SCOTGOLD
RESOURCES LTD

ABN : 42 127 042 773

ANNUAL REPORT 2021

"Building Scotland's first commercial gold mine"

CONTENTS

COMPANY INFORMATION

SCOTGOLD RESOURCES LTD
AND CONTROLLED ENTITIES

Company / Group / Economic Entity	Scotgold Resources Limited and controlled entities	
ABN	Scotgold Resources Limited, and in Australia - 42 127 042 773	
Directors	Peter Hetherington	Non-Executive Chairman
	Nathaniel le Roux	Non-Executive Director (former Non-Executive Chairman)
	Phillip Day	Chief Executive Officer and Managing Director
	Richard Gray	Non-Executive Director (former Managing Director)
	Chris Sangster	Non-Executive Director (resigned 26 February 2021)
	Phillip Jackson	Non-Executive Director
	Richard Barker	Company Secretary and Non-Executive Director
	William (Bill) Styslinger	Non-Executive Director
	Ian Proctor	Non-Executive Director
Company Secretary	Richard Barker	
Registered Office	Suite 4, 189 Stirling Highway, Nedlands, Western Australia, 6009 Telephone: +61 8 9463 3260	Email: sgz@scotgoldresources.com
Share Registry	Computershare Investor Services Pty Ltd Level 11 172 St Georges Terrace Perth, WA 6000 Telephone: +61 8 9323 2000	
Auditor	BDO Audit (WA) Pty Ltd Level 9 Mia Yellagonga Tower 2 5 Spring Street Perth, WA 6000 Telephone: +61 8 6382 4600	
Bankers	Westpac Banking Corporation 1257 Hay Street West Perth WA 6005	Bank of Scotland The Mound, Edinburgh Scotland EH1 1YZ
Securities Exchange Listing	AIM board of the London Stock Exchange. AIM Code: "SGZ"	

Nominated Adviser and Broker	SP Angel Corporate Finance LLP Prince Frederick House, 35-39 Maddox Street, London, W1S 2PP	
Lawyers	Australian Law - Steinepreis Paganin Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000	English Law - Fox Williams LLP 10 Finsbury Square London EC2A 1AF
	Scots Law - Reul Advisory LLP PO Box 13766 North Berwick East Lothian EH39 9AW	
Website	www.scotgoldresources.com	

OPERATIONS REVIEW

BACKGROUND

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

The Company's principal objectives have continued to be:

a) the development and operation of the Cononish Gold and Silver Mine ("Cononish" or the "Project") in Scotland's Grampian Highlands; and

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

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Company recognises its responsibilities to the Community, the Environment, its Employees and the Workplace with respect to sustainable development, safety and community development. The CSR Committee, which held its inaugural meeting on 10th May 2019, continued throughout the year to pursue its purpose of reviewing and monitoring relevant policies, programmes and activities of the Scotgold Resources Group on behalf of the Board of Directors of the Company to ensure these responsibilities are met.

In doing so, it continued to focus on the three broad areas of:

- Health, Safety and Welfare of the Community, Employees, Consultants and Visitors;
- Stewardship of the Environment; and
- Corporate Citizenship and Societal Interaction

These areas are presented on the Scotgold website alongside details of how complaints will be handled.

The CSR Committee continues to oversee the carrying out of regular assessments of the risks posed by Covid-19 and the adjustment of the aforementioned operating procedures in response thereto.

CONONISH GOLD AND SILVER PROJECT

Gold production commenced in November 2020 and progress continued throughout 2021. As at end of June 2021 ramp up had not been fully completed.

On 26th February 2021, the Company provided an update to shareholders in respect of the Cononish schedule indicating that design capacity of 3,000 tonnes per month was going to be achieved from April 2021.

On the 31st March, the company provided an update, confirming a production guidance between 25,700t and 28,500t processed through the process plant.

By Late March 2021 concentrate shipments had not been achieved and ramp up of the mine and process plant were hindering.

COVID-19 had a significant impact on the Cononish Mine's overall development during 2020 which ultimately reduced access areas of the mine higher grade zones.

In April 2021 a new CEO was appointed, and a new leadership team was formed. The ramp up of the mine and process plant facilities accelerated ultimately achieving several 25 tonne lot shipments of gold bearing concentrate to its offtake provider post year end.

On the 27th April, the Company announced that after conducting a review of the Company mine plan, the Company expects production for calendar year 2021 to be materially less than the guidance range previously announced on 31 March 2021.

A redesign of the 2021 mine schedule/design was completed in May 2021 which allowed for faster access to higher grade zones within the ore body. In combination with the mine plan change other very important aspects to the process plant operation were planned and executed such as:

- Completion of modifications and upgrades identified on the process plant;
- Identification and purchasing of critical and required spares;
- Implementation of maintenance planning practices; and
- Forming strategic alliances with suppliers and engineering/fabrication shops within Scotland and the UK.

