76.6 g/t Ag.

The narrow molybdenum bearing fractures are currently only exposed in the river bed before disappearing under glacial till. They trend approximately northeast – southwest and are spaced at 1 – 5 metre intervals. The aplitic margins containing the molybdenum mineralisation vary from 1cm to 20cms wide. Seven samples (from twenty) of the aplitic fractures reported values of molybdenum in excess 500g/t (the upper calibration limit of the assay method used (ICP – MA/UT)) and were submitted for re-assay at a higher upper calibration limit – all seven samples returned in excess of 1000 ppm (0.1%) Mo.



River Vein Area A rock chip results

Scotgold is further researching a possible genetic model for gold and gold/molybdenum occurrences in order to guide future exploration in the area. Of particular interest are the Molybdenum and Tungsten showings in the nearby Starav Granite complex and a large gravity low possibly associated with that granite and trending into the River Vein and Beinn Udlaidh areas.

Further mapping of the high grade gold mineralization in the area to determine the orientation of any possible extensions under the adjoining glacial till cover, initial AQ drilling and deeper (NQ) drilling is planned.

Beinn Udlaidh vein

Previous explorers identified a 900 metre long mineralized vein structure at Beinn Udlaidh

Eleven diamond core holes were drilled into this structure in 1989 to a vertical depth of around 100 metres. The drilling intersected gold and silver mineralization over a 500 metre strike length with better results including:

GO 88-01	2.57 metres @ 3.8 g/t gold and 221 g/t silver from 51.97 metres
GO 88-04	1.02 metres @ 2.9 g/t gold and 109 g/t silver from 104.73 metres
GO 88-05	1.47 metres @ 3.3 g/t gold and 21 g/t silver from 102.54 metres
GO 88-09	1.56 metres @ 1.2 g/t gold and 36 g/t silver from 123.30 metres
GO 88-11	0.53 metres @ 2.2 g/t gold and 95 g/t silver from 60.97 metres

In 2009, Scotgold drilled three 13 to 20 metre-deep, AQ holes into the outcrop of the vein to check previous results. All 3 holes intersected significant gold values with better results (>0.5 g/t gold) including:

BUAQ1	1 metre @ 1.98g/t gold and 83.6g/t silver from 1.5 metres
	2 metres @ 12.85g/t gold and >200g/t silver from 4 metres
	1 metre @ 2.43g/t gold and 31.3g/t silver from 7 metres
Or	6.5m @4,75g/t Au and 87.0g/t Ag
BUAQ2	1.5 metres @ 1.93g/t gold and 69.1g/t silver from 18 metres
BUAQ3	1 metre @ 3.53g/t gold and 135g/t silver from 3.5 metres
	0.5 metres @ 1.87g/t gold and 43.4g/t silver from 6 metres

A rock chip sample taken by previous explorers to the north east of the drilled section of the then identified vein extent returned 16.1 g/t gold and 2520 g/t silver.

As part of Scotgold's initial reconnaissance of the potential north east extension in 2009, a confirmatory sample of 16.6 g/t gold, >200g/t silver was returned.

In Q3 2010, four further AQ holes were drilled into various potential outcrop locations to the north east of the previously identified structure. Best drill intercepts on the vein include:

- BUAQ100 - 11.1 g/t Au, 167g/t Ag over 1.0m
- BUAQ101 - 2.39 g/t Au, 139.6g/t Ag over 3.2m

Two other holes (BUAQ102 and 103) did not intersect significant mineralisation and appear to have been collared in the hanging wall of the vein.

Further rock chip sampling and mapping on the vein structure in the lower reaches of Coire Ghamhnain area in Q3/4 2010 have now confirmed the strike extent of the vein to around 1900m with encouraging gold and silver grades. Initial samples of 47.58 g/t Au with >200 g/t Ag and 46.28 g/t Au with >200 g/t Ag were returned with further follow up across the vein returning samples of 73.2 g/t Au with >200 g/t Ag and 17.7 g/t Au with >200 g/t Ag.

Further AQ drilling and deeper (NQ) drilling is planned.

AUCH PROJECT AREA

The Auch Project Area is situated 10km north east of the Cononish Gold and Silver Project

Previous explorers had identified a number of high grade boulders and outcrops at four locations (Coire Ghabhalach, Creag Sheileach, Beinn Odhar and Crom Allt) within the project area.

In late 2010, Scotgold conducted further field reconnaissance mapping and follow-up outcrop sampling at these prospects and three new prospects were identified at Clach Bhadach, Leitir Tharsuinn and the Auch Breccia pipe. Limited initial short AQ diamond drilling was conducted at Coire Ghabhalach and Creag Sheileach.

Rockchip sampling from the vein systems continued to return high grade gold and silver values over significant strike lengths including (selected values):

- Coire Ghabhalach - 23.4g/t gold, 29.6g/t silver
- Creag Sheileach - 13.2g/t gold, 36.6g/t silver (previously reported in 2009)
- Clach Bhadach - 62.4g/t gold, >200g/t silver
- Beinn Odhar – Beinn Odhar vein – 2.1g/t gold, 13.4g/t silver
- Beinn Odhar – Coire Thon vein – 9.8g/t gold, 80.4g/t silver
- Beinn Odhar – Coire Thon vein – 8.9g/t gold, >200g/t silver, 47 g/t tellurium

Ten small diameter (AQ) holes drilled into two vein structures at Auch have returned encouraging gold and silver values, including:

