



Annual Report

2014



SCOTGOLD
RESOURCES LIMITED



ACN 42 127 042 773

Contents

Section		Page
01	Company Information	1
02	Review of Operations	2
03	Directors' Report	12
04	Corporate Governance Statement	20
05	Auditor's Independence Declaration	29
06	Statement of Comprehensive Income	30
07	Statement of Financial Position	31
08	Statement of Changes in Equity	32
09	Statement of Cash Flows	33
10	Notes to Financial Statements	34
11	Directors' Declaration	54
12	Independent Auditor's Report	55
13	Shareholder Details	57
14	Interest in Exploration Leases	59
15	Company Information – Scotland	60

Photographs contained in this Annual Report are for illustration purposes only and are not necessarily assets of the Company.



Company Information

ABN	42 127 042 773	
Directors	John Bentley Chris Sangster Phillip Jackson	Executive Chairman CEO / Managing Director Non-Executive Director
Company Secretary	Peter Newcomb	
Registered Office	24 Colin Street, 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:	Shares SGZ
	AIM Code:	Shares SGZ
Website	www.scotgoldresources.com.au	



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 principal 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 (2004)) 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.

Subsequent to an initial rejection of its application for planning permission to develop the project 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 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 resources at Cavancaw (c. 0.5M oz of gold) and Curraghinalt (c. 3.5M oz of gold).

The Company is conducting a regional stream sediment sampling program over the wider Grampian gold project area whilst continuing to evaluate a number of previously identified high grade outcrops in the vicinity of the Cononish project.

OPERATIONAL REVIEW

CONONISH GOLD AND SILVER PROJECT

Resources

Subsequent to the grant of planning permission in February 2012 and as a result of discussions with potential financiers to the project, the Company embarked on an 18 hole (2200m) infill drilling program aimed at converting Inferred resources to Indicated resources which was completed in October 2012. Full details of the results from the infill program were announced in the press release of 8/10/2012 - **Drilling Results**.

Based on the results of the infill drilling program, 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 1 below shows the revised Mineral Resource estimate as announced in the press release of 14/11/2012 – **Cononish Resource Update**. The table also serves as the Company's Annual Mineral Resource statement.

Cononish Main Vein Gold and Silver Mineral Resources (reported at a 3.5 g/t Au cut-off) compiled 14/11/12.

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

Table 1

Annual Mineral Resource Statement as at 30/06/2014

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.

Note: ***This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.***

Review of Operations

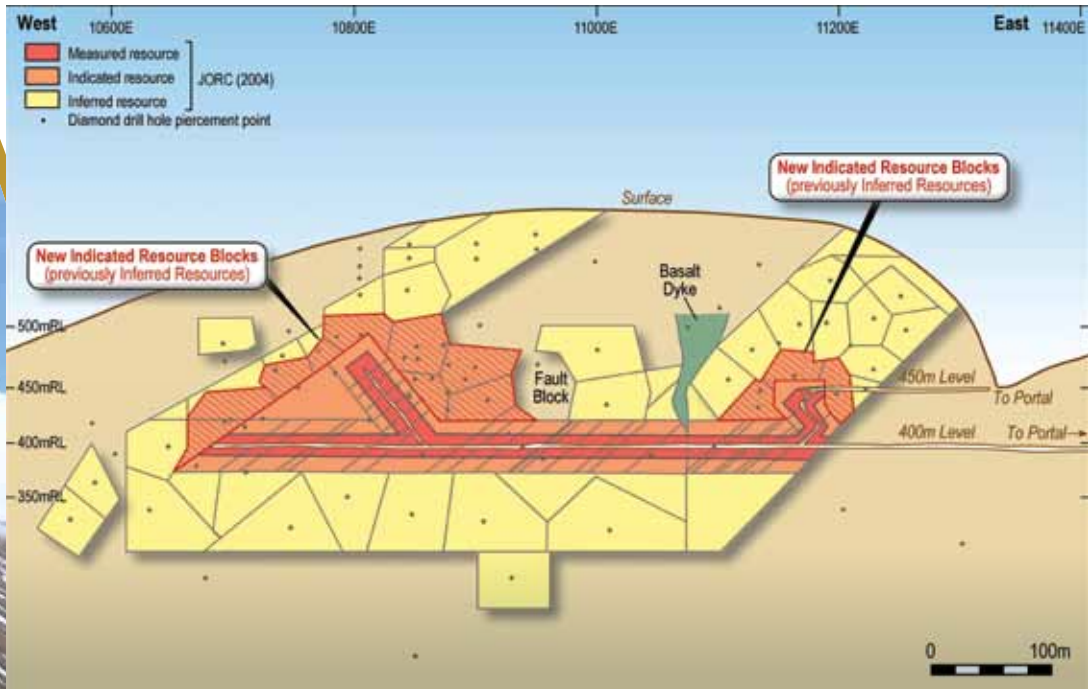


Figure 2

Cononish Resource classification (JORC 2004)

There has been no change to the reported Mineral Resources between 30/06/2013 and 30/06/2014, which as at 30/06/2013, totalled including Measured, Indicated and Inferred categories, 460,600t @ 11.7g/t Au and 45g/t Ag.

The results from the 2012 infill program, importantly, substantiated and increased 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. 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.

Ore Reserves

There are no Ore Reserves estimated in terms of the JORC (2012) code as at 30/06/2014.

Reserves reported in 2013 under the JORC 2004 code are no longer applicable. As noted in the following section and subsequent to its internal review of both Mineral Resources and Ore Reserves, the Company is examining a number of different options and possible configurations for the project and has deemed it appropriate to update both Minerals Resources and Ore Reserves to comply with the JORC (2012) code when this work has been concluded.

Project status

In order to facilitate financing under current market conditions, the Company, in conjunction with its consultants, have continued to examine and evaluate possible alternative configurations for the Cononish Gold and Silver Project with a view to optimising returns and attempting to reduce the initial capital expenditure and the overall funding requirement to bring the project to production.

The initial options considered to date have considered varied processing rates, strategic mining sequences and mining selectivity. These options remain under current review and a number of other options relating to construction, commissioning and production build up periods, as well as plant configuration, are currently being considered for further examination and evaluation before a preferred development option can be finalised.

From the initial options considered, it was apparent that a change to the current planning condition (Condition 13) regarding the hours of operation of the processing plant presented an attractive opportunity to be actively pursued. Current planning conditions restrict hours of operation of the processing plant from 07h00 to 23h00 Mondays to Saturdays with no processing on Sunday or recognised Scottish public holidays. A change to 24/6 operations (though still with no processing on Sunday or recognised Scottish public holidays) would enable a significant decrease in the 'name plate' plant hourly throughput rate, whilst maintaining previously considered annual production rates, with attendant possible capital reductions for the processing plant and associated infrastructure.

To this end, the Company held a number of discussions with the Loch Lomond and the Trossachs National Park Planning Authority ("the Planning Authority"). Scotgold submitted a formal letter to the Planning Authority requesting pre-application advice regarding variation to this condition. The Company has received the response and recently conducted a site visit with the Planning Authority and relevant other authorities in this regard and plan to submit the requisite application to vary this condition shortly.

Contingent to continuing progress made towards varying this condition, the Company continues to assess other potentially beneficial options for the project.