GRAMPIAN GOLD PROJECT

On 29 January 2021, the Company announced that recent exploration work undertaken across the Company's option areas over the Dalradian Belt had resulted in:

- The identification of additional targets and provided persuasive evidence for the presence of mineralised veins structures; and
- Three prospective areas, close to Cononish Mine, being identified as high priority target areas and data modelling is in progress to establish the best sites to test these targets in any potential future exploration drill programmes.

PORTUGUESE AND FRENCH PROJECTS

The Pomar licence held by Scotgold Resources Portugal Ltd was terminated during the year.

CORPORATE ACTIVITIES

Mr Richard Gray retired as Managing Director and was appointed as a Non-Executive Director on 1 April 2021. On the same day, Mr Phillip Day was appointed as Chief Executive Officer and Managing Director.

Mr Christopher Sangster resigned as Non-Executive Director on 26 February 2021.

Equity funding was raised during the year as follows:

- $5,136,633 (net of expenses of $331,833) was raised from the issuing of 2,727,273 ordinary shares in October 2020; and
- $2,525,053 (net of expenses of £153,983) was raised from the issuing of 2,142,857 ordinary shares in April 2021.

Drawdowns totalling £3,500,000 ($6,343,675) were made on the secured loan facility during the year, with the full £7,500,000 facility amount being fully utilised as at 30 June 2021. A short term unsecured interest free loan facility of £2,000,000 million was made available to SGZ Cononish Limited by four Directors and a shareholder in May 2021 and £1,000,000 ($1,810,938) of that facility was drawn down in May 2021.

Subsequent to 30 June 2021, the remaining £1,000,000 available under the short term unsecured loan facility was drawn down in August 2021 and in September 2021 the short term unsecured loan was settled by the issuing of 3,301,420 ordinary shares.

CONONISH MINERAL RESOURCES

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

Table: 2021 Annual Mineral Resource Statement

Cononish Main Vein Gold and Silver Mineral Resources, estimated in accordance with the JORC code (2012 Edition) and reported at a 3.5 g/t Au cut-off as at 12/01/2015, which remain current subject to the depletion of approximately 6.5kt from the Indicated Resources – Mined Stockpile. Mine development during the reporting period has predominantly been in waste, with a non-material volume of Mineral Resource placed on surface stockpiles.

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

Classification	K Tonnes	Grade Au g/t	Metal Au Koz	Grade Ag g/t	Metal Ag Koz	In-situ Dry BD
Measured - In-situ	60	15.0	29	71.5	139	2.72
Indicated - In situ	474	14.3	217	58.7	895	2.72
Indicated - Mined Stockpile	7	7.9	2	39.0	9	2.72
Sub-total M&I	**541**	**14.3**	**248**	**59.9**	**1,043**	**2.72**
Inferred - In-situ	75	7.4	18	21.9	53	2.72
Total MRE	**617**	**13.4**	**266**	**55.3**	**1,096**	**2.72**

Reported from 3D block model with grades estimated by Ordinary Kriging with 15 m x 15 m SMU Local Uniform Conditioning adjustment. Minimum vein width is 1.2 m.Totals may not appear to add up due to appropriate rounding.

Note: Mineral Resources presented above include Ore Reserves stated below.

Approximately 1.6Kt was processed during commissioning during the reporting period and is not a material effect on the Mineral Resources as reported previously.

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

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

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

CONONISH ORE RESERVES

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

The outcome of this work was that an Ore Reserve Estimate was completed on 25 May 2015, in accordance with the JORC code (2012 Edition) based on the Mineral Resource Estimate (MRE) issued in January 2015. The subsequent addendum to the Bankable Feasibility Study resulted in no change to the Ore Reserve. Hence there is no change to the Ore Reserves reported previously for the Project as at 30/06/2021. Mine development during the reporting period has predominantly been in waste, with a non-material volume of Ore Reserve placed on surface stockpiles

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

Table: 2021 Annual Ore Reserve Statement

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

For greater detail on the parameters derived from this work and used for the Ore Reserve estimation process, please refer to the Company's announcement on 26/05/2015 – Cononish Gold Project Study Update and Reserve Estimate; and to the subsequent announcement on 16/03/2017 - Update to Cononish Bankable feasibility study on the Company's website.

The Ore Reserve statement above does not take account of the depletion of the surface stockpile through the BPT. At 30 June 2021, approximately 6.5kt had been removed from the stockpile and the reserves will be adjusted on full depletion of the stockpile. Approximately 1.6Kt was processed during commissioning during the reporting period and is not a material effect on the Mineral Reserve as reported previously.

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

GRAMPIAN GOLD PROJECT

The Company continues to actively pursue exploration activities on its substantial land position (approx. 2,900 km2) in the Dalradian Belt of the south west Grampians, a terrain highly prospective for both precious and base metal occurrences. The majority (85%) of the area currently under option to Scotgold is located outside the Loch Lomond and the Trossachs National Park.