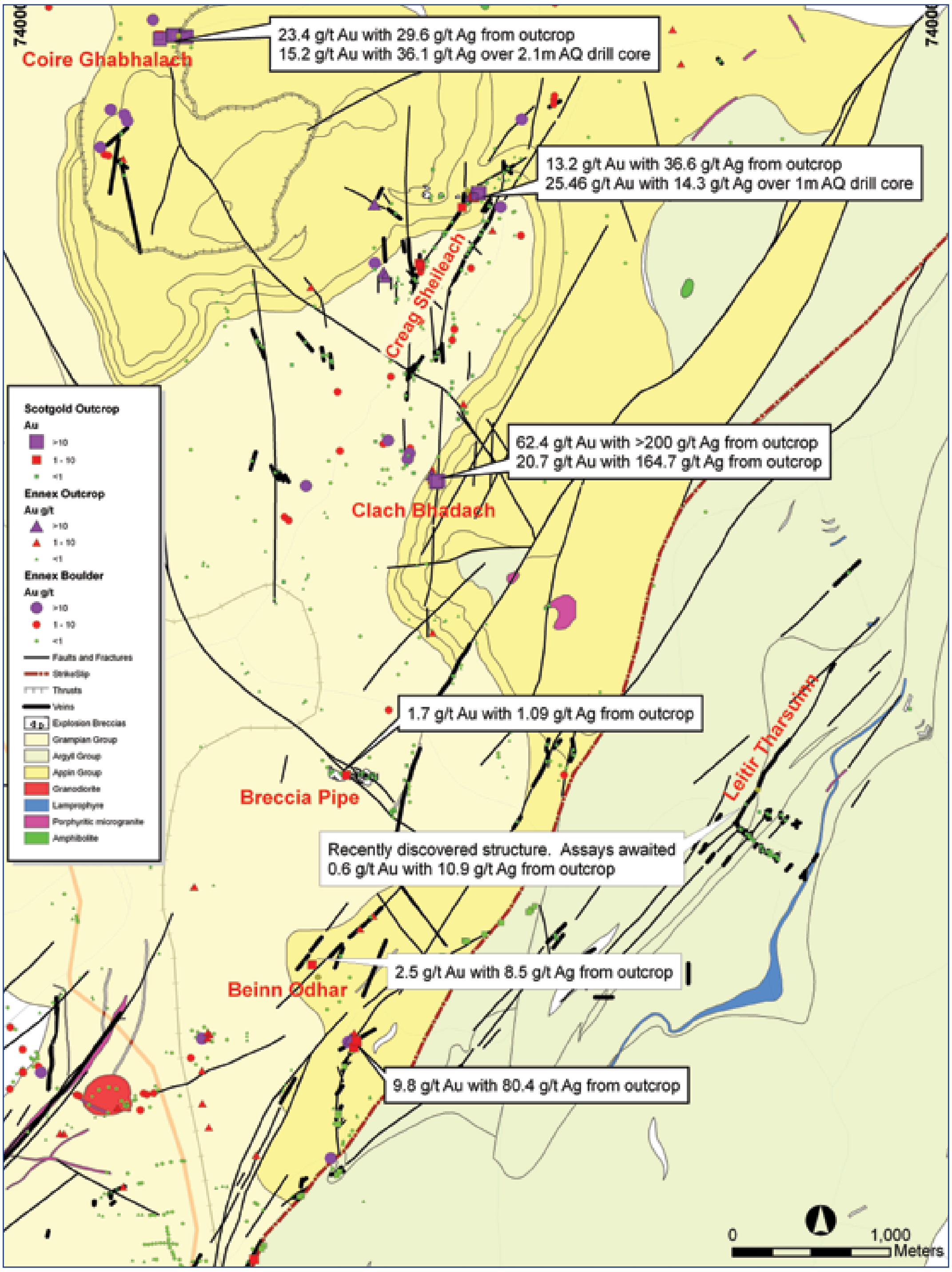
- Coire Ghabhalach – 2.1 metres averaging 15.2g/t gold, 36.1g/t silver
- Creag Sheileach – 1.0 metres averaging 25.5g/t gold and 14.3g/t silver

Fieldwork in 2010 also identified a large explosion breccia, possibly similar to the mineralized pipes encountered at Beinn Udlaidh. This occurrence appears to consist of two rounded pipe-like breccias approximately 10000m² in extent, and occur in close association with lamprophyre.

Thirty two rockchip samples were taken across the exposed extremities of the breccia and a single sample returned a highly anomalous gold value of 1.7g/t Au.

Aurum Exploration Services conducted a ground based magnetic and EM survey over the breccia occurrence and towards a large regional silicified fault zone to the east. The results clearly indicate two strong magnetic anomalies coincident with the shape of the mapped breccia pipes.

Further follow up rock chip sampling and AQ drilling is planned.



Selected outcrop and drill hole results over Auch area

Competent Persons Statement:

The information in this report that relates to Exploration Results is based on information compiled by Mr David Catterall. Pr Sci Nat, who is a member of the South African Council for Natural Scientific Professions. Mr Catterall is employed as a consultant to Scotgold Resources Ltd. Mr Catterall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Catterall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Information in this report that relates to Mineral Resources is based on resource estimates compiled by EurGeol Dr S C Dominy FAusIMM (CP), FGS (CGeol), FIMMM (CEng), FAIG (RPGeo), Executive Consultant with Snowden based in the Ballarat, Australia Office. Dr. Dominy has sufficient experience that is relevant to the style of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves. Dr Dominy consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

03

Directors' Report

DIRECTORS' REPORT

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 2011.

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
John Bentley	Non-Executive Chairman	17/02/2009	present
Chris Sangster	Chief Executive Officer	17/10/2007	present
Phillip Jackson	Non Executive Director	14/08/2007	present
Shane Sadleir	Non Executive Director	12/03/2009	present
Edmond Edwards	Non Executive Director	27/01/2009	25/10/2010
Adam Davey	Non Executive Director	12/03/2009	25/10/2010

PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

John Bentley **Non-Executive Chairman** **B.Tech (Hons) Brunel University**

Qualifications and experience

Mr Bentley has over 40 years of experience in the natural resources sector. He was Managing Director of Gencor's Brazilian mining company, Sao Bento Mineracao, from 1988 to 1993 when he became Chief Executive of Engen's Exploration & Production division. In 1996 he was instrumental in floating Energy Africa Ltd on the Johannesburg stock exchange and became Chief Executive for the following five years building it into one of the leading African independent oil and gas companies.

More recently Mr Bentley was Executive Chairman of FirstAfrica Oil plc and a non-executive director of Adastra Minerals Ltd. He currently serves on the board of a number of resource companies including as Chairman of Faroe Petroleum plc, Deputy Chairman of Wentworth Resources Ltd and Non-Executive Director of Resaca Exploitation Inc, Kea Petroleum plc and SacOil Holdings Ltd.

Mr Bentley holds a degree in Metallurgy from Brunel University.

Interest in Shares and Options

Fully Paid Shares	1,125,000
Listed Options	112,500

Special Responsibilities

Overall strategic guidance and UK Capital markets.

Directorships held in ASX listed entities

None

Christopher Sangster **CEO / Managing 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 BSc Hons in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand. He currently lives close to the Company's exploration licences at Comrie in Scotland with his wife and family.

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 Manger 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 Mining Services and in 2005 joined Australian Mining Consultants as a Principal Mining Engineer. More recently, Mr Sangster was employed as General Manager for AIM – listed company European Diamonds Plc.