The Company is in discussion with possible plant suppliers regarding the capital costs and financing of the possible smaller facility and is in negotiations relating to supplier financing for the mining equipment required with the aim of achieving further reductions in the initial capital expenditure.

The decision notice granting planning permission to the project issued by the Planning Authority on 13 February 2012 required a number of 'suspensive' conditions to be satisfied prior to the start of development. All submissions have been made (excluding those to be made immediately prior to the start of development) and 64% of the conditions have been discharged. Finalisation of these discussions relating to the outstanding conditions already submitted, has been put on hold pending the application to vary condition 13 and further progress towards completing finance for the project.

The Company submitted an application for a licence under the Water Environment (Controlled Activities) Regulations 2011 (CAR regulations) relating to proposed burn diversion works and all necessary permitting for these works has been granted by the Scottish Environmental Protection Agency (SEPA).

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 construction works before work was halted. It is estimated that this work can be rapidly completed on financing without impacting the development schedule.

As such, all necessary permitting has either been granted or can be completed within a short time frame, subject to the approval for the variation of condition 13 (Limitation of working hours) as noted above and engineering design work is at a stage where it can be rapidly finalised on securing finance thus ensuring 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.

02 | Review of Operations

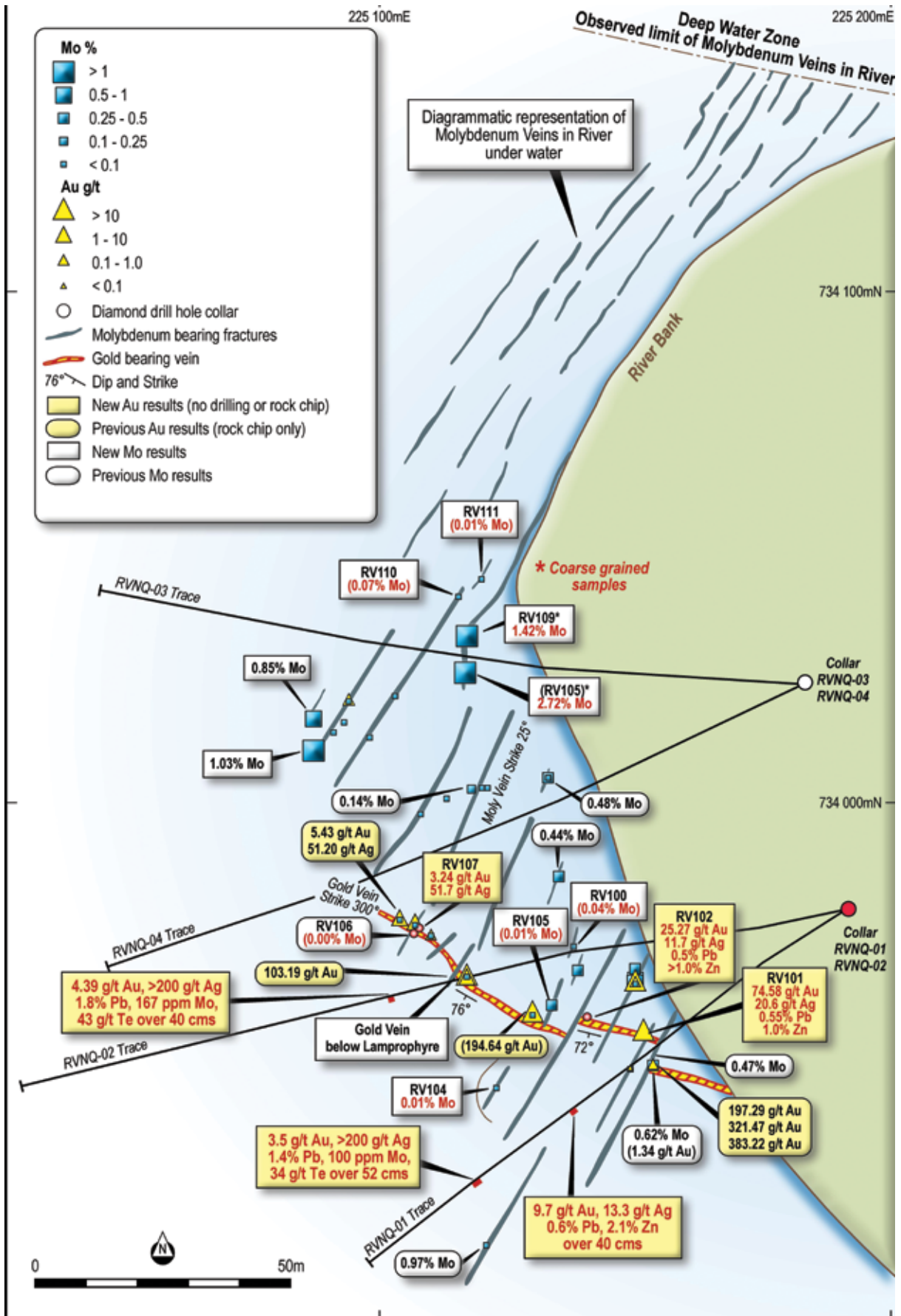


Figure 3 Map of River Vein showing selected drilling, mapping and rock chip sampling

GRAMPIAN GOLD PROJECT

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

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 1950s and 1970s but is of a quality and spacing that does not adequately reflect the prospectivity of the area. This and the general lack of previous exploration over the area (other than early stage exploration in the vicinity of the Cononish project) has dictated the Company's approach to exploration.

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

In the initial wide spaced regional program, in excess of 750 stream sediment samples were taken over the area. Initial interpretation of these results continues and this program is now being followed up by a more detailed infill sampling program in the anomalous result areas in order to further target areas for detailed fieldwork and prospecting. To date a further 250 samples have been taken in the infill program with a further 237 to be taken.

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

Initially, the company conducted a re-sampling program to verify previously identified occurrences and the program confirmed the presence of a large number of high grade gold / silver vein outcrops in an area located between two major regional faults, the Tyndrum – Glen Fyne fault and the Ericht - Laidon fault and associated with the fractures 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, detailed rock chip sampling, initial short surface drilling and (in some cases) deeper diamond drilling and the Company believe that further significant exploration expenditure is justified on many of these prospects when financing is available. The most advanced of these prospects include

- 1) the River Vein area - diamond drilling below exceptionally high grade surface rock chip samples has proved structural continuity of a vein structure to a depth of approximately 100m and a similar strike extent as defined by current drilling and remains open along strike and at depth: this warrants further diamond drilling (see Press Release – Exploration Progress at River Vein – 30/01/2012).
- 2) the Sron Garbh mafic / ultramafic complex – short surface drilling intersected highly anomalous grades of Gold, Platinum, Palladium, Copper Nickel and Cobalt, in and close to the 'Gabbroic / Appinitic' zone of the complex. Mineralisation is seen to be contained in 'sulphide blebs' in a 'leopard rock' textured zone. These characteristics are diagnostic of the worldwide 'magmatic Cu – Ni – PGE – Au' group of deposits associated with mafic / ultramafic intrusives such as Aguablanca in Spain, certain parts of the Sudbury mines in Ontario, Canada; Voisey's Bay in Labrador Canada and Lac des Isles in Quebec, Canada. Such deposits occur as sulphide concentrations (massive through to disseminated sulphides) associated with a variety of mafic and ultramafic magmatic rocks (see Press Release – Highly Anomalous Platinum Group Metals Gold and Base metals – 07/03/2012).
- 3) the Auch / Beinn Odhar veins – shallow surface drilling below one of the identified high grade outcrops confirmed its prospectivity and a considerable number of the other currently identified outcrops require initial short surface drilling as a precursor to further more intensive drilling.