Following on from the success of the previously completed orientation surveys, Scotgold has continued to use the ionic leach technique for regional stream sediment sampling across 6 of its 13 Crown Option areas, identifying several drainage catchments with encouraging values that require detailed follow up work. During the year, regional stream sediment sampling was completed across 10 of Scotgold's 13 Crown Option areas.

Very little fieldwork was completed during the year due to the coronavirus pandemic and nationwide lockdown restrictions. This time was principally used for data analysis, procedure review and database work.

PORTUGUESE AND FRENCH PROJECTS

The Pomar licence held by Scotgold Resources Portugal Ltda was terminated during the year.

TENEMENT DETAILS

United Kingdom

The Company holds a lease (100%) from the Crown Estate Scotland 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 thirteen Mines Royal Option Agreements (100%) with the Crown Estate Scotland as detailed below:

No.	Name	Area	Location
1	Knapdale South	250 km^2	county of Argyll, Scotland UK
2	Knapdale North	250 km^2	county of Argyll, Scotland UK
3	Inverliever West	250 km^2	counties of Dunbarton, Argyll and Perth, Scotland UK
4	Inverliever East	233 km^2	counties of Dunbarton, Argyll and Perth, Scotland UK
5	Glen Orchy West	103 km^2	counties of Perth and Argyll, Scotland UK
6	Glen Orchy Central	242 km^2	counties of Perth and Argyll, Scotland UK
7	Glen Orchy East	241 km^2	counties of Perth and Argyll, Scotland UK
8	Glen Lyon West	246 km^2	counties of Perth and Argyll, Scotland UK
9	Glen Lyon North	244 km^2	counties of Perth and Argyll, Scotland UK
10	Glen Lyon South	243 km^2	counties of Perth and Argyll, Scotland UK
11	Glen Lyon East	247 km^2	counties of Perth and Argyll, Scotland UK
12	Ochills West	189 km^2	county of Clackmannan, Perth, Kinross and Stirling, Scotland UK
13	Ochills East	150 km^2	county of Clackmannan, Perth, Kinross and Stirling, Scotland UK

Portugal

During the year, Scotgold Resources Portugal Ltda terminated its 100% interest in the Pomar Licence in eastern central Portugal.

No other beneficial interests are held in any farm-in or farm-out agreements and no other beneficial interests in farm-in or farm out agreements were acquired or disposed of during the period.

Competent Persons Statement:

No new exploration results are presented in this report. All results have been previously notified under JORC 2004 and are contained in Scotgold Annual reports 2008 - 2019 and various corresponding market releases.

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

The information in this report that relates to the 2015 Ore Reserves for Cononish Gold Project (refer ASX announcement dated 26/05/2015) is based on information compiled by Pat Willis, a Competent Person who is registered as a Professional Engineer (Pr.Eng.) with the Engineering Council for South Africa (ECSA) and a Fellow in good standing and Past President of the Southern Africa Institute of Mining and Metallurgy (FSAIMM). Mr Willis is employed by Bara Consulting Limited, an independent consulting company. Mr Willis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Willis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Further, the Company confirms it is not aware of any new information or data that materially affects the information contained in the original announcements and that all material assumptions and technical parameters underpinning the estimate of Resources and Reserves continue to apply and have not materially changed.

STRATEGIC REVIEW

The Company continues to review its corporate governance, structure, policies and practices with a view to maintaining and enhancing shareholder value.

The Company adopted the QCA code of corporate governance in 2018 and subsequently appointed an advisory service to assist with UK regulatory compliance issues as an AIM listed company.

Operationally, the Company's immediate focus remains the development and operation of the Cononish Gold and Silver Mine, which commenced construction in January 2019 and was completed at the end of November 2020. In 2021 all efforts were focused on achieving a successful ramp up of the Cononish Mine.

Additionally, to achieving a staged focus developing growth from the Cononish Mine a review of the strategic goals of the Company was conducted post period in 2021. The focus was modified to incorporate the following objectives and built on the following six principles:

- Upon successful ramp up of the Cononish Mine, further increase production through step wise optimisation until Phase 2 production has been achieved, this is aimed for completion Q1 2023;
- Optimise the current Cononish Reserve;
- Expand Resources and Reserves within the Cononish vein;
- Explore and develop within "The shadow of the head frame";
- Explore and develop near mine drill ready targets to develop network of satellite deposits for processing at Cononish; and
- Continue to explore in a more focused manner within the most prospective portion of leaseholding.

The work completed on advancing our future pipeline of projects during the current reporting period has been modest due to the need to focus cash and management resources on the advancement of Cononish. Notwithstanding this, the Company has identified the analysis of soil and stream samples using ionic leach as providing a cost effective and efficient method of identifying anomalous zones. Using this new methodology, the Company has to date identified potential extensions to the Cononish orebody and a potentially new prospect at Inverchorachan.

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 2021. All amounts are presented in Australian Dollars, unless otherwise stated.