Interest in Shares and Options

Fully Paid Shares	5,625,000
Listed Options	562,500

Special Responsibilities

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

Directorships held in listed entities

None

Directors' Report

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 a managing legal counsel for Western Mining Corporation, and in private practice specialized in small to medium resource companies.

Mr Jackson was Managing Region Legal Counsel: Asia-Pacific for Baker Hughes Incorporated for 13 years. He is now Legal Manager 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 Desert Energy Limited, since it listed in August 2007.

His experience includes management, finance, accounting and human resources.

Interest in Shares and Options

Fully Paid Shares	2,187,500
Listed Options	218,750

Special Responsibilities

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

Directorships held in listed entities

Company Name	Appointed
Aurora Minerals Limited	24 September 2003
Desert Energy Limited	12 December 2006

Shane Sadleir **Non-Executive Director** **BSc (Hons), FAusIMM**

Mr Sadleir is a soil scientist and geologist with over 30 years experience in exploration, mining and environmental aspects of the mining industry. He graduated with a BSc (Hons) from the University of Western Australia in 1974 after specialising in the mineralogy and geochemistry of Darling Range bauxite deposits.

After initially gaining extensive mining and exploration experience in bauxite and gold deposits in Western Australia, Mr Sadleir has continued to be involved in the exploration for gold, uranium, nickel, base metals, bauxite and mineral sands in Australia and overseas for much of his career. He also has over eleven years experience in the environmental impact assessment of major industrial, mining and land use projects and the remediation of contaminated sites in Western Australia working for the Environmental Protection Authority.

In addition to being on the Board of Scotgold Resources, Mr Sadleir is a non-Executive Director of a number of mining companies listed on the ASX, including Trafford Resources Limited and Robust Resources Limited.

Interest in Shares and Options

Fully Paid Shares	14,478,481
Listed Options	1,447,848

Special Responsibilities

Mr Sadleir is responsible for Investor and Public Relations.

Directorships held in listed entities

Company Name	Appointed	Resigned
Trafford Resources Limited	1 December 2005	12 September 2011
Ironclad Mining Limited	18 September 2007	17 March 2011
Robust Resources Limited	3 October 2008	

Peter Newcomb **Company Secretary** **FCA (ICAEW)**

Qualifications and experience

Mr Newcomb is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants in Australia, with over thirty years professional and commercial experience.

He has worked in a number of industries and locations including London, Scotland, Singapore and Perth. The majority of his experience over the last ten years has been in the Resources industry in Western Australia. Mr Newcomb is also Company Secretary of Athena Resources Limited.

OPERATING AND FINANCIAL REVIEW

A review of operations of the consolidated entity during the financial year is contained in the Review of Operations section of this Annual Report.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was mineral exploration in Scotland.

Operating Results

Consolidated loss after income tax for the financial year is $910,466.

Financial Position

At 30 June 2011 the Company has cash reserves of $950,668.

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 accounts.

MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 31 August 2011 the Company announced it had allotted 28,181,626 fully paid ordinary shares at an issue price of $0.05 in accordance with the Offer Document dated 22 July 2011. On 22 September 2011 the Company announced it had placed the shortfall of 4,079,256 at $0.05. The entitlements issue raised a total of $1,613,000.

Other than this, since the end of the financial year under review and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, in subsequent financial years.

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 2011, 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
John Bentley	5	5
Chris Sangster	5	5
Phillip Jackson	5	5
Shane Sadleir	5	5
Edmond Edwards	2	2
Adam Davey	2	2

AUDIT COMMITTEE

The audit committee is comprised of Mr Jackson who chaired two meetings of the audit committee during the year ended 30 June 2011.

REMUNERATION REPORT

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

The information provided in the remuneration report includes remuneration disclosures that are required under Accounting Standards AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report and have been audited.

Remunerations policy (audited)

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The board determines payment 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 directors and executives 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 2011 (audited)

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 cash remuneration of 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 Directors' are entitled to reimbursement of out-of-pocket expenses incurred whilst on company business.

The total remuneration paid to directors and executives is summarised below:

Director/Secretary	Associated Company	Fees	Consultancy	Total
Year ended 30 June 2010				
John Bentley	Ptarmigan Natural Resources Ltd	84,000	-	84,000
Chris Sangster		-	228,340	228,340
Phillip Jackson	Holihox Pty Ltd	54,000	52,000	106,000
Edmond Edwards	Tied Nominees Pty Ltd	54,000	24,000	78,000
Shane Sadleir	Mineral Products Holdings Pty Ltd	54,000	50,400	104,400
Adam Davey	Shenton Park Investments Pty Ltd	54,000		54,000
Peter Newcomb	Symbios Pty Ltd	-	108,000	108,000
		300,000	462,740	762,740
Year ended 30 June 2011				
John Bentley	Ptarmigan Natural Resources Ltd	54,000	-	54,000
Chris Sangster		-	206,750	206,750
Phillip Jackson	Holihox Pty Ltd	27,000	-	27,000
Edmond Edwards	Tied Nominees Pty Ltd	31,500	10,000	41,500
Shane Sadleir	Mineral Products Holdings Pty Ltd	29,000	28,400	57,400
Adam Davey	Shenton Park Investments Pty Ltd	9,000	-	9,000
Peter Newcomb	Symbios Pty Ltd	-	144,500	144,500
		150,500	389,650	540,150

The consolidated entity does not have any full time executive officers, other than the managing director as detailed above.

There were no performance related payments made during the year.

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.

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 2011 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.

CHRIS SANGSTER
Managing Director

Dated at Tyndrum, Scotland, this 30th day of September, 2011.

04

Corporate Governance Statement

CORPORATE GOVERNANCE

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

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the Australian Securities Exchange Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

	ASX Corporate Governance Council Recommendations	Reference	Comply
1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b),	Yes
2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	2(e)	Yes
2.2	The chair should be an independent director.	2(c), 2(e)	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	4(a)	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	4(c)	No
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4(c)	No
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4(c)	No
3.5	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(c)	Yes

	ASX Corporate Governance Council Recommendations (continued)	Reference	Comply
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.	3(a)	No
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(c)	No
8.2	The remuneration committee should be structured so that it: • consist of a majority of independent directors • is chaired by the independent chairman • has at least three members		No
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(c), Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	3(c),	Yes

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately;
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.
- Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of three Non-Executive Directors and one Executive Director. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Chief Executive Officer is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.
Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

2(e) Independent Directors

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Scotgold Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board currently includes two independent non-executive Directors.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Scotgold Resources Limited are considered to be independent:

Name	Position
John Bentley	Non-Executive Chairman
Phillip Jackson	Non Executive Director

The term in office held by each director in office at the date of this report is as follows:

	In office since
John Bentley	17/02/2009
Chris Sangster	17/10/2007
Phillip Jackson	14/08/2007
Shane Sadleir	12/03/2009

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman should be a Non-Executive Director.