02 | Review of Operations

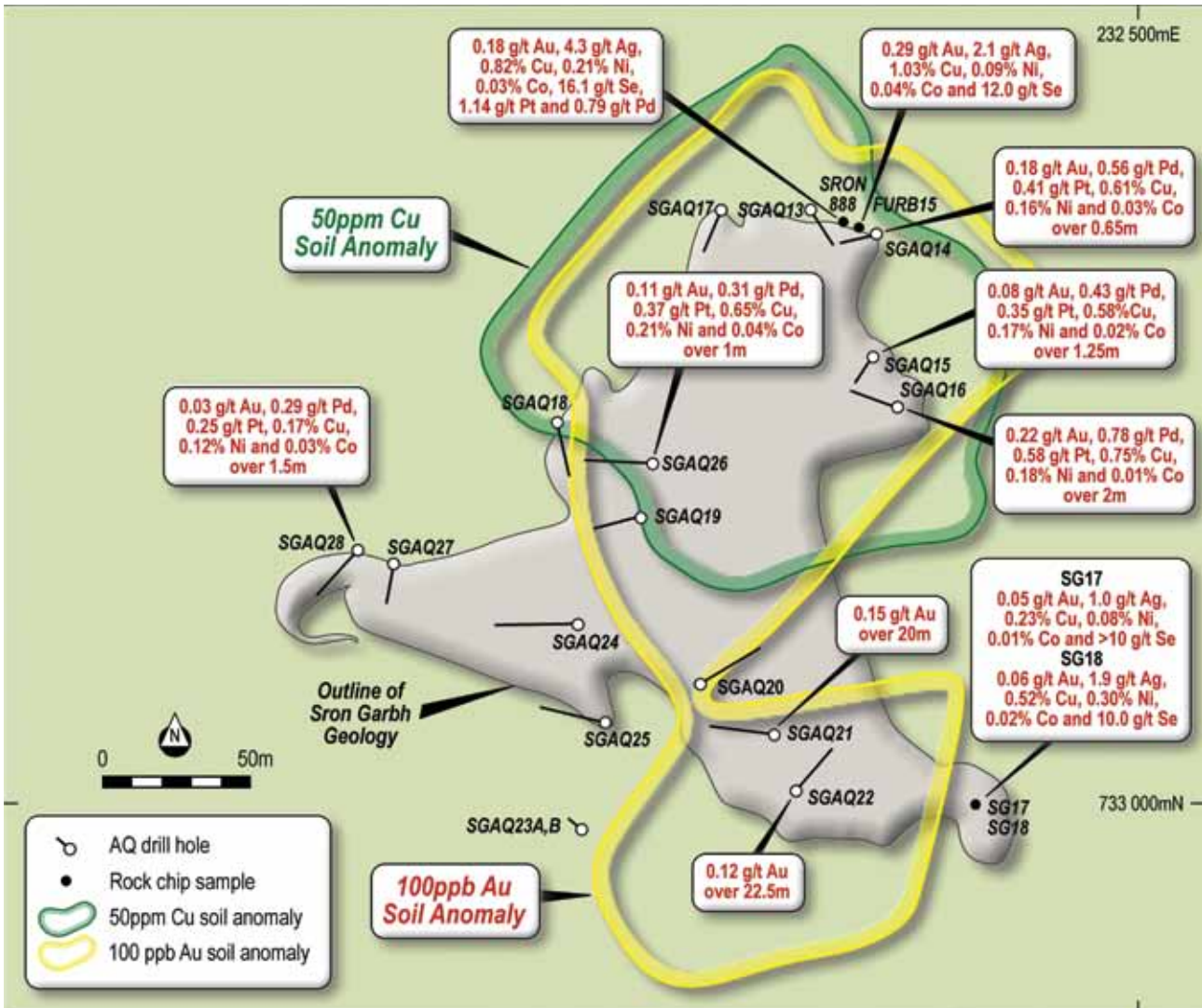


Figure 4

Sron Garbh: Gold/ copper in soil anomaly contour and selected rock chip and AQ drillhole results



As an adjunct to field activities, Scotgold has over the past four years co-sponsored a doctoral research project to investigate gold occurrences in the area in addition to a number of related MSc dissertations on various aspects of the mineralisation in the Tyndrum area. The results from these research projects are being assessed in relation to future exploration activity.

The Company believe that the next phase of exploration in the central 'Tyndrum' option area should comprise an airborne geophysical survey in order to assess the nature and continuity of the structural regime in this area with a view to determining its potential to host similar 'Cononish style' deposits. Results from the infill stream sediment sampling program will guide further exploration effort in areas outside the immediate Cononish area.

Competent Persons Statement:

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

The information in this report that relates to Mineral Resources is based on resource estimates compiled by EurGeol Dr Simon Dominy FAusIMM (CP), FGS (CGeol), FIMMM, Executive Consultant with Snowden based in the London, UK 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 2012 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.