DIRECTORS

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

		In office from	In office to
Peter Hetherington	Non-Executive Chairman	18/06/2018	present
Nathaniel le Roux	Non-Executive Director	18/03/2015	present
Phillip Day	Chief Executive Officer and Managing Director	01/04/2021	present
Richard Gray	Non-Executive Director	10/10/2014	present
Chris Sangster	Non-Executive Director	10/10/2014	26/02/2021
Phillip Jackson	Non-Executive Director	14/08/2007	present
Richard Barker	Company Secretary/ Non-Exec Director	09/10/2017	present
William Styslinger	Non-Executive Director	18/06/2018	present
Ian Proctor	Non-Executive Director	14/08/2019	present

PARTICULARS OF CURRENT DIRECTORS AND COMPANY SECRETARY

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

Qualifications and experience

Mr Hetherington was previously Chief Executive Officer of Schroders Personal Wealth and IG Group Holdings Plc. He graduated from Nottingham University with a degree in Economics, and from the London Business School with a Masters in Finance. Mr Hetherington also served as an officer in the Royal Navy.

Mr Hetherington was appointed as Non-Executive Chairman on 2 November 2021.

Other Directorships in past three years:

Scottish Widows Schroder Wealth Holdings Limited
Holywell Alpacas Ltd
IG Group Holdings Plc

Interest in Shares and Options

Fully Paid Shares

Held directly	2,466,974
Held by a trust of which Mr Hetherington is a trustee	2,000,000

Special Responsibilities

Mr Hetherington is a member of the Corporate and Social Responsibility Committee.

Mr Hetherington made a short-term, interest-free, unsecured loan of £114,500 to SGZ Cononish Limited on 12 May 2021, which was outstanding at 30 June 2021 and was settled by the issuing of ordinary shares on 27 September 2021.

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

Qualifications and experience

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

Mr le Roux stepped down as Non-Executive Chairman on 2 November 2021.

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

Interest in Shares and Options

Fully Paid Shares	24,712,974

Special Responsibilities

Overall strategic guidance and UK Capital markets.

A company controlled by Mr le Roux made available a secured loan facility of £7.5 million to SGZ Cononish Limited during the year for mine development and working capital purposes. The loan is secured over all the assets of that company as well as all the assets of its fellow subsidiary, SGZ Grampian Limited.

Mr le Roux made a short-term, interest-free, unsecured loan of £634,500 to SGZ Cononish Limited on 12 May 2021, which was outstanding at 30 June 2021 and was settled by the issuing of ordinary shares on 27 September 2021.

Phillip Day	**Chief Executive Officer and Managing Director**	**BSc (Hons)**

Qualifications and experience

Mr Day is a highly experienced senior mining executive with a career spanning over 25 years in the mining sector. Mr Day most recently held the position Head of Technical and Operations at Pala Investments, whilst concurrently holding executive and nonexecutive positions of several of Pala's portfolio companies, namely CEO and Non-Executive Director at Sierra Rutile Limited and Nevada Copper Corp. Prior to Pala, Mr Day held the position of Vice President for Process Engineering at AMEC Americas, and has also previously held operational, managerial and technical roles for BHP Billiton, WMC Resources, Minara Resources and Wiluna Gold.

Mr Day was appointed as Chief Executive Officer and Managing Director with effect from 1 April 2021.

Other Directorships in past three years:

Nevada Copper
Melior Resources

Interest in Shares and Options

Options	840,000

The options were granted as share-based payment on 10 May 2021.

Richard Gray **Non-Executive Director** **BSc (Hons)**

Qualifications and experience

Mr Richard Gray has extensive international experience, in both underground and open pit mine operations, and brings considerable operational knowledge and management experience and skills to the Company, particularly in the development and implementation of gold mining projects. He has previously held various roles at both majors and juniors within the gold mining sector and his successful career has included 15 years working in South Africa for Gencor Ltd and 14 years in West Africa for Golden Star Resources Ltd and Avocet Mining. He holds a BSc (Hons) Mining Engineering from the Royal School of Mines, Imperial College and an MBA from the Graduate School of Business, Cape Town University.

Mr Gray retired as Managing Director with effect from 1 April 2021 and was appointed as a Non-Executive Director.

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

Interest in Shares and Options

Fully Paid Shares	105,677
Options	1,400,000

These options include 1,000,000 options granted as share-based payment on 1 May 2018 and 400,000 options granted as share-based payment on 1 July 2020.

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

Qualifications and experience

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

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

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

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

Interest in Shares and Options

Fully Paid Shares	43,313

Special Responsibilities

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

Richard Barker **Company Secretary & Non-Executive Director** **BJuris LLB**

Qualifications and experience

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

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

Special Responsibilities

Mr Barker is a member of the Audit Committee and deals with company secretarial matters.

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

Qualifications and experience

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

Other Directorships in past three years:

Metrosoft Inc.

Interest in Shares and Options

Fully Paid Shares	6,481,086

Special Responsibilities

Mr Styslinger is a member of the Audit Committee.

Mr Styslinger made a short-term, interest-free, unsecured loan of £166,500 to SGZ Cononish Limited on 12 May 2021, which was outstanding at 30 June 2021 and was settled by the issuing of ordinary shares on 27 September 2021.