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information. There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Scotgold Resources Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

3(a) Audit Committee

The audit committee is comprised of one independent non-executive director, Mr Jackson who chaired two meetings of the audit committee between commencement of the financial year and the date of this report.

The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

3(b) External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is HLB Mann Judd's policy to rotate engagement Partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report. There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year.

3(c) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company may, in the future, grant options to non-executive directors. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as Scotgold Resources Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the optionholders, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.
All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

4(b) *Policy concerning trading in Company securities*

The Company's "Dealings in Company Shares and Options Policy" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- no trading is permitted in the period of 14 days preceding release of each quarterly report, half-yearly report and annual financial report of the Company or for a period of 2 trading days after the release of such report;
- guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

4(c) *Policy concerning gender diversity*

Scotgold is committed to establishing a policy concerning diversity and disclosure of the policy. The policy will include requirements for the board to establish measurable objectives for achieving gender diversity and for the Board to assess annually the objectives and report in the Annual Report.

As a company with a small market capitalisation, the company has a small board. The company has no established policy in relation to gender diversity at present but is aware of the principle and will be alert for opportunities when board changes are contemplated. Given the size of the company and the limited number of employees, reporting the numbers of employees by gender is not regarded as a meaningful statistic.

5. TIMELY AND BALANCED DISCLOSURE

5(a) *Shareholder communication*

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

5(b) *Continuous disclosure policy*

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.
The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- the Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- the statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- the Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

7. OTHER INFORMATION

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at www.scotgoldresources.com

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Scotgold Resources Limited for the year ended 30 June 2011, 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.

HLB Mann Judd

N G NEILL
Partner, HLB Mann Judd

Perth, Western Australia
30 September 2011

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Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	CONSOLIDATED 2011 $	2010 $
Revenue	2	33,880	46,623
Administration costs		(404,449)	(391,415)
Depreciation and loss on disposal of fixed assets	3	(38,448)	(46,714)
Employee and consultant costs		(236,864)	(376,029)
Listing and share registry costs		(147,974)	(116,666)
Office and communication costs		(163,441)	(175,746)
Other expenses		(76,209)	(78,231)
LOSS BEFORE INCOME TAX EXPENSE		(1,033,505)	(1,138,160)
Income tax benefit	4	123,039	-
NET LOSS FOR THE YEAR		(910,466)	(1,138,160)
Other Comprehensive Income			
Exchange gain/(loss) on translation of foreign subsidiaries		(44,370)	-
Comprehensive result for the year		(954,837)	(1,138,160)
Basic loss per share (cents per share)	22	0.67	1.18

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

Statement of Financial Position

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for the year ended 30 June 2011

	Notes	CONSOLIDATED 2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	5	950,668	1,592,997
Trade and other receivables	6	196,303	122,548
Other current assets	7	20,076	6,527
Total Current Assets		1,167,047	1,722,072
NON CURRENT ASSETS			
Trade and other receivables	6	75,586	87,719
Plant and equipment	8	173,116	199,573
Mineral exploration and evaluation	9	10,526,320	8,917,502
Total Non Current assets		10,775,023	9,204,794
TOTAL ASSETS		11,942,070	10,926,866
CURRENT LIABILITIES			
Trade and other payables	10	297,566	298,948
Other current liabilities	10	39,845	36,189
Interest bearing liabilities	11	-	7,478
TOTAL LIABILITIES		337,411	342,615
NET ASSETS		11,604,658	10,584,251
EQUITY			
Issued capital	12	14,299,263	12,324,019
Reserves	13	(44,370)	-
Accumulated losses	13	(2,650,234)	(1,739,768)
TOTAL EQUITY		11,604,658	10,584,251

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

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Statement of Changes in Equity

for the year ended 30 June 2011

CONSOLIDATED

	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2010	$	$	$	$	$
Balance 1 July 2009	7,731,885	(1,203,912)	602,304	-	7,130,277
Share Placement	5,197,500	-	-	-	5,197,500
Option expiry	-	602,304	(602,304)	-	-
Share issue expenses	(605,366)	-	-	-	(605,366)
Loss for the year	-	(1,138,160)	-	-	(1,138,160)
As at 30 June 2010	12,324,019	(1,739,768)	-	-	10,584,251
Year Ended 30 June 2011	$	$	$	$	$
Balance 1 July 2010	12,324,019	(1,739,768)	-	-	10,584,251
Share Placements	986,000	-	-	-	986,000
Rights Issue	1,020,005	-	-	-	1,020,005
Option exercise	29,149	-	-	-	29,149
Share issue expenses	(59,910)	-	-	-	(59,910)
Total comprehensive result for the year	-	(910,466)	-	(44,370)	(954,837)
As at 30 June 2011	14,299,263	(2,650,234)	-	(44,370)	11,604,658

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

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	CONSOLIDATED 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers		(1,073,130)	(1,250,511)
Interest income received		32,285	46,623
Net Cash Outflow From Operating Activities	18	(1,040,845)	(1,203,888)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(1,524,816)	(2,446,502)
Payment for other fixed assets		(11,992)	(24,946)
Net Cash Outflow From Investing Activities		(1,536,808)	(2,471,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		2,035,154	5,197,500
Share and option issue transaction costs		(59,910)	(605,366)
Hire purchase repayments		(7,284)	(11,948)
Net Cash Inflow From Financing Activities		1,967,960	4,580,186
Net increase / (decrease) in cash held		(609,693)	904,850
Effect of exchange rate fluctuations on cash and cash equivalents		(32,636)	(7,314)
Cash and cash equivalents at the beginning of this financial year		1,592,997	695,461
Cash and cash equivalents at the end of this financial year	5	950,668	1,592,997

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

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Notes to the Financial Statements

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Australia and Scotland. The entity's principal activities are 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 and its subsidiaries.