02 | Review of Operations

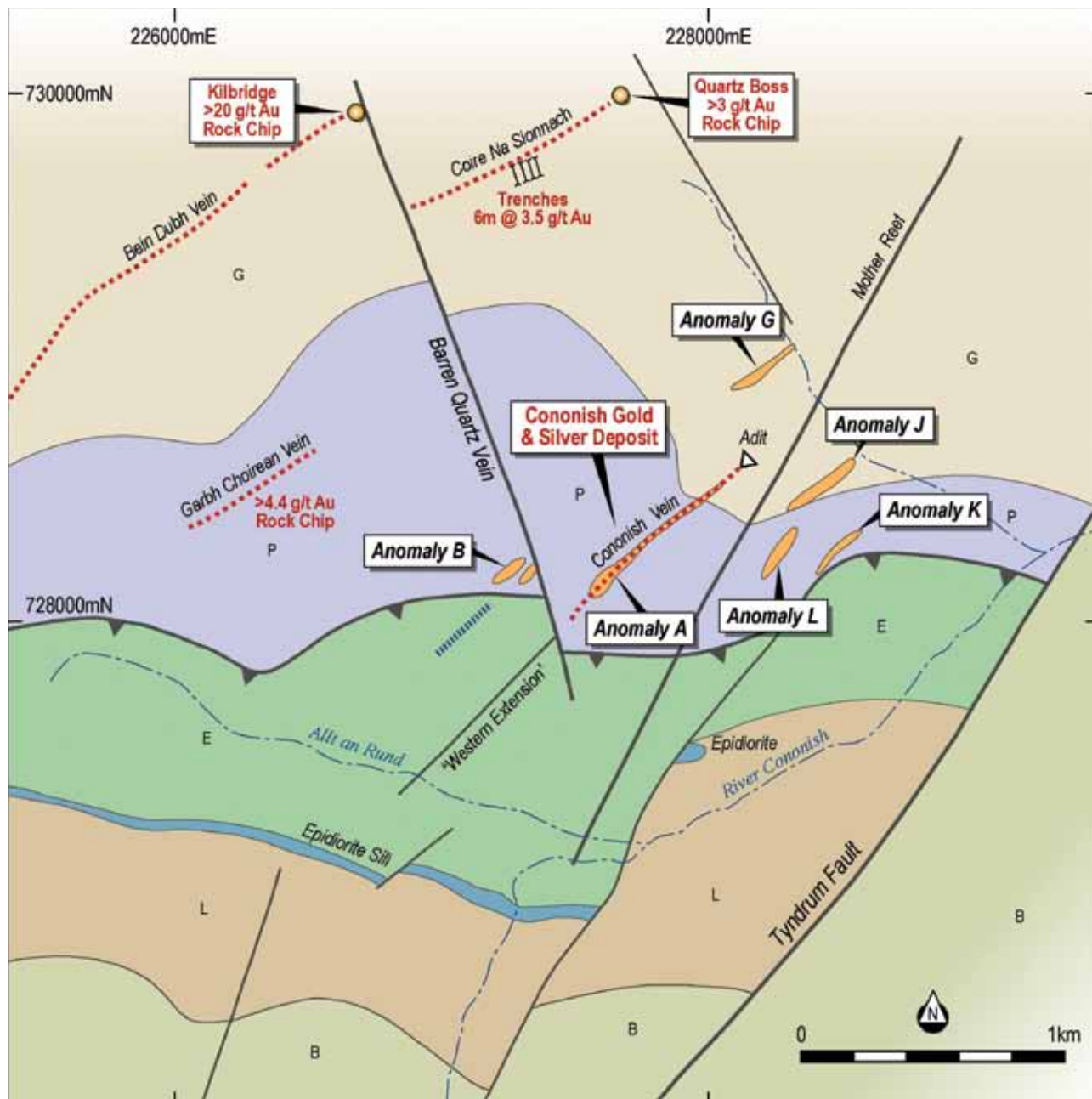


Figure 5 Geological map of the Cononish Mine vicinity

Subsequent events

As announced on 22 September (see ASX Release - Company Update for full details), the Company entered into the convertible note agreements (Convertible Notes) on the terms and conditions set out in the Company's Notice of Meeting dated 23 June 2014 and approved by Shareholders at the General Meeting on 30 July 2014.

\$1 million has been advanced to the Company under the Convertible Note Agreements. The funds raised by the Convertible Notes has been used as part-repayment of the RMB Facility as described below and the balance will be used for working capital.

The Company announced that the RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

The Company also announced that the remaining amount under the RMB Facility Agreement has been extended to 31 December 2015 in consideration for:

- (a) the partial repayment of the RMB Facility set out in paragraph 2 above (such that the facility amount is £1,180,000; and
- (b) the issue to RMB Australia Holdings Ltd of 9,000,000 fully paid ordinary Scotgold Shares and 30,000,000 unlisted Options exercisable at 0.69 pence on or before 22 September 2017.

The Shares and Options have been issued under the Company's Listing Rule 7.1 capacity.

Tenement details

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

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

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

- Glen Orchy: Location – counties of Perth and Argyll, Scotland UK
- Glen Lyon: Location – counties of Perth and Argyll, Scotland UK
- Inverliever: Location – counties of Dunbarton, Argyll and Perth, Scotland UK
- Knapdale: Location – county of Argyll, Scotland UK
- Ochils: Location – county of Clackmannan, Perth, Kinross and Stirling, Scotland UK

No tenements were acquired or disposed of during the year.

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

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



03 Directors' Report

DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity consisting of Scotgold Resources Limited and its controlled entities ("Scotgold") for the financial year ended 30 June 2014.

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

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 13,703,728

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 Manager for Caledonia Mining Corporation for the Cononish Gold Project and a Director of Fynergold 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 16,744,153

Special Responsibilities

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

Directorships held in listed entities

None

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.

03 Directors' Report

Interest in Shares and Options

Fully Paid Shares 4,331,250

Special Responsibilities

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

Directorships held in 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.

SHARES UNDER OPTION

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

Number of shares under option	Exercise price	Expiry date
3,000,000	\$0.080	31 March 2022
26,222,222	£0.045	24 July 2015
153,161	£0.031	7 December 2015
7,111,111	£0.045	28 March 2016
50,000,000	\$0.012	31 March 2015
30,000,000	\$0.069	22 September 2017

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 was \$1,466,149 (2013: \$2,583,401).

Financial Position

At 30 June 2014 the Company had cash reserves of \$640,857 (2013: \$570,253).

Dividends

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 23 September 2014 the company announced the following

1. CONVERTIBLE NOTES

The company has entered into convertible note agreements (Convertible Notes) on the terms and conditions set out in the Company's Notice of Meeting dated 23 June 2014 (and approved by Shareholders at the General Meeting on 30 July 2014).

\$1 million has been advanced to the Company under the Convertible Note Agreements. The funds raised by the Convertible Notes has been used as part-repayment of the RMB Facility as described below and the balance will be used for working capital.

The Convertible Notes have a repayment date of 24 months from their date of issue, with an interest rate of 1% per annum. The holders of the Convertible Notes may elect to convert the Convertible Notes (in part or in full) into ordinary shares in the Company at a conversion price of \$0.0075 per share. For every share issued on conversion of the Convertible Notes, one free attaching option will be issued, exercisable at \$0.012 on or before 31 March 2016. Full details of the Convertible Notes and attaching options were set out in the Company's Notice of Meeting dated 23 June 2014.

2. PARTIAL REPAYMENT OF RMB FACILITY

The RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

3. EXTENSION OF RMB FACILITY

The remaining amount under the RMB Facility Agreement has been extended to 31 December 2015 in consideration for:

- (a) the partial repayment of the RMB Facility set out in paragraph 2 above (such that the facility amount is £1,180,000; and
- (b) the issue to RMB Australia Holdings Ltd of 9,000,000 fully paid ordinary Scotgold Shares and 30,000,000 unlisted Options exercisable at 0.69 pence on or before 22 September 2017.

The Shares and Options have been issued under the Company's Listing Rule 7.1 capacity.

03 Directors' Report

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 2014, 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	2	2
Chris Sangster	2	2
Phillip Jackson	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 2014.

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.

Remuneration policy

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

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

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

Performance-based remuneration

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

DETAILS OF REMUNERATION FOR YEAR ENDED 30 JUNE 2014

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.

03 Directors' Report

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

Director/Secretary	Associated Company	Fees \$	Consulting \$	Total \$
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
		<u>117,750</u>	<u>421,740</u>	<u>539,490</u>
Year ended 30 June 2014				
John Bentley	Ptarmigan Natural Resources Ltd	91,982	-	91,982
Chris Sangster		-	241,348	241,348
Phillip Jackson	Holihox Pty Ltd	33,000	-	33,000
Peter Newcomb	Symbios Pty Ltd	-	170,100	170,100
		<u>124,982</u>	<u>411,448</u>	<u>536,430</u>

Key management personnel share holding

	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	(1,437,500)	-	750,000
Shane Sadleir	14,603,481	362,500	14,965,981	-
Peter Newcomb	2,277,968	510,000	-	2,787,968
	<u>26,969,699</u>	<u>(65,000)</u>	<u>14,965,981</u>	<u>11,938,718</u>
	Balance 30 June 2013	Purchase and Sales	Date of resignation	Balance 30 June 2014
John Bentley	1,962,500	1,471,875	-	3,434,375
Chris Sangster	6,438,250	4,828,688	-	11,266,938
Phillip Jackson	750,000	562,500	-	1,312,500
Peter Newcomb	2,787,968	7,466,545	-	10,254,513
	<u>11,938,718</u>	<u>14,329,608</u>	<u>-</u>	<u>26,268,326</u>

Directors' option holding

No options were held by Directors in the years ended June 2013 and June 2014.