Ian Proctor **Non-Executive Director** **ACA**

Qualifications and experience

Ian Proctor is a Chartered Accountant and currently the Chief Executive Officer of Sky Betting and Gaming ("SBG"), having previously held the position of Chief Financial Officer of SBG for over 10 years.

Interest in Shares and Options

Fully Paid Shares	1,261,489

Other Directorships in past three years:

The Pavilion Stirling Ltd
Cyan Blue Topco Limited
Stars Group Holdings (UK) Limited

Mr Proctor made a short-term, interest-free, unsecured loan of £32,000 to SGZ Cononish Limited on 12 May 2021, which was outstanding at 30 June 2021 and was settled by the issuing of ordinary shares on 27 September 2021.

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
Vested and exercisable		
30,000	$8.00	31 March 2022
1,000,000	£0.30	1 May 2028
535,000	£0.71	1 July 2025
Granted but not vested		
90,000	£0.71	1 July 2025
840,000	£0.60	10 May 2026

OPERATING AND FINANCIAL REVIEW

A review of the operations of the consolidated entity during the financial year is contained in the Operations and Strategic Review section of this Financial Report. The Company's strategy in Scotland continues to focus on advancing the 100% owned Cononish Gold and Silver Project to a state of full commercial production whilst continuing to explore its large, highly prospective land position around Cononish and elsewhere in Scotland which extends to some 2,900km^2.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were the development of and bringing to a state of production of the Cononish gold and silver mine and mineral exploration.

Operating Results

The consolidated loss after income tax for the financial year was $4,980,942 (2020 - $2,504,134).

Financial Position

At 30 June 2021 the Company had cash reserves of $2,624,342 (2020 - $1,109,979) and £7,500,000 ($13,814,698) of the £7,500,000 million secured loan facility had been drawn down, compared to a cumulative amount drawn down of £4,000,000 ($7,160,759) at 30 June 2020. In addition, £1,000,000 ($1,841,960) of the short term unsecured loan facility of £2,000,000 made available on 4 May 2021 had been drawn down at 30 June 2021.

Dividends

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to bring the Cononish silver and gold mine to a state of full and sustainable commercial production and to continue its exploration activities.

GOVERNANCE

There is no prescribed corporate governance code for AIM companies and the London Stock Exchange prefers to give companies the flexibility to choose from a range of codes which suit their specific stage of development, sector and size.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("the QCA Code") and the principles set out therein. The Company applies these principles wherever possible, and where appropriate to its size and available resources.

The Non-Executive Chairman, Mr Peter Hetherington, has overall responsibility for the Corporate Governance of the Company.

The QCA Code sets out ten principles which should be applied. These principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

Principle One: Establish a strategy and business model which promote long-term value for shareholders

The Company has a clearly defined strategy and business model that has been adopted by the Board, as set out in the Operations and Strategic Review section of this Financial Report.

The Company is primarily focused on bringing the Cononish gold and silver mine ("Cononish Mine") to a state of sustainable full commercial production with the objective of delivering sustainable value for shareholders.

The progress achieved in meeting that objective is set out in the Operations and Strategic Review section of this Financial Report.

A comprehensive life-of-mine model of the Cononish Project is used to measure the quantum of value created for shareholders. In August 2019, October 2020 and again in April 2021, a comprehensive update of the life-of-mine model was undertaken to incorporate updated assumptions in respect of gold and silver market prices, any premium obtainable over spot market prices, mining rates, ore grades, plant processing recoveries and efficiencies, exchange rates, staffing levels and equipment operating efficiencies, among others.

The results produced by the updated life-of-mine modelling exercises have been communicated to all shareholders and the general public.

In addition, in order to create sustainable long-term value for shareholders beyond the current estimated life of the Cononish Project, the Company is carrying out on-going exploration of the highly prospective tenements comprising the Grampian Gold Project with the view to identifying further project opportunities, employing innovative leading edge technologies such as ionic leaching.

Principle Two: Seek to understand and meet shareholder needs and expectations

All shareholders are encouraged to attend the Company's Annual General Meetings where they can meet and directly communicate with the Board. After the close of business at the Annual General Meeting, the Chairman and Managing Director deliver an up-to-date corporate presentation and open the floor to questions from shareholders.

Shareholders are also welcome to contact the Company via email at sgz@scotgoldresources.com with any specific and relevant queries. The Company also provides regulatory, financial and business news updates through the Regulatory News Service (RNS). Shareholders also have access to information through the Company's website, www.scotgoldresources.com.

The Board is responsible for ensuring that effective dialogue with shareholders takes place, and the Managing Director ensures that any feedback or views communicated by shareholders are then disclosed to the Board for review and discussion.

The Company's web-site is designed to facilitate easy interaction between the Company and shareholders and other users. Management of the web-site is located in-house to ensure that content is maintained on an up-to-date and real-time basis and that the interaction between the user and the Company is direct and effective. The web-site is updated on a regular basis and includes the latest corporate presentation on the Group. Contact details are also provided on the website.