Reporting Basis and Conventions

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

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund its and the consolidated entity's operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Such additional funding as occurred during the year ended 30 June 2011 as disclosed in Note 25, can be derived from either one or a combination of the following:

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

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

The financial report has also been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Statement of Compliance

The financial report was authorised for issue on 28 September 2011.
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 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group 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 Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. 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 its business and, therefore, no change necessary to Group 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 inter-company 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 consolidated 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.

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.

(d) 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.

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.

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.

(e) 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.

(f) 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.

(g) 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.

(h) Revenue

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

All revenue is stated net of the amount of goods and service tax (GST).

(i) Goods and Services Tax (GST)

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

(j) Contributed Equity

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.

(k) Comparative Figures

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

(l) 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.

(m) 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.

No impairment has been recognised in respect of costs carried forward as exploration assets. The ultimate recoupment of value is dependent on the successful development and commercial exploration or sale of the respective areas.

(n) 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 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.

NOTE 2 – REVENUE

	2011 $	2010 $
Revenue		
Interest received	33,138	46,623
Other income	742	-
Total revenue	33,880	46,623

NOTE 3 - LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSES

	2011 $	2010 $
Expenses		
Borrowing cost expensed	251	1,098
Total borrowing cost expensed	251	1,098
Depreciation of non-current assets		
Plant and Equipment	27,636	33,631
Office furniture and equipment	54	69
Motor vehicles	10,685	13,014
Total depreciation of non-current assets	38,375	46,714

NOTE 4 - INCOME TAX

The prima facie tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided for in the financial statements as follows:

Loss from ordinary activities	954,837	1,138,160
Prima facie income tax benefit at 30%	286,451	341,448
Tax effect of permanent differences		
Share Issue Costs amortised	64,070	60,475
R & D Tax Offset claimed	-	(98,431)
R & D Tax Offset refund received	(123,039)	-
Other non-deductible expenses	(5,658)	(86)
Income tax benefit adjusted for permanent differences	221,824	1,079,125
Deferred tax asset not brought to account	(98,785)	(1,079,125)
	123,039	-

The directors estimate the cumulative deferred tax asset attributable to the company and its controlled entity at 30% are as follows:

DEFERRED TAX ASSETS

	2011 $	2010 $
Revenue Losses after permanent differences	726,470	407,609
Capital Raising Costs yet to be claimed	149,099	213,169
	875,569	620,778

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2011 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 unrecouped 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 unrecouped exploration expenditure.

Franking Credits

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

NOTE 5 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	950,668	1,592,997

NOTE 6 – TRADE AND OTHER RECEIVABLES

Current

GST / VAT Receivable	53,932	121,671
ATO Research and Development Offset	124,330	-
Other receivables	18,041	877
	196,303	122,548

Non Current

Bond on Tenement	75,586	87,719

NOTE 7 – OTHER CURRENT ASSETS

Prepaid expenses	20,076	6,527

	2011 $	2010 $
NOTE 8 – PLANT AND EQUIPMENT		
Plant and equipment		
Cost	329,783	326,042
Accumulated Depreciation	(156,667)	(126,469)
	173,116	199,573

Movement for the year

Opening balance	199,573	221,341
Additions	20,261	24,946
Disposals	(8,343)	-
Depreciation expensed	(38,375)	(46,714)
Closing balance	173,116	199,573

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is $nil (2010: $20,095). There were no additions during the year under finance leases or hire purchase contracts.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

NOTE 9 – MINERAL EXPLORATION AND EVALUATION

Opening balance	8,917,502	6,331,773
Expenditure during the year	1,608,818	2,585,729
Closing balance	10,526,320	8,917,502

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

NOTE 10 – TRADE AND OTHER PAYABLES

Trade creditors	297,566	298,948
Other accruals	39,845	36,189

NOTE 11 – INTEREST BEARING LIABILITIES

Current		
Hire purchase liability	-	7,478
Non-Current		
Hire purchase liability	-	-

Terms and conditions

Hire purchase agreements are repayable by monthly instalments, the timing and amount of which are disclosed in Note 14 and at the weighted average interest rate of 8%.

Financing Agreements

No overdraft facilities have been formalised at 30 June 2011 and neither the company nor any of its controlled entity have lines of credit at 30 June 2011.

NOTE 12 – ISSUED CAPITAL

		2011 $	2010 $
(a)	**Issued capital**		
	161,304,411 ordinary shares fully paid (2010: 117,306,762)	14,299,263	12,324,019

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

Date	Details	No of Shares	Value (cents)	$
	Balance at 30 June 2009	63,415,852		7,731,885
03/07/2009	Placement	9,500,000	8.50	807,500
20/10/2009	Placement	10,900,000	11.00	1,199,000
27/11/2009	Placement	18,190,910	11.00	2,001,000
24/02/2010	Placement	15,300,000	7.78	1,190,000
	Transaction costs arising on share issues			(605,366)
	Balance at 30 June 2010	117,306,762		12,324,019
	Balance at 30 June 2010	117,306,762		12,324,019
11/11/2010	Rights Issue	29,133,284	3.50	1,020,005
19/01/2011	Placement	14,500,000	6.80	986,000
19/01/2011	Options conversion	15,526		1,242
14/02/2011	Options conversion	61,166		4,893
28/02/2011	Options conversion	76,512		6,121
21/03/2011	Options conversion	65,566		5,245
27/04/2011	Options conversion	145,595		11,648
	Transaction costs arising on share issues			(59,910)
	Balance at 30 June 2011	161,304,411		14,299,263

(c) **Movements in options were as follows:**

Date	Details	No of Options	Issue Price	Value $
	Balance at 30 June 2009	38,799,204		602,304
30/04/2010	Expiry of options	(38,799,204)	1.00	(602,304)
	Balance at 30 June 2010	-		-
	Balance at 30 June 2010	-		
11/11/2010	Rights Issue (free attaching options)	14,566,586		-
19/01/2011	Placement (free attaching options)	7,250,000		-
	Options conversion	(15,526)		-
	Options conversion	(61,166)		-
	Options conversion	(76,512)		-
	Options conversion	(65,566)		-
	Options conversion	(145,595)		-
	Balance at 30 June 2011	21,452,221		-

(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 shareholders 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.

