

2013 Annual Report



SCOTGOLD
RESOURCES LIMITED



ABN 42 127 042 773

Contents

Section		Page
01	Company Information	1
02	Chairmans Letter	2
03	Review of Operations	3
04	Directors' Report	14
05	Corporate Governance Statement	20
06	Auditor's Independence Declaration	30
07	Statement of Comprehensive Income	31
08	Statement of Financial Position	32
09	Statement of Changes in Equity	33
10	Statement of Cash Flows	34
11	Notes to the Financial Statements	35
12	Directors' Declaration	55
13	Independent Auditor's Report	56
14	Shareholder Details	58
15	Interest in Exploration Leases	60
16	Company Information - Scotland	61

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Company Information

ABN	42 127 042 773	
Directors	John Bentley Chris Sangster Phillip Jackson	Executive Chairman CEO / Managing Director Non-Executive Director
Secretary	Peter Newcomb	
Registered Office	24 Colin Street, West Perth, WA 6005 Telephone +61 8 9222 5850 Facsimile +61 8 9222 5810 Email sgz@scotgoldresources.com	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace, Perth, WA 6000 Telephone +61 8 9323 2000 Facsimile +61 8 9323 2033	
Auditor	HLB Mann Judd Level 4, 130 Stirling Street, Perth, WA 6000 Telephone +61 8 9227 7500 Facsimile +61 8 9227 7533	
Bankers	Westpac Banking Corporation 116 James Street, Northbridge, WA 6000	
Securities Exchange Listing	Scotgold Resources Limited shares are listed on the Australian Securities Exchange and on the AIM board of the London Stock Exchange. The home exchange is Perth, Western Australia	
ASX Code	SGZ	
AIM Code	SGZ	
Website	www.scotgoldresources.com	

Dear Shareholders,

During the first nine months of the financial year for your Company up until the middle of April, considerable progress was made on all fronts in preparing the Cononish gold and silver project for development and on the financing of that development.

An infill drilling programme was completed with a total of 18 holes being drilled into the Cononish ore body with the objective of converting inferred resources to measured and indicated in order to provide greater confidence to both prospective debt and equity providers. The results of the drilling campaign exceeded expectations, with a total of 27.6k ozs being added to measured and indicated resources and an increase of 16% to the resource blocks impacted by the infill drilling, thereby demonstrating the robustness of the resource numbers and giving encouragement that the grade of the inferred resources may be higher than the current JORC numbers.

Progress was also made with fulfilling the detailed conditions attached to the planning consent. Since the year end all submissions have been made and the majority have been discharged or are awaiting discharge. These conditions included all third party consents from Network Rail, the Forestry Commission and the Scottish Environmental Protection Agency.

In addition, detailed preparatory work was undertaken by AMEC, the tailings dam consultant, with a view to being ready to start the development of the mine in Q4 2013 whilst discussions with Consulmet, the metallurgical plant contractor, were advanced to the stage where detailed contract negotiations could take place.

The above work was brought together in the final Development Study which was undertaken by AMC and published in early April. Details of its positive findings are given under the CEO's report below.

On the financing side, agreement in principle was reached with RMB Resources Ltd ("RMB") for RMB to provide a gold prepayment facility amounting to \$12.2m including a \$4.5m overrun facility, this while the price of gold was \$1,612/oz.

Thus everything was in place by early April for an equity placing to finance the development when almost overnight the gold price declined rapidly from around \$1,600/oz to \$1,300/oz resulting in a total withdrawal of investors from any new equity raisings in the sector. It was clear that financing would be unobtainable in the short term particularly as the debt capacity fell sharply on the back of the fall in gold price and your board immediately put in place various measures to cut ongoing costs and to seek alternative routes to financing the project.

The Board's priority remains the preservation of stakeholders' interest and the development of the Cononish mine. Since the financial year end the Company has closed a small equity placement with a potential strategic partner and the board is actively pursuing further financing. In December 2013 the Company's existing £1.5m loan facility with RMB is due for repayment and the board is actively working with RMB to evaluate the options available to move the Company and primarily the Cononish project forward to all stakeholders' benefit.

The Cononish gold and silver project, although small by international standards, has the ability to provide a post tax 23% rate of return at \$1,300/oz which is at the lower end of the current trading range for gold and, importantly, it has all the consents necessary to allow it to be in production within 18 months of development financing being secured.



John Bentley
Chairman

OPERATING AND FINANCIAL REVIEW

ABOUT SCOTGOLD

Australian Securities Exchange listed Scotgold Resources Limited (ASX:SGZ) was established in 2007 and listed on the ASX in January 2008. The company's shares were admitted to trading on the AIM market of the London Stock Exchange (AIM:SGZ) in February 2010. The Company's principle objective, since 2008, has been the advancement of the Cononish Gold and Silver Project in Scotland's Grampian Highlands to a production decision and exploration of the highly prospective tenements comprising the Grampian Gold Project with the view of identifying further project opportunities.

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 169,200 oz of gold and 631,300 oz of silver at 3.5g/t gold cut-off. The Final Cononish Development Study completed in April 2013 has identified Probable Reserves (included in the Resources quoted above) of 196,000 t at 11.0 g/t Au and 45 g/t Ag for 71,000 ozs Au and 289,000 ozs Ag.

Subsequent to an initial rejection of its application for planning permission in 2010, the Company submitted a revised application and 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 2011, the Board of the Parks Authority unanimously approved the application subject to the conclusion of various legal agreements and agreement on a number of outstanding conditions. These were successfully concluded and on 15th February 2012, the Parks Board issued the Decision Letter granting planning permission for the development.

The Crown Estate Commissioners unconditional grant of the Crown Lease was confirmed in May 2012.

The Company conducted an infill drilling program at Cononish during 2012 to increase confidence in the resource for potential lenders and the results were incorporated into a revised resource estimate. This formed the basis for the Final Cononish Development Study completed by AMC Consultants UK Limited (AMC) in April 2013.

From the positive results of this study, conducted at a base case gold price of \$1300 / oz, it is anticipated that production of gold and silver could commence at Cononish within 18 months of securing financing for the project.

The Grampian Gold Project comprises Crown Option agreements of some 4,200km² in the south west Grampians of Scotland and covers some of the most prospective areas of the Dalradian geological sequence in the UK. This sequence extends westward from the UK to the eastern seaboard of Canada and the Appalachian belt in the US, and eastward into Sweden and Norway, has been identified by the British Geological Survey as being highly prospective for both significant gold and base metal deposits. On a more local scale, the Dalradian sequence extends to the south west from Scotland into Northern Ireland where it hosts other gold deposits at Cavancau (399,800 oz of gold) which has been operating as an open cut mine since 2006, Curraghinalt (2,700,000 oz of gold), and at Clontibret (1,030,000 oz of gold).