The Company makes regular investor body presentations at which feedback on the Company's performance and investor expectations are solicited at post-event functions and provides more frequent updates via media interviews. The Company's broker, SP Angel, also publishes research by a professional mining analyst which is available on the Company's website.

Principle Three: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company takes seriously its role as a responsible corporate citizen in all of the areas in which it operates and takes regular account of the significance of social, environmental and ethical matters affecting the business of the Group and of the regional communities in which it operates.

The Corporate and Social Responsibility Committee of the Company serves as a key vehicle through which the Group performs its role as a responsible corporate citizen and has identified three broad areas of focus, being:

- Health, Safety and Welfare of the Community, Employees, Consultants and Visitors;
- Stewardship of the Environment; and
- Corporate Citizenship and Societal Interaction.

The activities undertaken by the Corporate and Social Responsibility Committee are set out in the Operations and Strategic Review section of this Financial Report.

As set out in Note 23 of this Financial Report, the Group has entered into a donations agreement with the Strathfillan Community Development Trust ("SCDT") in terms of which the Group will work with SCDT to provide additional facilities and opportunities for the community served by SCDT. The obligations in terms of the agreement are dependent upon the achievement of a rate of production of 3,000 tonnes per month at the Cononish Mine and the Group looks forward to meeting its obligations in terms of the agreement and making the agreed contributions to SCDT.

In addition, the Group has assumed obligations to make payments of up to £425,000 in aggregate to the Loch Lomond and the Trossachs Countryside Trust, payable in annual instalments, details of which are set out in Note 22 of this Financial Report.

In recognition of its responsibilities towards the environment as a good corporate citizen and in particular, the ecological sensitivity of the environment in which the Cononish Project is located, the Group has committed itself to obligations to

- restore the area in which the Cononish Project operates at the end of the life of the Cononish Project once mining activities cease and to undertake after-care and monitoring activities for an agreed period subsequent to such cessation (see Note 18 of this Financial Report); and
- implement a plan for the management and improvement of the greater Cononish glen in which the Cononish mine is situated, the scope of which extends beyond the area in which the activities of the mine will be conducted, to encompass the entire Cononish glen (see Note 22 of this Financial Report).

Funds have been lodged with relevant bodies as security for the performance by the Group of its obligations in respect of these commitments (see Note 9 of this Financial Report).

To ensure that its operations are carried out responsibly and safely and in full compliance with all relevant legislation and guidelines, the Group engages with legislative and regulatory bodies on an on-going basis.

Principle Four: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The mining and exploration business sector bears inherent risks, across all areas of exploration, development, environment, and health and safety. These risks are in addition to the financial risks associated with the sector, which are set out in Note 31 of this Financial Report.

The risk management strategy of the Board is geared towards minimising the effect of these risks on the Group operations, through constant monitoring of risks, regular reporting of the risks and holding of meetings to ensure that risk management principles are disseminated to and put into practice at all levels of the organisation of the Group. All identified risk areas are monitored and mitigated on a cost-effective basis. Risk policies and procedures are adapted to the changes in the operating environment as the Group transitions and evolves from the development phase to on-going production operations.

To ensure that the evolution of the risk strategy and policies and procedures within that strategy match the evolution of the business activities and operations of the Group, the Board regularly reviews the risks to which the Group is exposed and ensures that the risk management strategy, policies and procedures of the Group are appropriate at all times. This strategy and the policies and procedures which flow from the strategy are applied equally to employees, consultants and contractors. The Company's Risk Management Strategy is available on the Company's website.

Of cardinal importance to the Group is the effective minimisation of risks related to Health and Safety, with the responsibility for the effectiveness of Health and Safety policies lying with the Corporate and Social Responsibility Committee. All contractors engaged to carry out work at the Cononish Mine are required to adhere to and observe comprehensive health and safety policies and provide proof of adequate, valid and up-to-date insurance policies providing cover in respect of injury to their own employees as well as employees of other contractors and employees of the Group.

In addition to financial and health and safety risks, the Company is exposed to the following operational and industry risks:

Dependence on key personnel

The future of the Group depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Similarly, the future of the Group depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace.

Furthermore, the inability to continue to attract qualified personnel, which may become more of a factor as available labour in the immediate catchment area is fully utilised necessitating recruitment beyond that catchment area, could have a material adverse effect on the business of the Group.

Tenement application and licence renewal

The Company cannot guarantee additional applications for tenements made by the Company will ultimately be granted, in whole or in part.

Furthermore, the Company cannot guarantee that renewals of valid tenements will be granted on a timely basis, or at all. The Company's right to convert its exploration licences into production concessions is contingent upon the relevant planning authority providing approval in principal for the proposed develop. There is a risk that these approvals may not be obtained. Several of the Company's mining properties are subject to applications for extension.