	2011 $	2010 $
NOTE 13 – RESERVES AND ACCUMULATED LOSSES		
Accumulated Losses	2,650,234	1,739,768
Foreign Currency Translation Reserve	44,370	-
	2,694,604	1,739,768
Accumulated Losses		
Balance at beginning of the year	1,739,768	1,203,912
Net Loss from ordinary activities	954,837	1,138,160
Options expiring during the year	-	(602,304)
Balance at end of the year	2,694,605	1,739,768
Foreign Currency Translation Reserve		
Balance at beginning of the year	-	-
Reserve arising on translation of foreign currency subsidiary	44,370	-
Balance at end of the year	44,370	-

NOTE 14 - COMMITMENTS FOR EXPENDITURE

(a) Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the consolidated entity will be required to outlay in the year ending 30 June 2012 amounts of $58,250 in respect of minimum tenement expenditure requirements and lease rentals. The obligations are not provided for in the financial report and are payable as follows :

	Minimum expenditure	Licence Fee	Total
Not later than one year	27,000	31,250	58,250
Later than 1 year but not later than 2 years	27,000	31,250	58,250
Later than 2 years but not later than 5 years	81,000	93,750	174,750
	135,000	156,250	291,250

The Company has a number of avenues available to continue the funding of its current exploration program and as and when decisions are made, the Company will disclose this information to shareholders.

	2011 $	2010 $
(b) Hire Purchase Liabilities		
Hire purchase agreements are payable :		
Not later than one year	-	7,726
Later than 1 year but not later than 5 years	-	-
Less charges yet to mature	-	(248)
	-	7,478
Hire purchase liabilities provided for in the financial statements		
Current	-	7,478
Non-current	-	-
	-	7,478

NOTE 15 - CONTINGENT LIABILITIES

Scotgold Resources Limited and its controlled entities have no known material contingent liabilities as at 30 June 2011.

NOTE 16 - INVESTMENT IN CONTROLLED ENTITY

	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
Subsidiary of subsidiary				
Fynegold Exploration Limited	SC 084497	Scotland	100%	-

NOTE 17 - 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.

NOTE 18 - NOTES TO THE STATEMENT OF CASH FLOWS

	2011 $	2010 $
Reconciliation of loss after income tax to net operating cash flows		
Loss from ordinary activities	(910,466)	(1,138,160)
Depreciation and loss on disposals	38,448	46,714
Exchange loss on revaluation of loans	-	(9,286)
	(872,019)	(1,100,732)
Movement in assets and liabilities		
Receivables	(141,615)	5,851
Other current assets	41,760	(97,819)
Payables	(68,971)	(11,188)
Net cash used in operating activities	(1,040,845)	(1,203,888)

NOTE 19 - 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
John Bentley	Non-Executive Chairman	17/02/2009	present
Chris Sangster	Managing Director	17/10/2007	present
Phillip Jackson	Non Executive Director	14/08/2007	present
Shane Sadleir	Non Executive Director	12/03/2009	present
Edmond Edwards	Non Executive Director	27/01/2009	25/10/2010
Adam Davey	Non Executive Director	12/03/2009	25/10/2010

(b) Remuneration Polices

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

(c) 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.
The Directors' are entitled to reimbursement of out-of-pocket expenses incurred whilst on company business.

The total remuneration paid to directors is summarised below:

Director/Secretary	Associated Company	Fees	Consultancy	Total
Year ended 30 June 2010				
John Bentley	Ptarmigan Natural Resources Ltd	84,000	-	84,000
Chris Sangster		-	228,340	228,340
Phillip Jackson	Holihox Pty Ltd	54,000	52,000	106,000
Edmond Edwards	Tied Nominees Pty Ltd	54,000	24,000	78,000
Shane Sadleir	Mineral Products Holdings Pty Ltd	54,000	50,400	104,400
Adam Davey	Shenton Park Investments Pty Ltd	54,000	-	54,000
Peter Newcomb	Symbios Pty Ltd	-	108,000	108,000
		300,000	462,740	762,740
Year ended 30 June 2011				
John Bentley	Ptarmigan Natural Resources Ltd	54,000	-	54,000
Chris Sangster		-	206,750	206,750
Phillip Jackson	Holihox Pty Ltd	27,000	-	27,000
Edmond Edwards	Tied Nominees Pty Ltd	31,500	10,000	41,500
Shane Sadleir	Mineral Products Holdings Pty Ltd	29,000	28,400	57,400
Adam Davey	Shenton Park Investments Pty Ltd	9,000	-	9,000
Peter Newcomb	Symbios Pty Ltd	-	144,500	144,500
		150,500	389,650	540,150

(d) Shareholding

	Balance 30 June 2009	Purchase and Sales	Balance at date of resignation	Balance 30 June 2010
John Bentley	-	900,000	-	900,000
Chris Sangster	4,500,000	-	-	4,500,000
Phillip Jackson	1,750,000	-	-	1,750,000
Edmond Edwards	1,760,000	87,843	-	1,847,843
Shane Sadleir	11,582,785	-	-	11,582,785
Adam Davey	-	-	-	-w
	19,592,785	987,843	-	20,580,628

	Balance 30 June 2010	Purchase and Sales	Balance at date of resignation	Balance 30 June 2011
John Bentley	900,000	225,000	N/A	1,125,000
Chris Sangster	4,500,000	1,125,000	N/A	5,625,000
Phillip Jackson	1,750,000	437,500	N/A	2,187,500
Edmond Edwards	1,847,843	-	1,847,843	N/A
Shane Sadleir	11,582,785	2,895,696	N/A	14,478,481
Adam Davey	-	-	-	N/A
	20,580,628	4,683,196	1,847,843	23,415,981

(e) Aggregate amounts payable to Directors and their personally related entities.

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Accounts payable	16,669	40,200

(f) Optionholding

	Balance 30 June 2009	Rights Issue	Expired during the year	Balance 30 June 2010
Chris Sangster	3,750,000	-	3,750,000	-
Phillip Jackson	1,625,000	-	1,625,000	-
Edmond Edwards	1,330,000	-	1,330,000	-
Shane Sadleir	6,752,905	-	6,752,905	-
Adam Davey	1,000,000	-	1,000,000	-
	14,457,905	-	14,457,905	-

	Balance 30 June 2010	Rights Issue	Converted during the year	Balance 30 June 2011
John Bentley	-	112,500	-	112,500
Chris Sangster	-	562,500	-	562,500
Phillip Jackson	-	218,750	-	218,750
Edmond Edwards	-	-	-	N/A
Shane Sadleir	-	1,447,848	-	1,447,848
Adam Davey	-	-	-	N/A
	-	2,341,598	-	2,341,598

NOTE 20 - RELATED PARTY INFORMATION

	Parent Entity 2011 $	Parent Entity 2010 $
Transactions within the Consolidated Entity		
Aggregate amount receivable within the consolidated entities at balance date		
Non-current receivables	10,264,890	8,228,179

NOTE 21 - REMUNERATION OF AUDITORS

	2011 $	2010 $
Auditing and reviewing of the financial statements of Scotgold Resources Limited and of its controlled entities.	34,150	24,800
Other services (independent accountants report)	-	9,900
	34,150	34,700

NOTE 22 - LOSS PER SHARE

	2011 Number	2010 Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	142,279,083	96,539,464

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

NOTE 23 - 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.