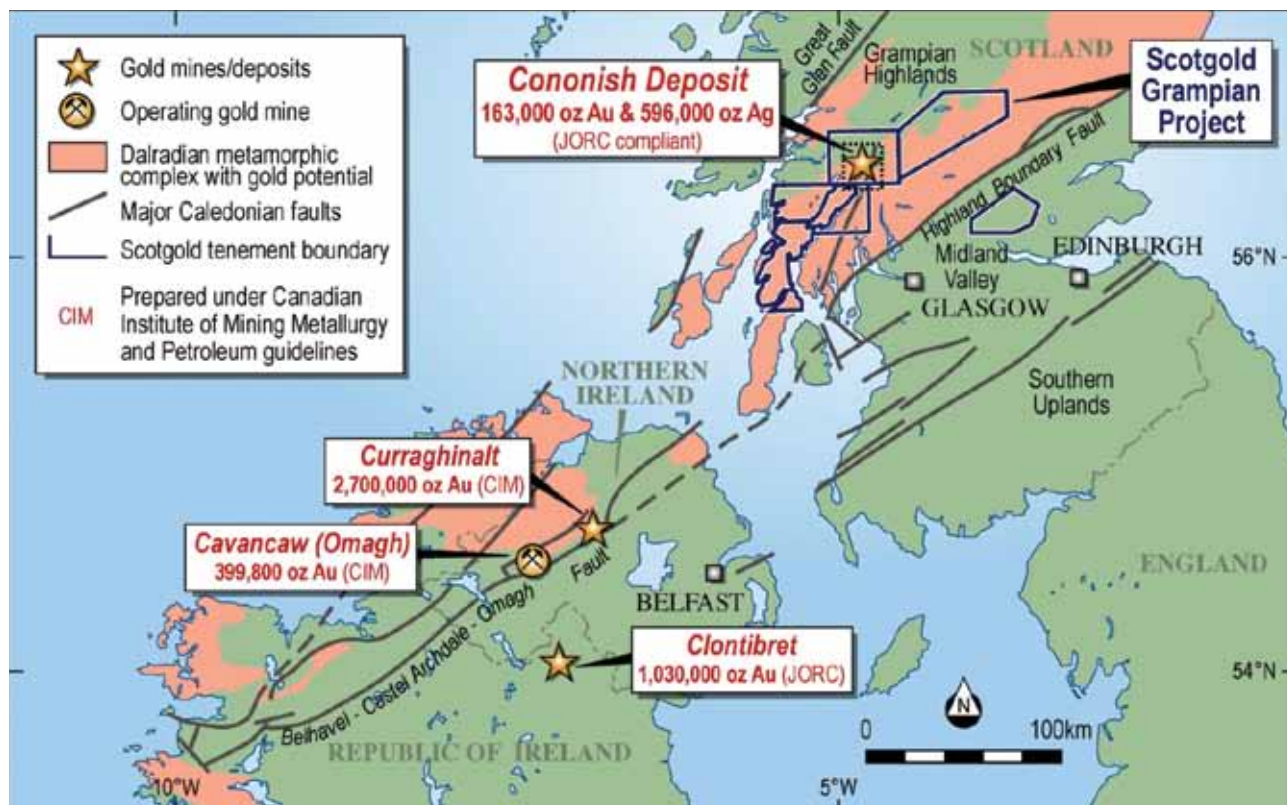


Figure 1

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

OPERATIONAL REVIEW

Subsequent to the grant of planning permission and as a result of discussions with potential financiers to the project, the Company embarked on an 18 hole (2,200m) infill drilling program aimed at converting Inferred resources to Indicated resources.

Results from this program were incorporated into an updated Resource statement which then informed the 'Final Cononish Development' study completed in April 2013.

Work also continued to advance all aspects of the project in preparation for commencement of development including submissions for the discharge all outstanding planning conditions and advancing aspects of final engineering designs for tender.

Regional stream sediment sampling and other exploration activities continued on the Grampian Gold Project.

CONONISH GOLD AND SILVER PROJECT

Infill drilling

In order to improve confidence in the resource and increase Measured and Indicated resources, the Company conducted an infill diamond drilling program with 18 holes (2,200m) drilled of which two were abandoned.

Selected results from the program are shown in Table 1 and Figure 2 below

Hole	From (m)	To (m)	D/H Width (m)	Est. true thick.(m)	Au g/t	Ag g/t	Comment
CF 12 - 01	112.4	114.7	2.3	2.0	13.95	47.6	West Raise Area
CF 12 - 02	105.0	107.6	2.6	2.4	14.21	39.7	West Raise Area
CF 12 - 03	125.0	130.4	5.4	3.3	27.21	44.1	West Raise Area
CF 12 - 04	107.0	112.6	5.6	3.8	14.90	40.8	West Raise Area
CF 12 - 06	112.3	115.6	3.3	2.6	27.43	68.6	West Raise Area
CF 12 - 07	104.8	106.9	2.0	1.9	5.24	37.2	West Raise Area
CF 12 - 09	64.0	69.0	4.9	2.4	22.47	45.9	West Raise Area
CF 12 - 10	66.9	69.8	2.9	1.3	9.84	35.7	West Raise Area
CF 12 - 14	101.9	107.3	5.4	3.8	4.53	53.6	East Raise Area
CF 12 - 17	86.8	88.4	1.8	1.4	25.59	52.5	East Raise Area
CF 12 - 18	83.3	86.1	2.8	2.6	5.09	20.5	East Raise Area

Full details of the results from the infill program were announced in the press releases of 8/10/2012 - Drilling Results and 31/07/2013 - Quarterly Activities Report.

These results continued to give encouragement regarding the potential of the Inferred resource (quoted with a grade range of between 10 – 15 g/t Au) as when included into the updated Resource estimate (see below), an increase of 15.9% and 16.5% in the tonnage and contained ounces respectively was estimated in the Inferred blocks impacted by the drilling.

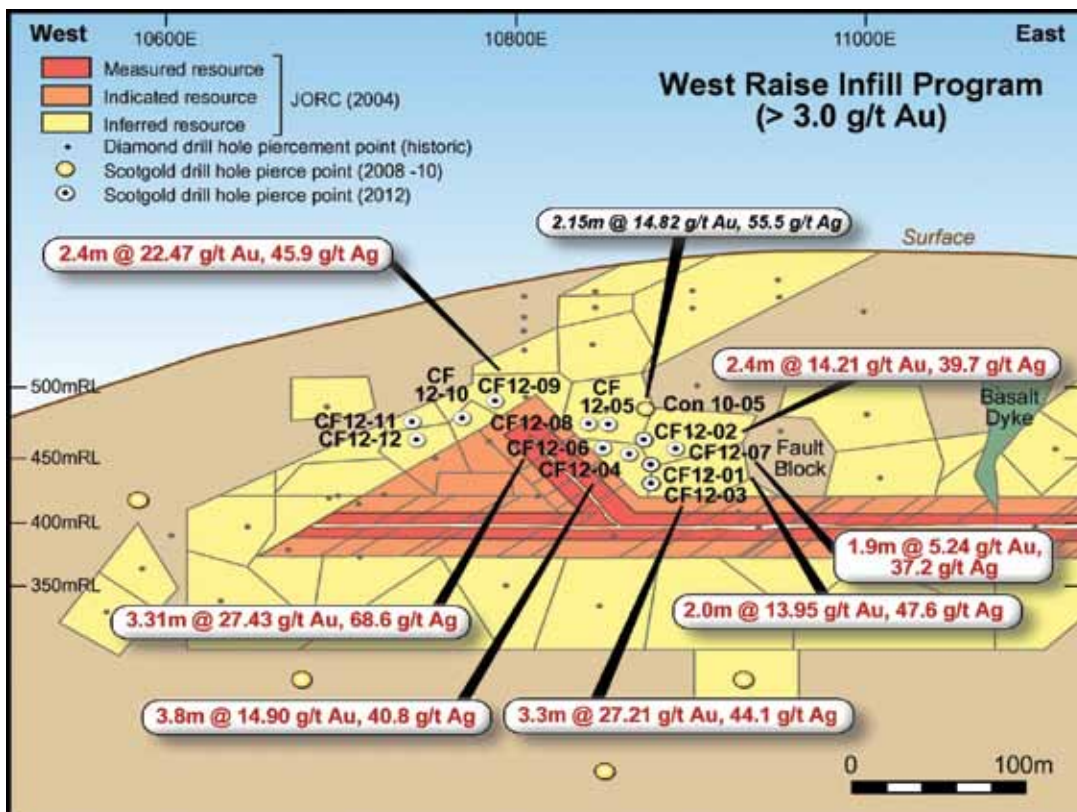


Figure 2 West Raise area infill drilling results > 3.5g/t

Resource Update

Based on the results of the infill drilling (excluding those in the East Raise area for which results had not been received at the time of the update), Dr Simon Dominy of Snowden Mining Industry Consultants Pty Ltd (Snowden) compiled an updated Resource estimate reported in accordance with The JORC 2004 Code.

Table 2 below shows the revised Mineral Resource estimate compiled by Snowden.

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz. Gold 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)	Grade (g/t)	Ounces (oz)
		Gold	Gold	Silver	Silver
Measured (M)	53,100	14.1	24,000	61.2	104,500
Indicated (I)	142,900	12.7	58,600	49.9	229,500
Total M. and I.	196,000	13.1	82,600	53.0	334,000
Inferred	264,600	10.2 (10 – 15)	86,600	34.9	297,300

Scotgold Note: Incorporating the grade range, the Inferred Mineral Resource is estimated to lie between 85,000 oz Au and 127,000 oz Au. It should be noted that any upside may not exist or it may only be present in a portion of the resource.

The Mineral Resources quoted in Table 2 are inclusive of those Mineral Resources modified to produce the Ore Reserves quoted below (see Final Cononish Development Study).

The total resource including Measured, Indicated and Inferred categories now stands at 169,200ozs Au and 631,300ozs Ag.

As a result of the drilling program, Measured and Indicated Resources increased to 82,600 ozs Au from 55,000ozs Au - an increase of 27,600 ozs Au (50%) - all in the Indicated category from the corresponding Inferred Resource blocks estimated in 2009.

The results, importantly, substantiate and increase the grades and tonnages in previously classified Inferred category blocks with an increase in tonnage of 15.9% and 16.5% in contained ozs in the blocks impacted and give significant encouragement to the Board regarding confidence in the potential conversion of other Inferred blocks which may occur as future mine development progresses.