Exploration

There can be no assurance that the future exploration of the Group's tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economically recoverable ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including:

- geological conditions;
- limitations on activities due to seasonal weather patterns;
- unanticipated operational and technical difficulties;
- industrial and environmental accidents;
- planning permission process;
- changing government regulations; and
- many other factors beyond the control of the Company.

Mine Development

The bringing of the Cononish Mine to a state of sustainable production is dependent on a number of factors including, but not limited to:

- unanticipated technical and operational difficulties encountered in extraction and production activities;
- mechanical failure of operating plant and equipment;
- shortages or increases in the price of consumables, spare parts and plant and equipment;
- cost overruns;

- access to the required level of funding; and
- contracting risk from third parties providing essential services.

In addition to the above risks traditionally associated with mine development activities, the Covid-19 pandemic continues to be a feature of daily life and the risk associated therewith affects all facets of risk management and operational activities.

The unique risks posed by the Covid-19 pandemic are being addressed by adherence to a comprehensive set of operating procedures formulated at and implemented since the start of the pandemic. Regular assessments of the risks posed by Covid-19 are carried out, with the aforementioned operating procedures being adjusted in response thereto.

The operations of the Group may be disrupted by a variety of risks and hazards which are beyond its control, including:

- environmental hazards;
- industrial accidents;
- technical failures;
- labour disputes;
- unusual or unexpected rock formations;
- flooding and extended interruptions due to inclement or hazardous weather conditions;
- fires, explosions or accidents; and
- the effects of the Covid-19 pandemic.

Operations

The operations of the Company may be affected by various factors. These include:

- failure to locate or identify mineral deposits;
- failure to achieve predicted grades in exploration and mining;
- operational and technical difficulties encountered in mining;
- difficulties in commissioning and operating plant and equipment;
- mechanical failure or plant breakdown;
- unanticipated metallurgical problems which may affect extraction costs;
- adverse weather conditions;
- industrial and environmental accidents; industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, exacerbated by the relative remoteness of the location of the Cononish mine; and
- the effects of the Covid-19 pandemic.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and / or mining of its tenement interests, which could lead to the incurring of operating losses. These losses would be required to be funded by the shareholders in addition to other sources of finance.

Resource Estimates

In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional fieldwork and analysis, the estimates are likely to change, which may result in reassessment of the viability of mining the resource, re-estimation of life of planned mining operations and/or scale or nature of mining operations to be conducted, thereby potentially adversely affecting the operations of the Group and the value delivered to shareholders.

Operating cost risks

Forecasts of operating costs are based on a combination of historical information on actual costs incurred, estimates by the Directors having reference to similar operations and the Company's financial modelling. Actual costs may be higher or lower than forecast costs.

Higher costs will have an impact on the Company's results as may a variety of other factors outside of the Company's control, such as increased competition and slower than expected take-up by customers of the Company's products.

In addition, deviations from the forecasted profile of operating costs in terms of split between fixed and variable costs may change the extent of exposure to risk of changes in revenue as an increase in the ratio of fixed costs to variable costs will increase the degree of operating leverage of the Group and increase the potential effect on profitability of negative movements in the amount of revenue generated by operations.

Environmental risk

The operations and proposed activities of the Company are subject to regulation in Scotland concerning the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws, in line with its commitment to being a responsible corporate citizen.

Failure to adhere to environmental management policies and procedures may result in an event entailing pollution of the environment, with possible consequent financial penalties possible damage to the reputation of the Group as a responsible corporate citizen, which may cause a loss to shareholders in the form of an adverse movement in share price.

Commodity price volatility and exchange rate risks

The amount of revenue generated by the Group is influenced directly by the spot gold price as well as movements in the Australian Dollar : US Dollar exchange rate.

Commodity prices fluctuate generally and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. In the case of gold, changes in spot price often reflect geo-political influences as well in line with the status of the mineral as a refuge in conditions of geo-political crisis or heightened geo-political tensions and uncertainty.

In summary, the Company's revenue stream, and certain of its capital expenditure commitments are and will be US Dollar denominated. However, the Company's operating expenditure will be denominated in GBP Pounds Sterling.

Previously, a large proportion of the corporate overhead costs of the Group has been denominated in Australian Dollars. However, now that production is underway, the magnitude of the GBP Pounds Sterling denominated operating cost base of the Cononish Mine relative to the level of those Australian Dollar denominated corporate overhead costs has increase the overall exposure of the Group to movements in the Australian Dollar : GBP Pound Sterling exchange rate.

Economic

General macro-economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities. An upward movement in market interest rates may reduce the market valuation of the Cononish Project in the eyes of shareholders and potential investors.

Force Majeure

The current and future operations and projects of the Group now or in the future may be adversely affected by risks outside the control of the Company, including:

- labour unrest;
- civil disorder and/or war;
- subversive activities or sabotage;
- fires, floods, explosions or other catastrophes; and
- epidemics or quarantine restrictions.

The Group has put in place insurance policies which strike the appropriate balance between extent of cover of these risks and the cost of cover.