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 weighed average interest rate on these financial assets, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2011	2010	2011	2010
Financial Assets				
Cash at Bank	2.7%	5.0%	950,668	1,592,997
Total Financial Assets			950,668	1,592,997

There are no Financial Liabilities subject to interest rate fluctuations.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet 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 2011 the effect on the loss and equity as a result of changes in the interest rate with all other variables remaining constant is as follows:

	2011 $	2010 $
Change in Loss		
· Increase in interest by 2%	(24,524)	(37,298)
· Decrease in interest by 2%	24,524	37,298
Change in Equity		
· Increase in interest by 2%	24,524	37,298
· Decrease in interest by 2%	(24,524)	(37,298)

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 2011 $	Assets 2011 $	Liabilities 2010 $	Assets 2010 $
£ Sterling	185,865	411,530	209,686	348,912

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 24 - PARENT ENTITY DISCLOSURES

Financial Position	2011 $	2010 $
CURRENT ASSETS		
Cash and cash equivalents	604,040	1,356,699
Trade and other receivables	151,477	16,460
Total Current Assets	755,517	1,373,160
NON CURRENT ASSETS		
Plant and equipment	6,473	6,968
Investment in subsidiary	5,491,881	5,491,881
Loan to subsidiary	10,264,890	8,228,179
Total Non Current assets	15,763,244	13,727,028
TOTAL ASSETS	16,518,761	15,100,188
CURRENT LIABILITIES		
Trade and other payables	151,546	122,929
Other current liabilities	-	10,000
Total Current Liabilities	151,546	132,929
TOTAL LIABILITIES	151,546	132,929
NET ASSETS	16,367,215	14,967,258
EQUITY		
Issued capital	18,376,754	16,401,510
Accumulated losses	(2,009,539)	(1,434,252)
TOTAL EQUITY	16,367,215	14,967,258
Financial Performance		
Loss for the year	(575,287)	(836,981)
Other comprehensive income - options expired during the year	-	602,304
Total comprehensive income	(575,287)	234,677

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.

NOTE 25 - MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 31 August 2011 the Company announced it had allotted 28,181,626 fully paid ordinary shares at an issue price of $0.05 in accordance with the Offer Document dated 22 July 2011. On 22 September 2011 the Company announced it had placed the shortfall of 4,079,256 at $0.05. The entitlements issue raised a total of $1,613,000.

Other than this, since the end of the financial year under review and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, in subsequent financial years.

Directors' Declaration 11

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 2011 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 2011.

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

CHRIS SANGSTER – Managing Director

Dated at Tyndrum, Scotland, this 30th day of September, 2011.

HLB Mann Judd
Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Scotgold Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Scotgold Resources Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Scotgold Resources Limited for the financial year ended 30 June 2011 included on Scotgold Resources Limited's website. The company's directors are responsible for the integrity of the Scotgold Resources Limited website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Scotgold Resources Limited is 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Scotgold Resources Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

N G NEILL
Partner

Perth, Western Australia
30 September 2011

13 Shareholder Details

ANALYSIS OF SHAREHOLDING at 20 October 2011

			Shares ASX	Shares AIM	Shares Total	Options
1	-	1,000	55	4	59	59
1,001	-	5,000	78	11	89	249
5,001	-	10,000	160	10	170	83
10,001	-	100,000	811	81	892	241
100,001	-	or more	215	52	267	25
			1,319	158	1,477	657
Total on Issue			137,514,865	56,075,969	193,590,834	21,426,680

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 Corporation Act 2001.

	Shares	%
Kenglo One Limited	15,715,000	8.1
Mr Shane Beatty Sadleir	14,478,481	7.5
Mr Christopher Sangster	6,157,000	3.2

Directors' Shareholding

The interest of each director in the share capital of the Company is detailed at Note 19.

TOP TWENTY SHAREHOLDERS

Name	Shares	Percent	Rank	
KENGLO ONE LIMITED	15,715,000	8.1%	1	ASX
MR SHANE BEATTY SADLEIR	14,478,481	7.5%	2	ASX
GILTSPUR NOMINEES LIMITED <BUNS>	6,940,650	3.6%	3	AIM
L R NOMINEES LIMITED <NOMINEE>	4,966,487	2.6%	4	AIM
HSDL NOMINEES LIMITED	4,807,611	2.5%	5	AIM
TIED NOMINEES PTY LTD <TP EDWARDS SUPER FUND A/C>	4,344,449	2.2%	6	ASX
TD WATERHOUSE NOMINEES (EUROPE) LIMITED <SMKTNOMS>	4,239,834	2.2%	7	AIM
BARCLAYSHARE NOMINEES LIMITED	3,688,902	1.9%	8	AIM
MS ANGELA ELIZABETH CUSACK	3,035,000	1.6%	9	ASX
HARGREAVES LANSDOWN (NOMINEES) LIMITED <15942>	2,732,262	1.4%	10	AIM
HSDL NOMINEES LIMITED <IWEB>	2,436,764	1.3%	11	AIM
BANQUEST PTY LIMITED	2,297,583	1.2%	12	ASX
MR PHILLIP JACKSON	2,187,500	1.1%	13	ASX
MS DORITA THOMSON	2,071,000	1.1%	14	ASX
HSDL NOMINEES LIMITED <IWMAXI>	1,884,501	1.0%	15	AIM
JAMES CAPEL (NOMINEES) LIMITED <HSBCSS>	1,856,847	1.0%	16	AIM
STONYDEEP INVESTMENTS PTY LTD <NEWCOMB FAMILY S/F A/C>	1,793,124	0.9%	17	ASX
TRANSACT NOMINEES LIMITED <INTEGRA1>	1,792,422	0.9%	18	AIM
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,651,732	0.9%	19	ASX
TD WATERHOUSE NOMINEES (EUROPE) LIMITED <SMKTISAS>	1,529,287	0.8%	20	AIM
	84,449,436	43.6%		