In addition to the currently defined resources, Scotgold believes that there is potential to define further resources close to the Cononish mine, subject to appropriate further work. The extensive gold-in-soil anomalies, mineralisation associated with outcrops and trenching and geophysical anomalies in close proximity to the current resource clearly warrant further follow up during the development stage. Snowden noted in the initial resource estimate in 2008 “based on our experience of the Cononish vein system, we believe that there is an Exploration Target around the mine (within 2kms) 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.”

Final Cononish Development Study

The Company commissioned AMC to complete the Final Cononish Development Study in December 2012. The overall study was compiled by AMC with input from Scotgold's processing, tailings and environmental consultants and the Company.

Table 2 shows the current Resource Statement and the study assumes 100% conversion of Inferred Resources at stated tonnages and grades.

The study proposes a mining production rate of 72,000 tpa from underground operations, subsequent to a one year pre production and commissioning period.

A conventional gravity / flotation concentrator is planned, which will treat 72,000 tpa. It is estimated that about 25% of gold will be recovered by gravity for smelting on site to a doré bar. The balance of the gold reports to a sulphide rich concentrate which will be treated through a third party facility remote from site.

The overall recovery from the processing plant is predicted at 93% for Au and 90% for Ag to doré and concentrate. Recovered production (to doré and concentrate) is estimated at 19,000 ounces of gold and 73,000 ounces of silver annually.

Total recovered production to doré and concentrate over the project life is estimated to be 121,800 ounces of gold and 469,700 ounces of silver.

AMC has declared ore reserves for the project as shown in Table 3 below

Reserve Category	Tonnes (t)	Au g/t	Au (oz)	Ag g/t	Ag (oz)
Proven	0	0.0	0	0.0	0
Probable	200,000	11.0	71,000	45.0	289,000
Total	200,000	11.0	71,000	45.0	289,000

Notes:

1. The Reserve was estimated using; gold price of US\$1,300/oz, silver price of US\$22.50/oz and an Exchange Rate of GBP:USD of 1:1.6
2. A mining study on the Cononish Gold Project was carried out by AMC Consultants (UK) Limited. This study utilised the Mineral Resource estimation by Simon Dominy of Snowden Mining Industry Consultants Pty Ltd, November 2012. The Ore Reserves were estimated by Martin Staples of AMC Consultants (UK) Limited in April 2013.
3. Reported at a diluted Au cut-off grade of 3.3 g/t

Pre-production project expenditure is estimated at £22M, including an overall 15% contingency allowance on capital expenditure (excluding working capital and fixed bond amounts).

Overall 'cash' operating costs (exclusive of smelter transport and royalty charges) are estimated at approximately £86.50 per tonne of material with an average operating 'cash' cost (including smelter, transport and royalty charges) of US\$698 (£436 / oz) Au equivalent.

Operating costs are estimated with an overall 16.6% contingency allowance.

The Executive Summary of AMC's Development Study can be found on Scotgold's website at www.scotgoldresources.com under ASX announcements.

Key project financial parameters are shown in Table 4 below using a base case gold price of US\$1,300 / oz and the then current (London PM fix 24/04/2012) spot prices.

Table 4: Project Financial Highlights

	Unit	Base Case Gold	Spot Gold ⁴
Gold Price \$ / oz	US\$	\$1,300	\$1,428
Silver Price \$ / oz	US\$	\$22.50	\$22.50
US\$: £ exchange rate used		1.60	1.53
Gold Price £ / oz	£	£812	£935
Total Pre Production Costs	£	£22.3M	£22.3M
Pre-tax Net Present Value (NPV 10)	£	£11.8M	£21.1M
Free Cashflow	£	£26.3M	£39.8M
Pre tax Internal Rate of Return	%	25.9%	37.4%
Average Operating cash cost ¹	US\$/oz Au eq ²	698	720
Payback from start of production	Months	33	26

Notes:

1. Average operating cash cost is calculated from total operating (non capital) costs (including smelter, transport, royalty costs) divided by recovered Au equivalent ozs. – see Note 2
2. Au equivalent ozs. Gold equivalent ozs are calculated: Recovered gold ozs + (Recovered silver ounces / 57.8) where the number 57.8 represents the ratio of base case gold price used to silver price used. This ratio was calculated using base case prices of US\$1300/oz Au and US\$22.5 / oz Ag
3. NPV10 represents the project Net Present Value calculated at a 10% discount rate.
4. Spot gold price – London pm fix – 24/04/2013

At base case prices, the project generates £26.3M pre tax free cashflow with a pre-tax Net Present Value¹⁰ of £11.8M and a pre tax Internal rate of return (IRR) of 25.9%.

Scotgold has estimated anticipated project post tax returns at varying gold prices as shown in Table 5 and Figure 3.

Table 5: Estimated Post tax returns

	1200	1300	1400	1500	1600
Au price US\$ /oz	1200	1300	1400	1500	1600
Au price £ /oz	750	813	875	938	1000
NPV ₁₀ £M	5.6	9.5	13.3	17.2	21.1
Free Cashflow £M	16.9	22.4	28.8	33.3	38.9
Post tax IRR	18.1%	23.5%	28.8%	33.8%	39.0%

Note – post tax returns assume 100% project basis before corporate costs



Figure 3 Post tax 'ungeared' project returns

Scotgold has carried out a sensitivity to Inferred resource grade to demonstrate the impact of the grade range quoted in the Resource statement (between 10g/t Au and 15 g/t Au) and have estimated that a 10% increase in the Inferred resource grade, (should it be realised), equates approximately to an additional \$50 / oz on the gold price.

It is the Company's opinion that project returns, under current gold price scenarios, are highly attractive and remain confident in its progression to development.

Project development

The decision notice granting planning permission to the project issued by the Planning Authority on 13 February 2012 required a number of conditions to be satisfied prior to the start of development. In conjunction with Scotgold's planning and other consultants, all submissions have now been made, 64% of the conditions have been discharged and the Company awaits discharge of the remaining conditions subject to further discussion with the Planning Authority.

The Company also recently submitted its application for a licence under the Water Environment (Controlled Activities) Regulations 2011 relating to proposed burn diversion works. The licence grant is currently in draft format and is expected to be formalised shortly.

In January 2013, AMEC Earth and Environmental (AMEC) commenced detailed engineering design of the Tailings Management Facility. Final designs and tender documents were at an advanced stage with six companies pre-qualified to tender for the works before work was halted in April 2013. Conclusion of this aspect of the development program is expected within one month of resumption of project development.

A non binding letter of intent was signed with Consulmet, the Company's metallurgical design consultants, regarding the final design of the processing plant which will commence when further financing is secured.

As such, all necessary permitting has either been granted or due to be granted shortly and engineering design work at a stage where it can be rapidly finalised on securing finance and thus ensure a rapid start to development.

Given the advanced state of project development, the Company believe Cononish could be in production within 18 months of obtaining financing.

Financing

On completion of the Final Cononish Development Study and subject to an offer for finance by RMB Resources (RMB) via the gold pre payment facility previously mandated, it had been Scotgold's intention to seek the balance of finance through a combination of equity and possible further debt opportunities.

The quantum of the prepayment facility contemplated by RMB is estimated on the forward price based on the spot gold price 'on the day' and other factors. The decline in the gold price in April 2013 negatively impacted on the amount potentially available from such a facility and hence increased the amount to be sourced from other avenues by the Company. It was the Directors' view, that under the prevailing market conditions, this approach to successfully finance the project would be severely challenging and decided to defer an approach to the market until market conditions were more receptive.

At present, market conditions for raising finance for the project remain difficult and the Company continues to evaluate a number of strategic alternatives to finance the project to progress to production within the shortest timeframe possible.

Subsequent to year end, ZIO Holdings Ltd took a 4.5% holding in the Company through an equity placement with a view to making further investments in the Company, subject to due diligence and any relevant shareholder and regulatory approvals.

GRAMPIAN GOLD PROJECT

The Company continues to actively pursue exploration activities on its substantial land position, of which 85% of the area currently under option to Scotgold is located outside the Loch Lomond and the Trossachs National Park.

The company's strategy has been to advance the Cononish Project to production whilst conducting early stage regional exploration over the wider Grampian Gold project area in conjunction with follow up work on the more advanced prospects close to the Cononish project area.

The Grampian Gold project encompasses a large area of the highly prospective Dalradian sequence. Basic exploration data, including gravity and airborne magnetics, is available from government surveys carried out between 1950's and 1970's and is of a quality and spacing that does not adequately reflect the prospectivity of the area. This and the general lack of previous exploration over the area (other than early stage exploration in the vicinity of the Cononish project) has dictated the Company's initial approach to exploration over the area.