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

Aggregate amounts payable to Directors and their personally related entities.

	Consolidated Entity	Consolidated Entity
	2014	2013
	\$	\$
Accounts payable	187,653	73,305

There were no performance related payments made during the year.

End of remuneration report.

ENVIRONMENTAL ISSUES

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

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 2014 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 2014

04 Corporate Governance Statement

Corporate Governance Statement

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

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

04 Corporate Governance Statement

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".

04 Corporate Governance Statement

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 Directors of Scotgold Resources Limited are 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.

04 Corporate Governance Statement

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.

04 Corporate Governance Statement

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 and 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 consolidated financial report of Scotgold Resources Limited for the year ended 30 June 2014, 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 2014

M R W Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

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

06 Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	CONSOLIDATED	
		2014	2013
		\$	\$
Revenue	2	20,413	15,454
Administration costs		(301,644)	(354,575)
Interest expense		(192,959)	(103,350)
Depreciation and profit on disposal of property, plant and equipment	3	(20,545)	(26,234)
Employee and consultant costs		(236,399)	(371,000)
Listing and share registry costs		(199,137)	(139,262)
Legal fees		(93,416)	(58,450)
Borrowing costs		(5,545)	(266,426)
Share based payments		(121,154)	(910,000)
Office and communication costs		(105,642)	(156,322)
Other expenses		(255,001)	(281,132)
LOSS BEFORE INCOME TAX BENEFIT		<u>(1,511,029)</u>	<u>(2,651,297)</u>
Income tax benefit	4	44,880	67,896
LOSS FOR THE YEAR		<u>(1,466,149)</u>	<u>(2,583,401)</u>
Other Comprehensive Income			
Items that may be reclassified to Profit or Loss			
Exchange difference on translation of foreign subsidiaries		(14,633)	680
Total comprehensive result for the year		<u>(1,480,782)</u>	<u>(2,582,721)</u>
Basic (loss) per share (cents per share)	23	(0.44)	(1.23)

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

Statement of Financial Position | 07

As at 30 June 2014

	Notes	CONSOLIDATED	
		2014	2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	640,857	570,253
Trade and other receivables	6	169,989	26,050
Other current assets	7	13,026	24,618
Total Current Assets		<u>823,872</u>	<u>620,921</u>
NON CURRENT ASSETS			
Trade and other receivables	6	90,335	83,222
Plant and equipment	8	121,301	144,487
Mineral exploration and evaluation	9	13,894,769	13,348,454
Total Non Current assets		<u>14,106,405</u>	<u>13,576,163</u>
TOTAL ASSETS		<u>14,930,277</u>	<u>14,197,084</u>
CURRENT LIABILITIES			
Trade and other payables	10	353,598	331,085
Other current liabilities	10	69,060	119,286
Interest bearing liabilities	11	3,031,286	2,607,455
TOTAL LIABILITIES		<u>3,453,944</u>	<u>3,057,826</u>
NET ASSETS		<u>11,476,333</u>	<u>11,139,258</u>
EQUITY			
Issued capital	12	18,463,121	16,766,418
Reserves	13	978,169	871,648
Accumulated losses	13	(7,964,957)	(6,498,808)
TOTAL EQUITY		<u>11,476,333</u>	<u>11,139,258</u>

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

08 Statement of Changes in Equity

For the year ended 30 June 2014

CONSOLIDATED

	Issued Capital	Accumulated Losses	Options Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2013	\$	\$	\$	\$	\$
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	<u>16,766,418</u>	<u>(6,498,808)</u>	<u>917,000</u>	<u>(45,352)</u>	<u>11,139,258</u>
Year Ended 30 June 2014					
Balance 1 July 2013	16,766,418	(6,498,808)	917,000	(45,352)	11,139,258
Placements (Note 12)	925,270	-	-	-	925,270
Entitlements Issue	830,872	-	-	-	830,872
Options issued	-	-	121,154	-	121,154
Share issue expenses	(59,439)	-	-	-	(59,439)
Total comprehensive result for the year	-	(1,466,149)	-	(14,633)	(1,480,782)
As at 30 June 2014	<u>18,463,121</u>	<u>(7,964,957)</u>	<u>1,038,154</u>	<u>(59,985)</u>	<u>11,476,333</u>

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

Statement of Cash Flows | 09

As at 30 June 2014

	Notes	CONSOLIDATED	
		2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers		(1,044,010)	(1,184,916)
Interest income received		9,756	8,751
Net Cash Outflow From Operating Activities	19	<u>(1,034,254)</u>	<u>(1,176,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(596,402)	(1,263,995)
Proceeds of disposal of other fixed assets		2,641	-
Net Cash Outflow From Investing Activities		<u>(593,761)</u>	<u>(1,263,995)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		1,756,142	727,515
Share and option issue transaction costs		(59,439)	(40,107)
Borrowings net of costs		-	2,230,245
Net Cash Inflow From Financing Activities		<u>1,696,703</u>	<u>2,917,653</u>
Net increase in cash held		68,688	477,493
Effect of exchange rate fluctuations on cash and cash equivalents		1,916	20,145
Cash and cash equivalents at the beginning of this financial year		570,253	72,615
Cash and cash equivalents at the end of this financial year	5	<u>640,857</u>	<u>570,253</u>

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Preparation**

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

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

The company is a listed public company, incorporated in Australia and operating in Australia 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 2014, the group had cash available of \$640,857, but had a working capital deficit of \$2,630,072 due primarily to the loan from RMB Bank of \$3,031,286. Subsequent to year end, the company completed a placement of 56,874,933 fully paid ordinary shares at an issue price of \$0.0075 to raise \$426,562 and 18,765,318 fully paid ordinary shares at an issue price of \$0.010 to raise \$187,653.

Also subsequent to year end \$1 million has been advanced to the Company under Convertible Note Agreements. The funds raised by the Convertible Notes has been used as part-repayment of the RMB Facility as described below and for working capital.

The RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

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 2014 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.

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.

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 2014.

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 2014, 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 2014. 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.

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.

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) 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.

(n) 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.

The functional currency of the foreign operation, Scotgold Resources is Pounds Sterling (£).

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.

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.

(o) Critical accounting estimates and judgements

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

Key Estimates – Impairment

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

Impairment of mineral exploration and evaluation

At 30 June 2014, the Group had capitalised mineral exploration and evaluation expenditure of \$13,894,769 (2013: \$13,348,454). During the year, as part of the Company's Notice of General Meeting lodged with ASX on 23 June 2014, a valuation was conducted of the Group's Cononish Gold and Silver Project by an independent valuer based in the United Kingdom. This report was on a fair market value basis and was carried out in accordance with the principles of the VALMIN code.

The valuation was determined upon the expected value method based upon discounted cash flow analysis which was derived by applying a discount factor of 70% to the results of the DCF analysis to arrive at a fair market value basis. The value was based upon a post-tax NPV of £7.91 million at a discount rate of 10% which after a discount factor of 70% arrived at a fair market valuation of £2.4 million (equivalent to \$4.4 million at 30 June 2014 spot rate).