TOP TWENTY OPTIONHOLDERS

Name	Shares	Percent	Rank
KENGLO ONE LIMITED	7,250,000	33.8%	1
MR SHANE BEATTY SADLEIR	1,447,848	6.8%	2
MR CHRISTOPHER SANGSTER	562,500	2.6%	3
SARUMAN HOLDINGS PTY LTD	557,144	2.6%	4
BARCLAYSHARE NOMINEES LIMITED	512,915	2.4%	5
MS ANGELA ELIZABETH CUSACK	303,500	1.4%	6
MR SIMON ROBERT EVANS	270,197	1.3%	7
MR TIMOTHY JOHN LEWIS + MRS PRUE LEWIS	250,000	1.2%	8
ROBERTSON ARCHITECTURAL SERVICES PTY LTD <ROBERTSON FAMILY S/F A/C>	250,000	1.2%	9
MR PHILLIP JACKSON	218,750	1.0%	10
MR CHRISTOPHER RICHARD BROWN	215,777	1.0%	11
MS TERESA DE LUCA	200,000	0.9%	12
L R NOMINEES LIMITED <NOMINEE A/C>	177,542	0.8%	13
MR PATRICK LAURENCE O'DONNELL	175,751	0.8%	14
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	168,895	0.8%	15
NATIONAL NOMINEES LIMITED	162,464	0.8%	16
STONYDEEP INVESTMENTS PTY LTD <NEWCOMB FAMILY S/F A/C>	161,568	0.8%	17
MRS ELIZABETH HEATH	150,000	0.7%	18
MR JOHN FRANCIS KINCADE + MRS JUDITH ANNE KINCADE <KINCADE SUPER FUND A/C>	150,000	0.7%	19
MR MICHAEL SEAN MUHLING	131,767	0.6%	20
	13,316,618	62.1%	

14 Interest in Exploration Leases

Scotland

Location	Agreement	Grant Date	Area
Cononish Glen Orchy	Landholder Lease	23 July 2009	20 sq km
Cononish Glen Orchy	Mineral Licence	5 November 2007	975 sq km
Glen Lyon	Mineral Licence	5 November 2007	1,369 sq km
Inverliever	Mineral Licence	5 November 2007	864 sq km

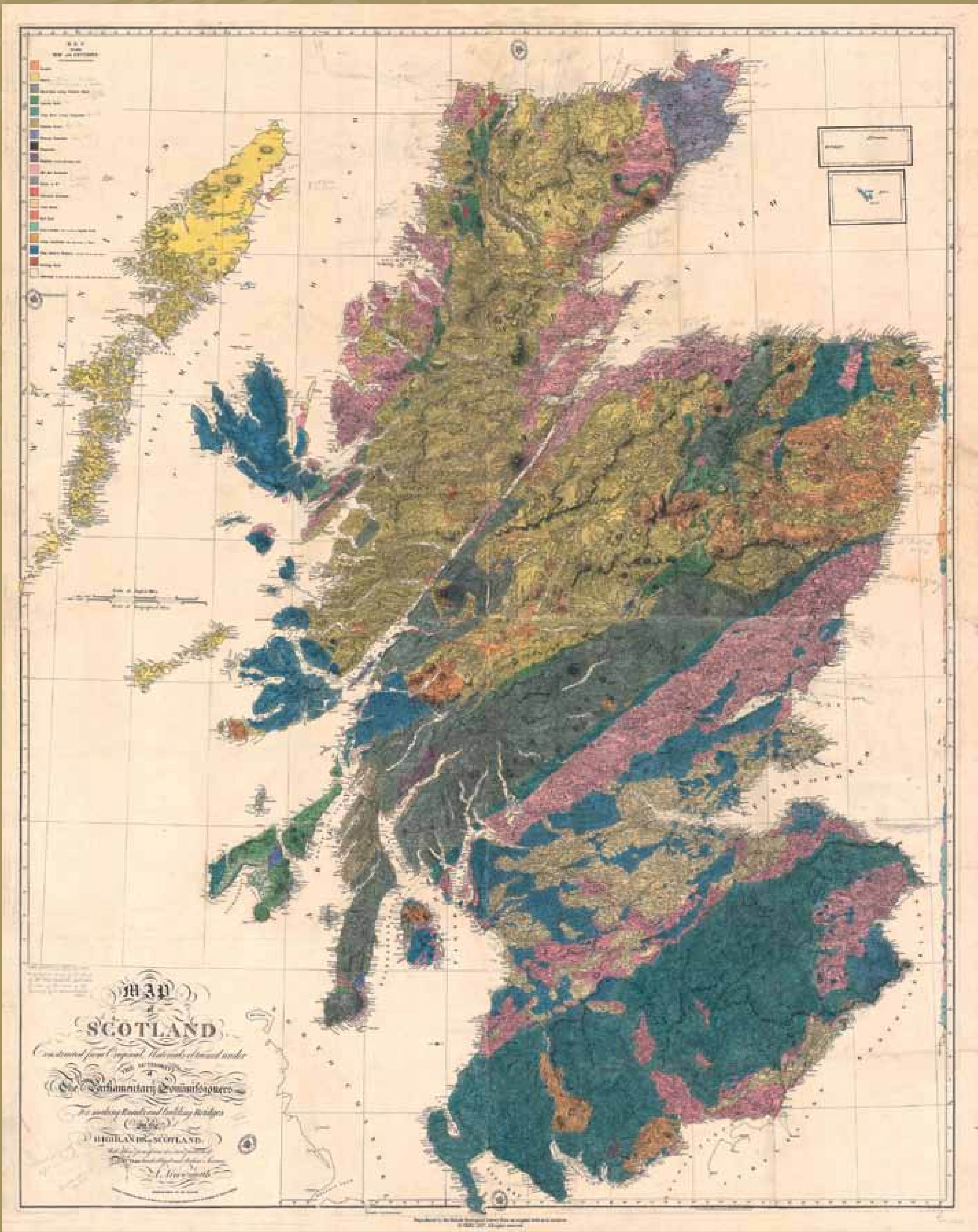
Mining Leases in Scotland – general information

The mineral rights to gold and silver in most of Britain, including Scotland, are generally owned by the Crown, and a licence for the exploration and a lease for exploitation of these metals must be obtained from the Crown Estate Commissioners through the Crown Mineral Agent. Surface rights (and other minerals rights) are generally held by the landowner with whom access and lease agreements must similarly 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.

MacCulloch 1840 Geological Map of Scotland

The first Geological Map of Scotland



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