In order to advance its understanding of the regional setting, over the past three years, the Company has embarked on a regional scale stream sediment sampling program.

To date, in excess of 750 stream sediment samples have been taken over the area with the majority of results received. Initial interpretation of these results is ongoing and the program is to be followed up by a more detailed infill stream sediment sampling program in anomalous result areas in order to further target areas for detailed fieldwork and follow up.

In parallel with this regional program, Scotgold has continued to evaluate previously identified high grade outcrop samples identified by previous exploration close to the Cononish project.

Initially, the company conducted a re-sampling program to verify previously identified occurrences (see Figure 4) and the program has confirmed the presence of a large number of high grade gold / silver vein outcrops in an area between two major regional faults, the Tyndrum – Glen Fyne fault and the Ericht - Laidon fault and associated with the fractures probably generated by movements along these faults.

Considerable follow up work has been carried out to examine the extent of these occurrences through further fieldwork, initial short surface drilling and deeper drilling. As an adjunct to the Company's efforts, Scotgold currently co-sponsors a doctoral research project to investigate gold occurrences in the area and results from that research should be available shortly.

Results over the Tyndrum area continue to be encouraging and the Company believe that the next phase of exploration in this part of their option areas should comprise an airborne geophysical survey in order to assess the nature and continuity of these structures with a view to determining their potential to host 'Cononish' style deposits. Key prospects are shown in Figure 5.

Competent Person's 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.

The information in this report that relates to ore reserves is based on information compiled by Mr. Martin W Staples BSc, FAusIMM., Director and Principal Mining Engineer with AMC Consultants (UK) Ltd based in the Maidenhead, UK office. Mr. Staples has sufficient experience which is relevant to the style of mineralization and type 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. Mr. Staples consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

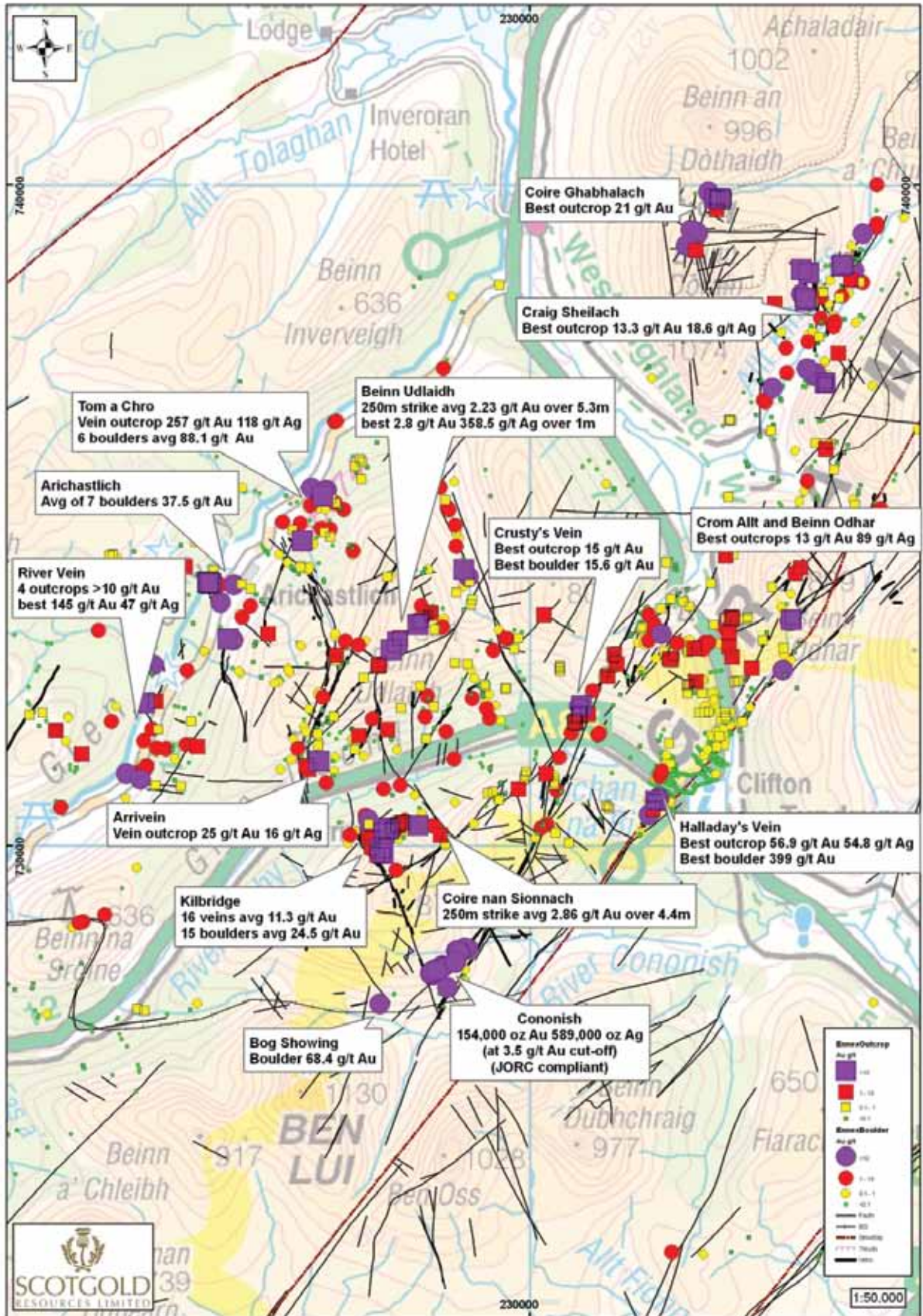


Figure 4 Historical outcrop and boulder sampling

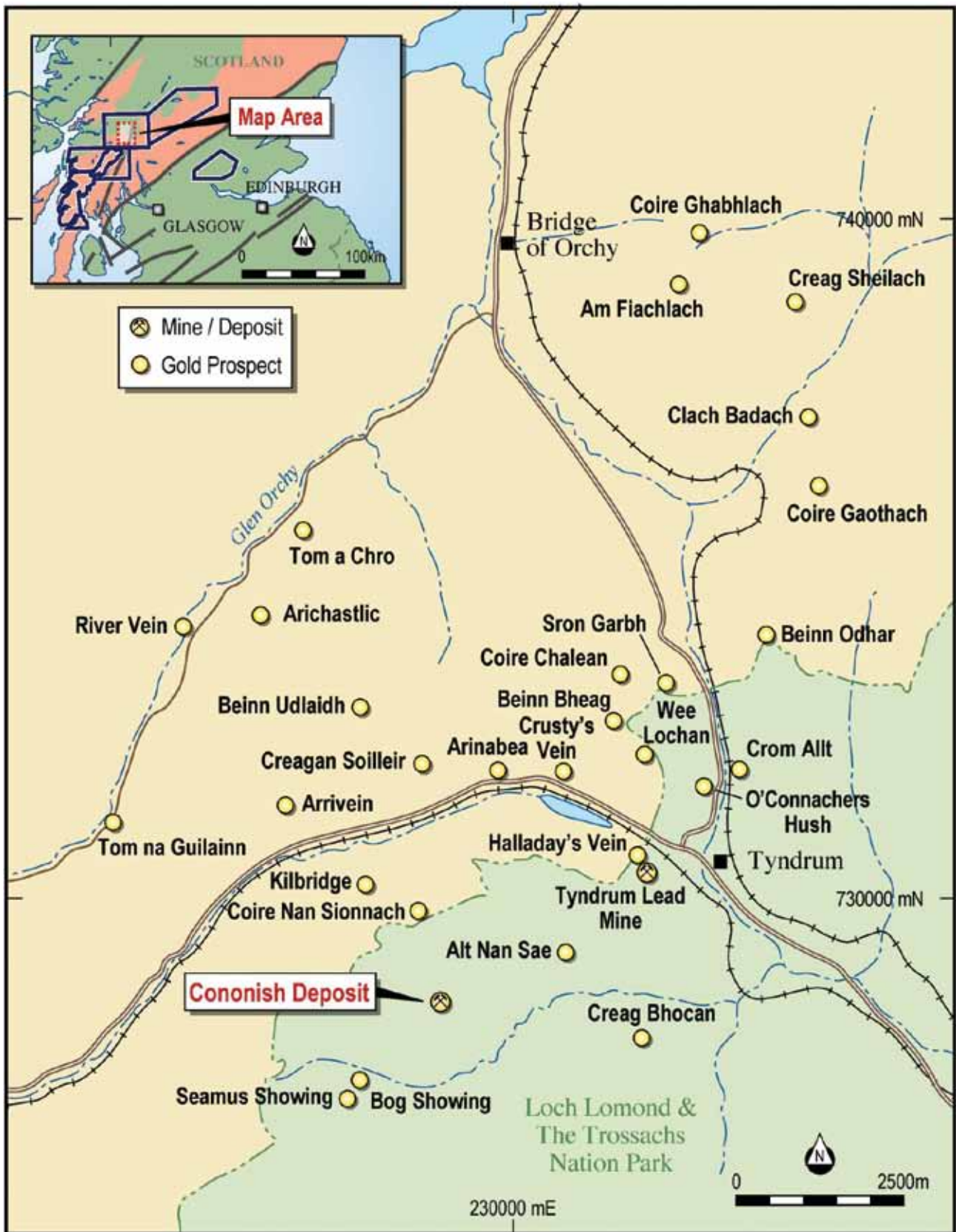


Figure 5 Principal prospects in the Tyndrum area

04 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 2013.