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

As AASB 136 requires recoverable amount to be determined on the basis of the higher of value-in-use and fair value less costs to sell, the directors have instructed the independent valuers to prepare the recoverable amount calculation on the basis of value-in-use. The value determined by the independent valuers on this basis is £11 million (\$20 million at 30 June 2014 spot rate). This is in excess of the carrying value of the associated exploration expenditures at 30 June 2014 and therefore, in accordance with AASB 136, no impairment has been recorded.

NOTE 2 – REVENUE

	2014	2013
	\$	\$
Revenue		
Interest received	9,758	9,483
Other income	10,655	5,971
Total revenue	<u>20,413</u>	<u>15,454</u>

NOTE 3 - LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSES

	2014	2013
	\$	\$
Expenses		
Borrowing costs expensed	5,545	266,426
Total borrowing cost expensed	<u>5,545</u>	<u>266,426</u>
Depreciation of non-current assets		
Plant and Equipment	17,589	19,910
Motor vehicles	5,562	6,288
Office furniture and equipment	35	36
Total depreciation of non-current assets	<u>23,186</u>	<u>26,234</u>
Profit on disposal of property, plant and equipment	<u>2,641</u>	<u>-</u>

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:

	2014	2013
	\$	\$
Loss from ordinary activities	<u>1,466,149</u>	<u>2,583,401</u>
Prima facie income tax benefit at 30%	439,845	775,020
Tax effect of permanent differences		
Share based payments	(36,346)	(273,000)
Share Issue Costs amortised	48,772	69,358
R & D Tax Offset refund received	(44,880)	(67,896)
Other non-deductible expenses	(465)	(265)
Income tax benefit adjusted for permanent differences	<u>406,926</u>	<u>503,217</u>
Deferred tax asset not brought to account	(362,046)	(435,321)
Income tax benefit	<u>44,880</u>	<u>67,896</u>

Notes to and forming part of the Financial Statements

For the year ended 30 June 2014

10

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:

	2014	2013
	\$	\$
UNRECOGNISED DEFERRED TAX ASSETS		
Revenue Losses after permanent differences	1,701,215	1,290,397
Capital Raising Costs yet to be claimed	30,845	39,232
	<u>1,732,060</u>	<u>1,329,629</u>

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2014 as the Directors do not believe it is appropriate to regard the realisation of the asset as probable. This asset will only be obtained if:

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

Franking Credits

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

NOTE 5 – CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank and on hand	<u>640,857</u>	<u>570,253</u>

NOTE 6 – TRADE AND OTHER RECEIVABLES

Current

GST / VAT receivable	37,626	22,524
Other receivables	132,363	3,526
	<u>169,989</u>	<u>26,050</u>

Non-current

Bond on Tenement	<u>90,335</u>	<u>83,222</u>
------------------	---------------	---------------

NOTE 7 – OTHER CURRENT ASSETS

Prepayments	<u>13,026</u>	<u>24,618</u>
-------------	---------------	---------------

NOTE 8 – PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Plant and equipment		
Cost	349,150	349,150
Accumulated Depreciation	(227,849)	(204,663)
	<u>121,301</u>	<u>144,487</u>
Movement for the year		
Opening balance	144,487	170,721
Additions	-	-
Disposals	-	-
Depreciation expensed	(23,186)	(26,234)
Closing balance	<u>121,301</u>	<u>144,487</u>

NOTE 9 – MINERAL EXPLORATION AND EVALUATION

Opening balance	13,348,454	12,084,602
Expenditure during the year	546,315	1,263,852
Closing balance	<u>13,894,769</u>	<u>13,348,454</u>

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

As disclosed on note 1(n), an impairment assessment was conducted during the year by an independent valuer which indicated the value-in-use associated with the Cononish project was £11 million (\$20 million at 30 June 2014 spot rate) and, as this is in excess of the related carrying amount in accordance with AASB 136 no impairment has been recorded at 30 June 2014.

	2014	2013
	\$	\$

NOTE 10 – TRADE AND OTHER PAYABLES

Trade creditors	353,598	331,085
Other accruals	69,060	119,286
	<u>422,658</u>	<u>450,371</u>
Trade creditors and accruals relating to exploration expenditure	106,246	156,333
Trade creditors and accruals relating to administration	316,412	294,038
	<u>422,658</u>	<u>450,371</u>

Trade creditors are non-interest bearing and are normally settled on 30 day terms (2013: 30 days).

NOTE 11 – INTEREST BEARING LIABILITIES

Financing Agreements

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 2014 in the amount of £1,500,000, together with capitalised interest of £177,817. The carrying value of the assets pledged as security is \$20,257,816 at 30 June 2014.

NOTE 12 – ISSUED CAPITAL

		2014	2013
		\$	\$
(a)	Issued capital		
	483,889,318 ordinary shares fully paid (2013: 211,565,739)	<u>18,463,121</u>	<u>16,766,418</u>
(b)	Movements in ordinary share capital of the Company were as follows:		
Date	Details	Shares	Value (cents)
	Balance at 30 June 2012	196,249,629	16,079,010
7/12/2012	Placement	15,316,110	4.7500
	Transaction costs arising on share issues	-	(40,107)
	Balance at 30 June 2013	211,565,739	16,766,418
20/09/2013	Placement	10,000,000	2.0000
06/01/2014	Entitlements Issue	148,519,802	0.5000
23/01/2014	Entitlements Issue Shortfall	17,654,502	0.5000
05/03/2014	Placement	90,000,000	0.7500
21/03/2014	Placement	6,149,275	0.8175
	Transaction costs arising on share issues	-	(59,439)
		<u>483,889,318</u>	<u>18,463,121</u>
(c)	Movements in options were as follows:		
	Balance at 30 June 2012	-	-
31/07/2012	Options issued – RMB borrowing costs	1*	26,222,222
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
9/04/2013	Options issued – RMB borrowing costs	5*	7,111,111
	Balance at 30 June 2013	51,802,604	917,000
	Options vesting – Incentive options	-	121,154
	Options Expiring 7 June 2014	(15,316,110)	-
	Balance at 30 June 2014	<u>36,486,494</u>	<u>1,038,154</u>

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	£0.045
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.

2014	2013
\$	\$

NOTE 13 – RESERVES AND ACCUMULATED LOSSES

Accumulated Losses

Balance at beginning of the year	6,498,808	3,915,407
Net loss from ordinary activities	1,466,149	2,583,401
Balance at end of the year	<u>7,964,957</u>	<u>6,498,808</u>

Foreign Currency Translation Reserve

Balance at beginning of the year	45,352	46,032
Reserve arising on translation of foreign currency subsidiary	14,633	(680)
Balance at end of the year	<u>59,985</u>	<u>45,352</u>

Share Option Reserve

Balance at beginning of the year	917,000	-
Reserve arising on Black Scholes valuation of options	121,154	917,000
Balance at end of the year	<u>1,038,154</u>	<u>917,000</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 assessed value of options issued.

NOTE 14 – SHARE BASED PAYMENTS

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

Grant Date	Purpose of issue	2014 Number	2014 Value \$	2013 Number	2013 Value cents
24/07/12	RMB borrowing costs	-	-	26,222,222	6.8
7/12/12	Share issue costs	-	-	153,161	6.9
9/04/13	RMB borrowing costs	-	-	7,111,111	6.6
8/10/12	Consultants incentive options	3,000,000	8.0	-	
		<u>3,000,000</u>		<u>33,486,494</u>	

Consultants incentive options vest as shown below and for the purposes of valuing the share based payment the total value is prorated using the number of days in the vesting period to 30 June 2014.