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	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	17/04/2013

PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

John Bentley | Executive Chairman | B.Tech (Hons) Brunel University

Qualifications and experience

Mr Bentley has over 40 years 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 Kea Petroleum Plc.

Mr Bentley holds a degree in Metallurgy from Brunel University.

Interest in Shares and Options

Fully Paid Shares	1,962,500
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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 Bachelor of Science (Honours) Degree in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand. He currently lives close to the Company's exploration licences at Comrie in Scotland 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 of Mining Services and in 2005 joined Australian Mining Consultants as a Principal Mining Engineer. More recently, Mr Sangster was employed as General Manager for AIM – listed company European Diamonds Plc.

Interest in Shares and Options

Fully Paid Shares	6,438,250
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Special Responsibilities

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

Directorships held in ASX listed entities

None

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 specialised 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	1,750,000
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Special Responsibilities

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

Directorships held in ASX listed entities

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

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 five 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 fifteen years has been in the resources industry in Western Australia. Mr Newcomb is also Finance Director and Company Secretary of Taruga Gold Limited and Company Secretary of Athena Resources Limited.

OPERATING AND FINANCIAL REVIEW

A review of the operations of the consolidated entity during the financial year is contained in the Review of Operations section of this Financial Report. The Company's strategy in Scotland continues to focus on advancing the 100% owned Cononish Gold and Silver Project to production whilst continuing to explore its large, highly prospective land position around Cononish and elsewhere in Scotland which extends to some 4,300km².

PRINCIPAL ACTIVITIES

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

Operating Results

The consolidated loss after income tax for the financial year is \$2,583,401 (2012: \$1,265,173).

Financial Position

At 30 June 2013 the Company has cash reserves of \$570,253 (2012: \$72,615).

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 12 September 2013 the Company announced it had agreed to issue 10 million fully paid ordinary Scotgold shares to Zio Holdings Ltd (Company No. 077015) a company incorporated in Mauritius ("Zio"), at an issue price of \$0.02 each to raise \$200,000.

Additionally, Scotgold agreed to give Zio a non-exclusive right to conduct due diligence enquiries into Scotgold and the Cononish Project with a view to Zio making further investments in Scotgold, subject to any relevant shareholder or regulatory approvals.

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 2013, 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	4	4
Chris Sangster	4	4
Phillip Jackson	4	4
Shane Sadleir	2	2

AUDIT COMMITTEE

The Audit Committee is comprised of Mr Jackson who chaired one meeting of the audit committee during the year ended 30 June 2013.

REMUNERATION REPORT (audited)

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

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold securities in the Company.

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

All remuneration paid to 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 2013**Directors' Remuneration**

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

Details of the agreements are set out below.

Agreements in respect of remuneration of Directors:**Executive Directors**

Chris Sangster is on a contract dated 28 January 2009 which provides for a fixed salary and benefits, with a termination period of six months. John Bentley (through Ptarmigan Natural Resources Ltd) is on a contract dated 17 February 2009 which provides for a fixed fee, with a termination period of six months. In both cases the remuneration is reviewed annually. At the date of this report the annual remuneration for Chris Sangster is £132,000 and for John Bentley is £33,000. In the event of a termination of contract giving less notice than provided for in these contracts, the remaining notice period will be paid in full.

Non-Executive Directors

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

The total remuneration paid to Directors and Executives is summarised below:

Director/Secretary	Associated Company	Fees	Consulting	Total
Year ended 30 June 2012				
John Bentley	Ptarmigan Natural Resources Ltd	24,000	68,250	92,250
Chris Sangster		-	297,244	297,244
Phillip Jackson	Holihox Pty Ltd	42,000	-	42,000
Shane Sadleir	Mineral Products Holdings Pty Ltd	42,000	-	42,000
Peter Newcomb	Symbios Pty Ltd	-	166,050	166,050
		108,000	531,544	639,544
Year ended 30 June 2013				
John Bentley	Ptarmigan Natural Resources Ltd	24,000	40,617	64,617
Chris Sangster		-	211,023	211,023
Phillip Jackson	Holihox Pty Ltd	50,000	-	50,000
Shane Sadleir	Mineral Products Holdings Pty Ltd	43,750	-	43,750
Peter Newcomb	Symbios Pty Ltd	-	170,100	170,100
		117,750	421,740	539,490

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

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 2013 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 2013

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 summarises 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: <ul style="list-style-type: none"> 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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS (continued)

	ASX Corporate Governance Council Recommendations	Reference	Comply
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
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: <ul style="list-style-type: none"> • 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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS (continued)

	ASX Corporate Governance Council Recommendations	Reference	Comply
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: <ul style="list-style-type: none"> • 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 two Non-Executive Directors and two Executive Directors. 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 one independent non-executive Director.

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

Name	Position
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

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 one meeting 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 a legal requirement to rotate engagement Partners on listed companies at least every five years.

An analysis of fees paid to the external auditors is provided in the notes to the financial statements in the financial report. There were no non-audit services provided by the auditors during the year.

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.

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, granted 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



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 2013, 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.

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

Perth, Western Australia
30 September 2013


M R W Ohm
Partner

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HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

Statement of Comprehensive Income

for the year ended 30 June 2013

07

		CONSOLIDATED	
	Notes	2013	2012
		\$	\$
Revenue	2	15,454	29,124
Administration costs		(354,575)	(393,551)
Interest expense		(103,350)	-
Depreciation and loss on disposal of fixed assets	3	(26,234)	(25,165)
Employee and consultant costs		(371,000)	(407,100)
Listing and share registry costs		(139,262)	(135,796)
Legal fees		(58,450)	(185,046)
Borrowing costs		(266,426)	-
Share based payments		(910,000)	-
Office and communication costs		(156,322)	(152,547)
Other expenses		(281,132)	(69,643)
LOSS BEFORE INCOME TAX		<u>(2,651,297)</u>	<u>(1,339,724)</u>
Income tax benefit	4	67,896	74,551
LOSS FOR THE YEAR		<u>(2,583,401)</u>	<u>(1,265,173)</u>
Other Comprehensive Income		-	-
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Exchange loss on translation of foreign subsidiaries		680	(1,662)
COMPREHENSIVE RESULT FOR THE YEAR		<u>(2,582,721)</u>	<u>(1,266,835)</u>
Basic loss per share (cents per share)	22	1.23	0.67

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

Statement of Financial Position

as at 30 June 2013

	Notes	CONSOLIDATED	
		2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	5	570,253	72,615
Trade and other receivables	6	26,050	46,731
Other current assets	7	24,618	20,369
Total Current Assets		620,921	139,715
NON CURRENT ASSETS			
Trade and other receivables	6	83,222	76,923
Plant and equipment	8	144,487	170,721
Mineral exploration and evaluation	9	13,348,454	12,084,602
Total Non Current assets		13,576,163	12,332,246
TOTAL ASSETS		14,197,084	12,471,961
CURRENT LIABILITIES			
Trade and other payables	10	331,085	227,147
Other current liabilities	10	119,286	127,243
Interest bearing liabilities	11	2,607,455	-
TOTAL LIABILITIES		3,057,826	354,390
NET ASSETS		11,139,258	12,117,571
EQUITY			
Issued capital	12	16,766,418	16,079,010
Reserves	13	871,648	(46,032)
Accumulated losses	13	(6,498,808)	(3,915,407)
TOTAL EQUITY		11,139,258	12,117,571

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

Statement of Changes in Equity

for the year ended 30 June 2013

09

Year Ended 30 June 2012	CONSOLIDATED				
	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance 1 July 2011	14,299,263	(2,650,234)	-	(44,370)	11,604,659
Rights Issue	1,409,081	-	-	-	1,409,081
Rights Issue Shortfall allocation	203,963	-	-	-	203,963
Options exercised	214,747	-	-	-	214,747
Share issue expenses	(48,044)	-	-	-	(48,044)
Total comprehensive result for the year	-	(1,265,173)	-	(1,662)	(1,266,835)
As at 30 June 2012	16,079,010	(3,915,407)	-	(46,032)	12,117,571

Year Ended 30 June 2013	CONSOLIDATED				
	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance 1 July 2012	16,079,010	(3,915,407)	-	(46,032)	12,117,571
Placement	727,515	-	-	-	727,515
Options issued	-	-	917,000	-	917,000
Share issue expenses	(40,107)	-	-	-	(40,107)
Total comprehensive result for the year	-	(2,583,401)	-	680	(2,582,721)
As at 30 June 2013	16,766,418	(6,498,808)	917,000	(45,352)	11,139,258

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

Statement of Financial Position

as at 30 June 2013

	Notes	CONSOLIDATED	
		2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers		(1,184,916)	(1,273,624)
Interest income received		8,751	28,951
Net Cash Outflow From Operating Activities	18	<u>(1,176,165)</u>	<u>(1,244,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(1,263,995)	(1,391,102)
Payment for other fixed assets		-	(22,769)
Net Cash Outflow From Investing Activities		<u>(1,263,995)</u>	<u>(1,413,871)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		727,515	1,827,791
Share and option issue transaction costs		(40,107)	(48,044)
Borrowings net of costs		2,230,245	-
Net Cash Inflow From Financing Activities		<u>2,917,653</u>	<u>1,779,747</u>
Net decrease/(increase) in cash held		477,493	(878,797)
Effect of exchange rate fluctuations on cash and cash equivalents		20,145	744
Cash and cash equivalents at the beginning of this financial year		72,615	950,668
Cash and cash equivalents at the end of this financial year	5	<u>570,253</u>	<u>72,615</u>

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

Notes to and Forming Part of the Financial Statements

11

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

Reporting Basis and Conventions

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

At 30 June 2013, the group had cash available of \$570,253, but had a working capital deficit of \$2,436,905 due primarily to the loan from RMB Bank of \$2,607,455 which is due for repayment on the earlier of capital raising of £2 million or 31 December 2013.

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 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 2013 as disclosed in Note 12, can potentially 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.

In addition, on 16 September 2013, the company announced it had issued 10 million fully paid ordinary shares to Zio Holdings Ltd (Company No. 077015) a company incorporated in Mauritius ("Zio"), at an issue price of \$0.02 each to raise \$200,000. Additionally, Zio is conducting non-exclusive due diligence on the Cononish project which may lead to further funding to develop the project and repay the RMB debt.

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

Notes to and Forming Part of the Financial Statements

However, the existence of the above conditions constitute a material uncertainty in relation to the company's ability to continue as a going concern and whether it will therefore realise its assets and extinguish its liabilities in the normal course of business.

Statement of Compliance

The financial report was authorised for issue on 30 September 2013.

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 2013, the Directors have 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 Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to consolidated entity accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2013. 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 the consolidated entity's accounting policies.

Accounting Policies

(a) Basis of Consolidation

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

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

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

(b) Income Tax

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

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to and Forming Part of the Financial Statements

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

(c) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

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

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.

Notes to and Forming Part of the Financial Statements

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.

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

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

(j) Issued Capital

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

(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 exploitation 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 reference to the share price at that time.

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

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

(o) Foreign currency translation

Both the functional and presentation currency of Scotgold Resources Limited and its subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

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

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

Notes to and Forming Part of the Financial Statements

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

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

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

NOTE 2 – REVENUE	2013 \$	2012 \$
Revenue		
Interest received	9,483	29,124
Other income	5,971	-
Total revenue	<u>15,454</u>	<u>29,124</u>

NOTE 3 – LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSES

Expenses		
Borrowing costs expensed	266,426	-
Total borrowing cost expensed	<u>266,426</u>	<u>-</u>
Depreciation of non-current assets		
Plant and Equipment	19,910	22,028
Motor vehicles	6,288	7,060
Office furniture and equipment	36	42
Total depreciation of non-current assets	<u>26,234</u>	<u>29,130</u>
Loss on disposal of fixed assets	<u>-</u>	<u>(3,965)</u>

Notes to and Forming Part of the Financial Statements

NOTE 4 - INCOME TAX

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

	2013 \$	2012 \$
Loss from ordinary activities	2,583,401	1,266,835
Prima facie income tax benefit at 30%	775,020	380,050
Tax effect of permanent differences		
RMB options valuation	(273,000)	-
Share Issue Costs amortised	69,358	66,952
R & D Tax Offset refund received	(67,896)	(74,551)
Other non-deductible expenses	(265)	(159)
Income tax benefit adjusted for permanent differences	503,217	372,292
Deferred tax asset not brought to account	(435,321)	(297,741)
	<u>67,896</u>	<u>74,551</u>

INCOME TAX BENEFIT

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

UNRECOGNISED DEFERRED TAX ASSETS

Revenue Losses after permanent differences	1,290,397	824,884
Capital Raising Costs yet to be claimed	39,232	96,558
	<u>1,329,629</u>	<u>921,442</u>

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2013 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.

Notes to and Forming Part of the Financial Statements

Franking Credits

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

	2013 \$	2012 \$
NOTE 5 – CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	570,253	72,615

NOTE 6 – TRADE AND OTHER RECEIVABLES

Current

GST / VAT Receivable	22,524	42,793
Other receivables	3,526	3,938
	<u>26,050</u>	<u>46,731</u>

Non-current

Bond on Tenement	83,222	76,923
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NOTE 7 – OTHER CURRENT ASSETS

Prepayments	24,618	20,369
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NOTE 8 – PLANT AND EQUIPMENT

Plant and equipment

Cost	349,150	349,150
Accumulated Depreciation	(204,663)	(178,429)
	<u>144,487</u>	<u>170,721</u>

Movement for the year

Opening balance	170,721	173,116
Additions	-	38,263
Disposals	-	(11,528)
Depreciation expensed	(26,234)	(29,130)
Closing balance	<u>144,487</u>	<u>170,721</u>

Notes to and Forming Part of the Financial Statements

NOTE 9 – MINERAL EXPLORATION AND EVALUATION	2013	2012
	\$	\$
Opening balance	12,084,602	10,526,320
Expenditure during the year	1,263,852	1,558,282
Closing balance	<u>13,348,454</u>	<u>12,084,602</u>

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

NOTE 10 – TRADE AND OTHER PAYABLES

Trade creditors	331,085	227,147
Other accruals	119,286	127,243
	<u>450,371</u>	<u>354,390</u>

Trade creditors are non-interest bearing and are normally settled on 30 day terms (2102: 30 days).

NOTE 11 – INTEREST BEARING LIABILITIES

Financing Agreements

On 2 July 2012 the company announced that an agreement had been reached with RMB Resources for a £1.18m financing facility. This facility is a convertible loan structured as a secured corporate loan with share options which provides for RMB to acquire 26,222,222 Scotgold shares at £0.045.

On 4 December 2012 the company announced that an agreement had been reached with RMB Resources to extend the £1.18m financing facility by £0.32m to £1.50m. Funds were advanced on 9 April 2013 and options for RMB to acquire a further 7,111,111 Scotgold shares at £0.045 were issued on that date.

The facility is repayable, together with capitalised interest, on 31 December 2013.

Interest is charged at average LIBOR three months rate plus 5% for the first facility of £1.18m and at average LIBOR three months rate plus 9.5% for the extension of £0.32m.

The loan is secured over the shares in the subsidiary company Scotgold Resources Limited (SC 309525) together with a floating charge over the assets of that company.

The facility is fully drawn down at 30 June 2013 in the amount of £1,500,000.

The carrying value of the assets pledged as security is \$13,462,030 at 30 June 2013.

An undertaking of the facility agreement was to raise additional equity funds no later than 15 May 2013.

The company is in breach of this undertaking.