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

Grant Date	Vesting Date	Number	Volatility	Value date	Expiry date	Price (cents)	Non-marketability discount	Value \$
31/07/12	31/07/12	26,222,222	124%	24/07/12	24/12/15	6.8	30%	785,000
7/12/12	7/12/12	153,161	200%	07/12/12	07/12/15	6.9	30%	7,000
9/04/13	9/04/13	7,111,111	124%	09/04/12	28/03/16	6.6	30%	125,000
8/10/12	31/03/13	1,000,000	111%	31/03/13	31/03/22	8.0	30%	44,923
8/10/12	31/03/14	1,000,000	111%	31/03/14	31/03/22	8.0	30%	44,923
8/10/12	31/03/15	1,000,000	111%	31/03/15	31/03/22	8.0	30%	31,307

No share options were exercised during the year.

The share options outstanding at the end of the year had a weighted average exercise price of 6.9 cents per option (2013: 7.0 cents per option).

The weighted average fair value of options granted during the year was 4.0 cents per option (2013: 2.7 cents per option).

NOTE 15 - COMMITMENTS FOR EXPENDITURE

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 2015 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 2014.

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

	2014	2013
	\$	\$
Reconciliation of loss after income tax to net operating cash flows		
Loss from ordinary activities	(1,466,149)	(2,583,401)
Depreciation	23,186	26,234
Profit on sale of fixed assets	(2,641)	-
Borrowing costs	-	266,426
Capitalised interest expense	423,832	110,784
Non-cash movement on reserves	121,154	917,000
	<u>(900,618)</u>	<u>(1,262,957)</u>
Movement in assets and liabilities		
Receivables	(151,052)	14382
Other current assets	11,592	-4,249
Payables	22,374	96,178
Revaluation effect of foreign currency working capital	(16,549)	(19,519)
Net cash used in operating activities	<u>(1,034,254)</u>	<u>(1,176,165)</u>

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	Non Executive Chairman	17/02/2009	present
Chris Sangster	Managing Director	17/10/2007	present
Phillip Jackson	Non Executive Director	14/08/2007	present

(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.

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

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	536,430	539,490
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u>536,430</u>	<u>539,490</u>

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

	Consolidated Entity 2014	Consolidated Entity 2013
	\$	\$
Accounts payable	<u>187,653</u>	<u>73,305</u>

NOTE 21 - RELATED PARTY INFORMATION

	Parent Entity 2014	Parent Entity 2013
Transactions within the Consolidated Entity	\$	\$

Aggregate amount receivable within the consolidated entities at balance date

Non-current receivables	14,765,935	13,880,255
-------------------------	------------	------------

NOTE 22 - REMUNERATION OF AUDITORS

	Consolidated	
	2014	2013
	\$	\$
Auditing and reviewing of the financial statements of Scotgold Resources Limited and of its controlled entities.	33,100	30,650
	<u>33,100</u>	<u>30,650</u>

NOTE 23 - LOSS PER SHARE

	Consolidated	
	2014	2013
	\$	\$
Earnings used in calculation of earnings per share	1,466,149	5,583,401
	<u>1,466,149</u>	<u>5,583,401</u>
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	328,829,995	210,642,576
	<u>328,829,995</u>	<u>210,642,576</u>

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.

(b) Financial Risk Exposures and Management

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

Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2014	2013	2014	2013
			\$	\$
Financial Assets				
Cash at Bank	1.93%	1.09%	640,857	570,253
Trade and other receivables	-	-	260,324	109,272
Total Financial Assets			<u>901,181</u>	<u>679,525</u>
Financial Liabilities				
RMB Loan (Note 11)	6.70%	5.25%	3,031,286	2,607,455
Trade and other payables	-	-	353,598	331,085
Total Financial Liabilities			<u>3,384,84</u>	<u>2,938,540</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 2014 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
	2014	2014	2013	2013
	\$	\$	\$	\$
£ Sterling	<u>3,338,417</u>	<u>175,824</u>	<u>2,994,003</u>	<u>257,230</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.

At balance date the contracted maturity for the RMB loan of £1,500,000 was 11 August 2014.

Subsequent to year end a partial repayment of the principal has been made and a re-negotiated contracted maturity for the balance of the RMB loan of £1,180,000 is on the earlier of capital raising of £2 million or 31 December 2015.

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

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

On 23 September 2014 the company announced the following

CONVERTIBLE NOTES

The company has entered into convertible note agreements (Convertible Notes) on the terms and conditions set out in the Company's Notice of Meeting dated 23 June 2014 (and approved by Shareholders at the General Meeting on 30 July 2014).

\$1 million has been advanced to the Company under the Convertible Note Agreements. The funds raised by the Convertible Notes will be used as part-repayment of the RMB Facility as described below and for working capital.

The Convertible Notes have a repayment date of 24 months from their date of issue, with an interest rate of 1% per annum. The holders of the Convertible Notes may elect to convert the Convertible Notes (in part or in full) into ordinary shares in the Company at a conversion price of \$0.0075 per share. For every share issued on conversion of the Convertible Notes, one free attaching option will be issued, exercisable at \$0.012 on or before 31 March 2016. Full details of the Convertible Notes and attaching options were set out in the Company's Notice of Meeting dated 23 June 2014.

PARTIAL REPAYMENT OF RMB FACILITY

The RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

EXTENSION OF RMB FACILITY

The remaining amount under the RMB Facility Agreement has been extended to 31 December 2015 in consideration for:

- (a) the partial repayment of the RMB Facility set out in paragraph 2 above (such that the facility amount is £1,180,000; and
- (b) the issue to RMB Australia Holdings Ltd of 9,000,000 fully paid ordinary Scotgold Shares and 30,000,000 unlisted Options exercisable at 0.69 pence on or before 22 September 2017.

The Shares and Options have been issued under the Company's Listing Rule 7.1 capacity.

NOTE 26 - PARENT ENTITY DISCLOSURES**Financial Position**

	2014	2013
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	530,256	358,954
Trade and other receivables	117,792	4,735
Total Current Assets	<u>648,048</u>	<u>363,689</u>
NON CURRENT ASSETS		
Plant and equipment	6,143	6,567
Investment in subsidiary	5,491,881	5,491,881
Loan to subsidiary	8,580,077	7,970,120
Total Non Current assets	<u>14,078,100</u>	<u>13,468,568</u>
TOTAL ASSETS	<u>14,726,148</u>	<u>13,832,257</u>
CURRENT LIABILITIES		
Trade and other payables	218,373	85,576
Interest bearing loan	3,031,286	2,607,455
TOTAL LIABILITIES	<u>3,249,659</u>	<u>2,693,031</u>
NET ASSETS	<u>11,476,489</u>	<u>11,139,226</u>
EQUITY		
Issued capital	22,540,613	20,843,909
Reserves	1,038,154	917,000
Accumulated losses	(12,102,278)	(10,621,652)
TOTAL EQUITY	<u>11,476,489</u>	<u>11,139,257</u>
Financial Performance		
Loss for the year	1,480,626	2,582,772
Other comprehensive income	-	-
Total comprehensive loss	<u>1,480,626</u>	<u>2,582,772</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.

11 Directors' Declaration

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 2014 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 2014.