Notes to and Forming Part of the Financial Statements

NOTE 12 – ISSUED CAPITAL		2013	2012
		\$	\$
(a) Issued capital			
211,565,739 ordinary shares fully paid (2012: 196,249,629)		16,766,418	16,079,010
(b) Movements in ordinary share capital of the Company were as follows:			
Date	Details	No of Shares	Value (cents) \$
	Balance at 30 June 2011	161,304,411	14,299,263
04/08/2011	Options conversion	17,491	1,399
24/08/2011	Options conversion	7,128	570
26/08/2011	Rights Issue	28,181,626	1,409,081
22/09/2011	Rights Issue Shortfall allocation	4,079,256	203,963
17/10/2011	Options conversion	922	74
03/11/2011	Options conversion	270,000	21,600
15/11/2011	Options conversion	25,721	2,058
15/02/2012	Options conversion	10,207	817
02/04/2012	Options conversion	253,193	20,255
10/04/2012	Options conversion	26,937	2,155
17/04/2012	Options conversion	82,137	6,571
30/04/2012	Options conversion	1,986,850	158,948
31/05/2012	Options conversion	3,750	300
	Transaction costs arising on share issues	-	(48,044)
	Balance at 30 June 2012	196,249,629	16,079,010
	Balance at 30 June 2012	196,249,629	16,079,010
7/12/2012	Placement	15,316,110	727,515
	Transaction costs arising on share issues	-	(40,107)
	Balance at 30 June 2013	211,565,739	16,766,418

Notes to and Forming Part of the Financial Statements

(c) Movements in options were as follows:

Date	Details	No of Options	Issue Price	Value \$
	Balance at 30 June 2011	21,452,221		-
04/08/2011	Options conversion	(17,491)	-	-
24/08/2011	Options conversion	(7,128)	-	-
17/10/2011	Options conversion	(922)	-	-
03/11/2011	Options conversion	(270,000)	-	-
15/11/2011	Options conversion	(25,721)	-	-
15/02/2012	Options conversion	(10,207)	-	-
02/04/2012	Options conversion	(253,193)	-	-
10/04/2012	Options conversion	(26,937)	-	-
17/04/2012	Options conversion	(82,137)	-	-
30/04/2012	Options conversion	(1,986,850)	-	-
31/05/2012	Options conversion	(3,750)	-	-
30/04/2012	Expiry	(18,767,885)	-	-
	Balance at 30 June 2012	-		-
	Balance at 30 June 2012	-		-
31/07/2012	Options issued – RMB borrowing costs	1 26,222,222	-	785,000
10/10/2012	Options issued – Incentive options	2 3,000,000	-	-
7/12/2012	Options issued – Free attaching options	3 15,316,110	-	-
7/12/2012	Options issued – Share issue costs	4 153,161	-	7,000
9/04/2013	Options issued – RMB borrowing costs	5 7,111,111	-	125,000
	Balance at 30 June 2013	51,802,604		917,000

Option exercise dates and prices

	Exercise on or before	Exercise price
1	24 July 2015	£0.045
2	31 March 2022	\$0.080
3	7 June 2014	£0.031
4	7 December 2015	£0.031
5	28 March 2016	£0.045

(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.

Notes to and Forming Part of the Financial Statements

NOTE 13 – RESERVES AND ACCUMULATED LOSSES

Accumulated Losses

	2013 \$	2012 \$
Balance at beginning of the year	3,915,407	2,650,234
Net loss from ordinary activities	2,583,401	1,265,173
Balance at end of the year	<u>6,498,808</u>	<u>3,915,407</u>

Foreign Currency Translation Reserve

Balance at beginning of the year	46,032	44,370
Reserve arising on translation of foreign currency subsidiary	(680)	1,662
Balance at end of the year	<u>45,352</u>	<u>46,032</u>

Share Option Reserve

Balance at beginning of the year	-	-
Reserve arising on Black Scholes valuation of options	917,000	-
Balance at end of the year	<u>917,000</u>	<u>-</u>

Nature and purpose of reserves

Foreign currency translation reserve

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

Share Option Reserve

The share option reserve is used to record the deemed valuation of options issued.

NOTE 14 – SHARE BASED PAYMENTS

During the year share based payments in the form of options were made as follows.

		Shares	Value
31/07/2012	Options issued – RMB borrowing costs	26,222,222	785,000
7/12/2012	Options issued – Share issue costs	153,161	7,000
9/04/2013	Options issued – RMB borrowing costs	7,111,111	125,000
			<u>917,000</u>

Notes to and Forming Part of the Financial Statements

Values were derived using the Black Scholes model using the following parameters:

Date	Number	Volatility	Value date	Exercise date	Price (cents)	Non-market discount	Value
31/07/2012	26,222,222	124%	24/07/12	24/12/15	6.8	30%	785,000
7/12/2012	153,161	200%	07/12/12	07/12/15	6.9	30%	7,000
9/04/2013	7,111,111	124%	09/04/12	28/03/16	6.6	30%	125,000

NOTE 15 - 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 2013 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
	<u>135,000</u>	<u>156,250</u>	<u>291,250</u>

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.

NOTE 16 - CONTINGENT LIABILITIES

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

Scotgold Resources Limited and its controlled entities have no other known material contingent liabilities as at 30 June 2013.

Notes to and Forming Part of the Financial Statements

NOTE 17 - 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 18 - SEGMENT INFORMATION

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

NOTE 19 - NOTES TO THE STATEMENT OF CASH FLOWS	2013 \$	2012 \$
Reconciliation of loss after income tax to net operating cash flows		
Loss from ordinary activities	(2,583,401)	(1,265,173)
Depreciation and loss on disposals	26,234	25,165
Borrowing costs	266,426	-
Capitalised interest expense	110,784	-
Non-cash movement on reserves	917,000	-
	<u>(1,262,957)</u>	<u>(1,240,008)</u>
Movement in assets and liabilities		
Receivables	(2,630)	141,616
Other current assets	22,118	8,738
Payables	67,304	(155,019)
Net cash used in operating activities	<u>(1,176,165)</u>	<u>(1,244,673)</u>

Notes to and Forming Part of the Financial Statements

NOTE 20 - KEY MANAGEMENT PERSONNEL

(a) Directors

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

		In office from	In office to
John Bentley	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	17/04/2013

(b) Remuneration Policies

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:

Year ended 30 June 2012		Fees \$	Consultancy \$	Total \$
Director/Secretary	Associated Company			
John Bentley	Ptarmigan Natural Resources Ltd	24,000	68,250	92,250
Chris Sangster		-	297,244	297,244
Phillip Jackson	Holihox Pty Ltd	42,000	-	42,000
Shane Sadleir	Mineral Products Holdings Pty Ltd	42,000	-	42,000
Peter Newcomb	Symbios Pty Ltd	-	166,050	166,050
		<u>108,000</u>	<u>531,544</u>	<u>639,544</u>
Year ended 30 June 2013		Fees \$	Consultancy \$	Total \$
John Bentley	Ptarmigan Natural Resources Ltd	24,000	40,617	64,617
Chris Sangster		-	211,023	211,023
Phillip Jackson	Holihox Pty Ltd	50,000	-	50,000
Shane Sadleir	Mineral Products Holdings Pty Ltd	43,750	-	43,750
Peter Newcomb	Symbios Pty Ltd	-	170,100	170,100
		<u>117,750</u>	<u>421,740</u>	<u>539,490</u>

No other benefits are payable or were paid to key management personnel.

Notes to and Forming Part of the Financial Statements

(d) Shareholding

	Balance 30 June 2011	Purchase and Sales	Options exercised	Balance 30 June 2012
John Bentley	1,125,000	225,000	112,500	1,462,500
Chris Sangster	5,625,000	532,000	281,250	6,438,250
Phillip Jackson	2,187,500	-	-	2,187,500
Shane Sadleir	14,478,481	-	125,000	14,603,481
	<u>23,415,981</u>	<u>757,000</u>	<u>518,750</u>	<u>24,691,731</u>
	Balance 30 June 2012	Purchase and Sales	Date of resignation	Balance 30 June 2013
John Bentley	1,462,500	500,000	-	1,962,500
Chris Sangster	6,438,250	-	-	6,438,250
Phillip Jackson	2,187,500	(437,500)	-	1,750,000
Shane Sadleir	14,603,481	362,500	14,965,981	-
	<u>24,691,731</u>	<u>425,000</u>	<u>14,965,981</u>	<u>10,150,750</u>

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

	Consolidated Entity 2013 \$	Consolidated Entity 2012 \$
Accounts payable	<u>73,305</u>	<u>64,495</u>

(f) Optionholding

	Balance 30 June 2011	Converted during the year	Expired during the year	Balance 30 June 2012
John Bentley	112,500	112,500	-	-
Chris Sangster	562,500	281,250	281,250	-
Phillip Jackson	218,750	-	218,750	-
Shane Sadleir	1,447,848	125,000	1,322,848	-
	<u>2,341,598</u>	<u>518,750</u>	<u>1,822,848</u>	<u>-</u>
	Balance 30 June 2012	Converted during the year	Expired during the year	Balance 30 June 2013
John Bentley	-	-	-	-
Chris Sangster	-	-	-	-
Phillip Jackson	-	-	-	-
Shane Sadleir	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to and Forming Part of the Financial Statements

NOTE 21 - RELATED PARTY INFORMATION	Parent Entity 2013 \$	Parent Entity 2012 \$
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Transactions within the Consolidated Entity

Aggregate amount receivable within the consolidated entities at balance date

Non-current receivables	<u>13,880,255</u>	<u>12,089,670</u>
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NOTE 22 - REMUNERATION OF AUDITORS	2013 \$	2012 \$
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Auditing and reviewing of the financial statements of Scotgold Resources Limited and of its controlled entities.

30,650	<u>27,150</u>
<u>30,650</u>	<u>27,150</u>

NOTE 23 - LOSS PER SHARE	2013 Number	2012 Number
---------------------------------	------------------------	------------------------

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share

<u>210,642,576</u>	<u>189,392,568</u>
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There are no potential ordinary shares on issue at the date of this report.

NOTE 24 - 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 weighted average interest rate on these financial assets, is as follows:

Notes to and Forming Part of the Financial Statements

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2013	2012	2013 \$	2012 \$
Financial Assets				
Cash at Bank	1.09%	3.16%	570,253	72,615
Total Financial Assets			<u>570,253</u>	<u>72,615</u>
Financial Liabilities				
RMB Loan (Note 11)	5.25%		2,607,455	-
Total Financial Liabilities			<u>2,607,455</u>	<u>-</u>

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

Interest Rate Sensitivity Analysis

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

At 30 June 2013 the effect on the loss and equity as a result of a change in the interest rate of 1% with all other variables remaining constant is not material.

Foreign Currency Risk

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

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

Currency	Liabilities	Assets	Liabilities	Assets
	2013 \$	2013 \$	2012 \$	2012 \$
£ Sterling	<u>2,994,003</u>	<u>257,230</u>	<u>277,457</u>	<u>104,800</u>

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.

The contracted maturity for the RMB loan of \$2,607,455 is on the earlier of capital raising of £2 million or 31 December 2013.

Notes to and Forming Part of the Financial Statements

11

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 25 - MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 12 September 2013 the Company announced it had agreed to issue 10 million fully paid ordinary Scotgold shares to Zio Holdings Ltd (Company No. 077015) a company incorporated in Mauritius (Zio), at an issue price of AUD\$0.02 each to raise AUD\$200,000.

Additionally, Scotgold agreed to give Zio a non-exclusive right to conduct due diligence enquiries into Scotgold and the Cononish Project with a view to Zio making further investments in Scotgold, subject to any relevant shareholder or regulatory approvals.

There are no other matters or circumstances that have arisen after the balance date that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

Notes to and Forming Part of the Financial Statements

NOTE 26 - PARENT ENTITY DISCLOSURES	2013 \$	2012 \$
Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	358,954	29,661
Trade and other receivables	4,735	5,255
Total Current Assets	<u>363,689</u>	<u>34,916</u>
NON CURRENT ASSETS		
Plant and equipment	6,567	7,067
Investment in subsidiary	5,491,881	5,491,881
Loan to subsidiary	7,970,120	6,660,641
Total Non Current assets	<u>13,468,568</u>	<u>12,159,589</u>
TOTAL ASSETS	<u>13,832,257</u>	<u>12,194,505</u>
CURRENT LIABILITIES		
Trade and other payables	85,576	76,934
Interest bearing loan	2,607,455	-
Total Current Liabilities	<u>2,693,031</u>	<u>76,934</u>
TOTAL LIABILITIES	<u>2,693,031</u>	<u>76,934</u>
NET ASSETS	<u>11,139,257</u>	<u>12,117,571</u>
EQUITY		
Issued capital	20,843,909	20,156,501
Reserves	917,000	-
Accumulated losses	(10,621,652)	(8,038,930)
TOTAL EQUITY	<u>11,139,257</u>	<u>12,117,571</u>
Financial Performance		
Loss for the year	2,101,646	600,362
Impairment of loans to subsidiaries	481,076	354,474
Total comprehensive income	<u>2,582,722</u>	<u>954,836</u>

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.

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 2013 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 2013.

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, 2013.

13 Independent Auditor's Report



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 2013, 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
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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.



Accountants | Business and Financial Advisers

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 2013 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.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that as at 30 June 2013, the Group had cash available of \$570,253 but had a working capital deficit of \$2,436,905. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia, 30 September 2013

A handwritten signature in blue ink that reads 'M R W Ohm'.

M R W Ohm
Partner

14 Shareholder Details

ANALYSIS OF SHAREHOLDING AT 30 SEPTEMBER 2013

Shareholders	Number of Shareholders		
	ASX	AIM	Total
1 - 1,000	65	9	74
1,001 - 5,000	81	27	108
5,001 - 10,000	144	16	160
10,001 - 100,000	698	69	767
100,001 - or more	182	64	246
Total Shareholders	1,170	185	1,355

Shares	Number of Shares		
	ASX	AIM	Total
1,001 - 5,000	285,718	71,685	357,403
5,001 - 10,000	1,214,154	127,537	1,341,691
10,001 - 100,000	25,410,648	2,318,914	27,729,562
100,001 - or more	78,771,179	113,349,140	192,120,319
Total Shares	105,694,400	115,871,339	221,565,739

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 :

- for every fully paid share held by him one vote
- 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

Directors' Shareholding

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

TOP TWENTY SHAREHOLDERS

Name	Shares	%	Rank	
HSDL Nominees Limited	12,882,709	5.81%	1	AIM
Barclayshare Nominees Limited	12,279,888	5.54%	2	AIM
ZIO Holdings Limited	10,000,000	4.51%	3	ASX
Secure Nominees Limited <SVCLT>	9,995,000	4.51%	4	AIM
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	8,496,299	3.83%	5	AIM
Hargreaves Lansdown (Nominees) Limited <15942>	7,655,557	3.46%	6	AIM
Giltspur Nominees Limited <BUNS>	6,321,501	2.85%	7	AIM
HSBC Custody Nominees (Australia) Limited - A/C 2	4,055,480	1.83%	8	ASX
Transact Nominees Limited <INTERGRA1>	3,894,901	1.76%	9	AIM
Hargreaves Lansdown (Nominees) Limited <HLNOM>	3,882,242	1.75%	10	AIM
L R Nominees Limited <NOMINEE>	3,691,848	1.67%	11	AIM
Tied Nominees Pty Ltd <TP Edwards Super Fund A/C>	3,688,029	1.66%	12	ASX
Mr Jason Khoo	3,604,761	1.63%	13	ASX
Ms Dorita Thomson	3,603,380	1.63%	14	ASX
Hargreaves Lansdown (Nominees) Limited <VRA>	3,469,018	1.57%	15	AIM
HSBC Client Holdings Nominee (Uk) Limited <731504>	3,384,329	1.53%	16	AIM
HSDL Nominees Limited <MAXI>	3,202,341	1.45%	17	AIM
Brewin 1762 Nominees Limited <NOM>	2,620,135	1.18%	18	AIM
Banquest Pty Limited	2,503,811	1.13%	19	ASX
Robertson Architectural Services Pty Ltd <Robertson Family S/F A/C>	2,500,000	1.13%	20	ASX
	111,731,229	50.43%		

Scotland

Location	Agreement	Grant Date	Area
Cononish Glen Orchy	Landholder Lease	23 July 2009	20 sq km
Cononish Glen Orchy	Option Agreement	5 November 2012	975 sq km
Glen Lyon	Option Agreement	5 November 2012	1,369 sq km
Inverliever	Option Agreement	5 November 2012	864 sq km
Knapdale	Option Agreement	5 August 2012	676 sq km
Ochils	Option Agreement	5 August 2012	426 sq km

Mining Leases in Scotland – general information

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

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

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

Exploration Office	<p>Upper Tyndrum Station Tyndrum, Stirlingshire Scotland FK20 8RY</p> <p>Phone +44(0) 183 840 0306</p>
Nominated Adviser (NOMAD)	<p>Westhouse Securities Limited Heron Tower 110 Bishopsgate London EC2N 4AY</p> <p>Phone +44(0) 207 601 6114</p>
Share Registry	<p>Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ</p> <p>Phone +44(0) 870 703 6300</p>
Auditor	<p>Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL</p> <p>Phone +44(0) 131 473 3500</p>
Solicitors	<p>Harper McLeod LLP The Ca'd'oro Glasgow G1 3PE</p> <p>Phone +44(0) 141 221 8888</p>
Bankers	<p>Bank of Scotland Shandwick Place Edinburgh EH11 1YH</p> <p>Phone +44(0) 870 850 1671</p>
Media	<p>Bankside Consultants 6 Middle Street London EC1A</p> <p>Phone +44(0) 207 367 8888</p>



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