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, 2014.



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Scotgold Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Scotgold Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes 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 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

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

12 Independent Auditor's Report



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 2014 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 at 30 June 2014, the group had cash available of \$640,857, but had a working capital deficit of \$2,630,072 due primarily to the loan from RMB Bank of \$3,031,286. 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 September 2014

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

M R W Ohm
Partner

ANALYSIS OF SHAREHOLDING

Shareholding		Number of Shareholders		
		ASX	AIM	Total
1	- 1,000	65	7	72
1,001	- 5,000	76	19	95
5,001	- 10,000	122	15	137
10,001	- 100,000	652	60	712
100,001	- or more	215	75	290
		<u>1,129</u>	<u>176</u>	<u>1,305</u>

Shareholding		Number of Shares		
		ASX	AIM	Total
1	- 1,000	13,202	3,060	16,262
1,001	- 5,000	266,012	43,714	309,726
5,001	- 10,000	1,023,551	112,849	1,136,400
10,001	- 100,000	24,072,932	2,274,462	26,347,394
100,001	- or more	315,369,702	225,350,085	540,719,787
Total on Issue		<u>340,745,399</u>	<u>227,784,170</u>	<u>568,529,569</u>

Voting Rights

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

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

Substantial Shareholders

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

Mr Nat le Roux	87,333,333	15.4%
Mr Richard Milne Harris	29,874,933	5.3%

Directors' Shareholding

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

13 Shareholders Details

TOP TWENTY SHAREHOLDERS

Name	Shares	%	Rank	
Mr Nat le Roux	87,333,333	15.4%	1	ASX
HSDL Nominees Limited	27,149,555	4.8%	2	AIM
Barclayshare Nominees Limited	22,918,856	4.0%	3	AIM
HSBC Custody Nominees (Australia) Limited – A/C 2	21,055,480	3.7%	4	ASX
Golden Matrix Holdings Pty Ltd	19,874,933	3.5%	5	ASX
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	17,597,191	3.1%	6	AIM
Westland Group Holdings Pty Ltd	17,500,000	3.1%	7	ASX
Hargreaves Lansdown (Nominees) Limited <15942>	16,116,224	2.8%	8	AIM
Hargreaves Lansdown (Nominees) Limited <VRA>	13,982,504	2.5%	9	AIM
Share Nominees Limited	12,807,276	2.3%	10	AIM
Mr John Bentley	12,545,603	2.2%	11	ASX
Mr Graham Donaldson & Mrs Christine Donaldson	11,851,786	2.1%	12	ASX
Mr Peter John Newcomb	10,417,855	1.8%	13	ASX
Investor Nominees Limited <WRAP>	10,059,091	1.8%	14	AIM
Mr Richard Milne Harris	10,000,000	1.8%	15	ASX
Secure Nominees Limited <SVCLT>	9,995,000	1.8%	16	AIM
RMB Australia Holdings Limited	9,000,000	1.6%	17	ASX
HSDL Nominees Limited <MAXI>	7,058,573	1.2%	18	AIM
Investor Nominees Limited <NOMINEE>	6,719,386	1.2%	19	AIM
Mrs Dorita Maria Thomson	6,305,916	1.2%	20	ASX
	<u>350,288,562</u>	61.6%		

Scotland

Location	Agreement	Grant Date	Area
Cononish Glen Orchy	Landholder Lease	23 July 2009	20 sq km
Cononish Glen Orchy	Option Agreement	5 November 2013	975 sq km
Glen Lyon	Option Agreement	5 November 2013	1,369 sq km
Inverliever	Option Agreement	5 November 2013	864 sq km
Knapdale	Option Agreement	5 August 2013	676 sq km
Ochils	Option Agreement	5 August 2013	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.

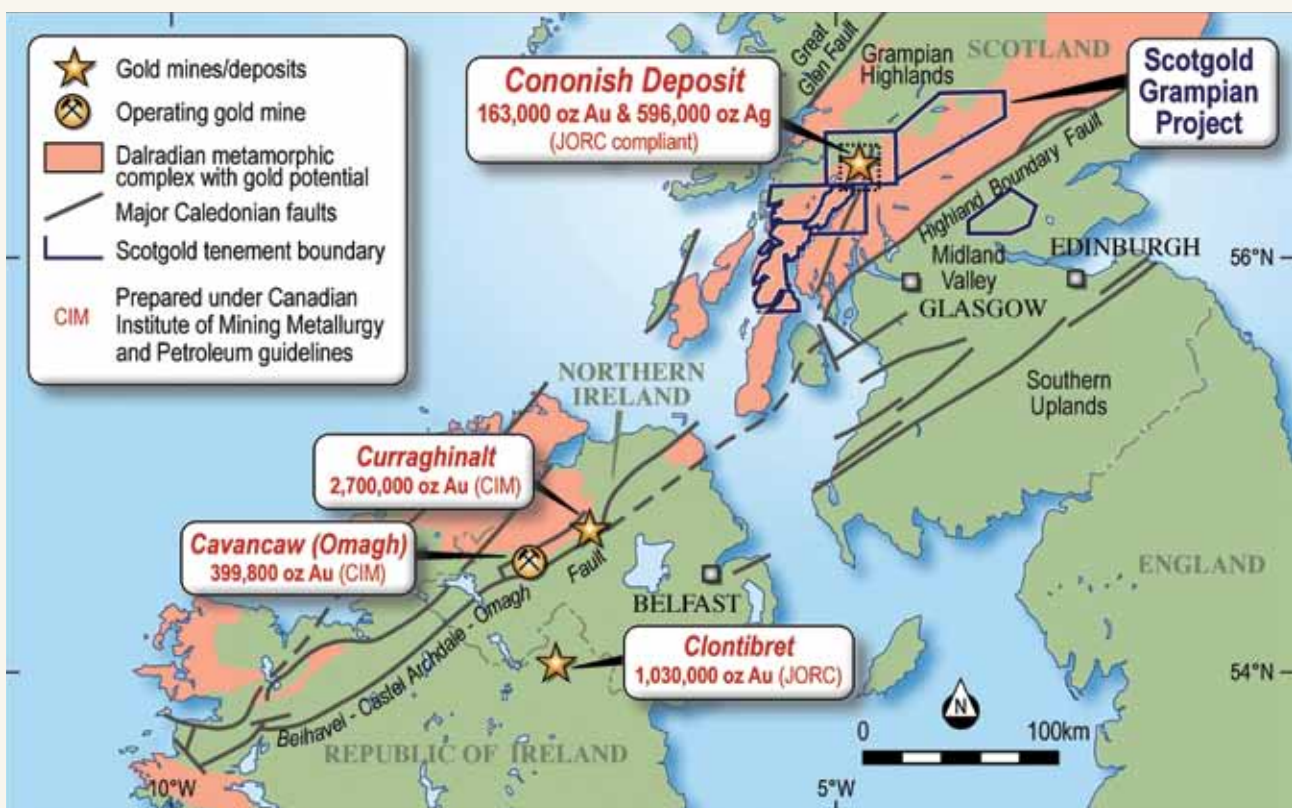


Figure 1

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

15 | Company Information - Scotland

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





24 Colin Street, West Perth, WA 6005

Telephone +61 8 9222 5850

Facsimile +61 8 9222 5810

Email sgz@scotgoldresources.com

www.scotgoldresources.com