Government policy changes

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in Scotland may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.

Insurance risks

The Company insures the operations of the Group in accordance with industry practice and based on an assessment of the risk being insured against, the extent to which that insurance covers the risk and the costs of putting that insurance cover in place. However, in certain circumstances, the Company's insurance cover may not be of a nature or level to provide adequate insurance cover against the manifestation of a risk in the form of a loss event and the occurrence of that loss event could have a material adverse effect on the business, financial position and results of the Company and thereby the value provided to shareholders.

The mining industry involves a number of industry-specific risks requiring tailored and / or specialised cover. The depth and range of such cover available in the United Kingdom insurance market is limited and the costs of putting in place the requisite cover to adequately address the specific identified risk may prove to be prohibitive.

Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance.

Share market conditions are affected by many factors such as:

- general macro-economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and

- terrorism or other hostilities.

The market price of its quoted securities may affect the ability of the Company to raise equity.

Principle Five: Maintain the Board as a well-functioning, balanced team led by the Chairman

The role of the Board is to agree the Group's long-term direction and strategy and monitor achievement of its business objectives. The Board meets formally at least four times a year for these purposes and holds additional meetings when necessary to transact other business. When appropriate, the Board receives reports for consideration on all significant strategic, operational and financial matters. The Board currently consists of eight Directors, seven of whom are Non-Executive and two of whom are regarded as independent. Phillip Jackson has been appointed senior Independent Director.

The composition of the Board and details of individual Directors are set out at the beginning of this report.

The Chief Executive Officer and Managing Director works full-time. The Non-Executive Directors are expected to dedicate such time as is necessary to properly carry out their function and are expected to dedicate at least 10 days per annum to Company business.

The QCA Code recommends a balance between Executive and Non-Executive Directors and recommends that there be two Independent Non-Executive Directors. The Board considers each of Mr Jackson and Mr Barker to be Independent Non-Executive Directors. Mr le Roux, Mr Styslinger, Mr Hetherington and Mr Proctor are all significant shareholders and bring extensive experience, specialised industry knowledge, a broad range of skills and strong personal qualities to their roles as members of the Board.

The Board will take Director independence into account when considering future appointments. All Directors are encouraged to use their judgement and to challenge matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively. The composition of the Board will be frequently reviewed as the Company develops.

Details of the number of meetings of the Company's Directors held during the year ended 30 June 2021 and the number of meetings attended by each Director are set out below. These meetings include matters relating to the Remuneration and Nomination Committees of the Company.

Details of meetings of the Audit Committee and the Corporate and Social Responsibility Committee held during the year ended 30 June 2021 are set out below.

Principle Six: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board considers the current balance of sector, financial and public market skills and experience which it embodies is appropriate for the current size and stage of development of the Company and that the Board has the skills and experience necessary to execute the Company's strategy and business plan and discharge its duties effectively. Details of the current Board of Directors' biographies are set out above. The Board annually reviews the appropriateness and opportunity for continuing professional development, whether formal or informal. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

The Company utilises the services of ONE Advisory Limited to provide Board support with UK Corporate Governance and MAR compliance. The Board is kept abreast of developments regarding AIM regulations and corporate governance.

Principle Seven: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The ultimate measure of the effectiveness of the Board is the Company's progress against the long-term strategy and aims of the business. This progress is reviewed in full Board meetings held at least four times a year. Each Executive Director's performance is reviewed once a year by the Board as a whole.

The Nomination Committee, currently consisting of the full Board, meets as appropriate and is mindful of the formal process of rigorous and transparent procedures for Board appointments. The Board takes succession planning into account when making both Board and management appointments and will utilise outside agencies to assist with recruitment when required. Board appointments are made at appropriate stages of the Group's development.

Accordingly, the Board reviews:

- the structure, size and composition of the Board;
- succession planning;
- leadership;
- key strategic and commercial issues;
- conflicts of interest;
- time required from non-executive directors to execute their duties effectively;
- overall effectiveness of the Board; and
- its own terms of reference.

A "self-assessment" questionnaire and Board effectiveness process is being adopted in order to continually improve the efficacy of the Board.

Principle Eight: Promote a corporate culture that is based on ethical values and behaviours

The Board recognises and strives to promote a corporate culture based on strong ethical and moral values. All employees of the Group are encouraged to understand all aspects of the Group's business and the Group seeks to remunerate its employees fairly, being flexible where practicable and taking account of the size and stage of development of the Company.

The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Board takes account of employees' interests when making decisions, and suggestions from employees aimed at improving the Group's performance are welcomed.

The corporate culture of the Company is promoted to its employees through employment contracts, regular staff meetings, and to its suppliers and contractors through its procurement policy and vetting processes. These procedures enable the Board to determine that ethical values are recognised and respected.

In the case of the appointment of new suppliers, the approval of the appointment of each new supplier is counter-signed by at least one senior manager and the Financial Controller, who in turn counter-sign a formal declaration that they have no interests in or business relationships with that new supplier.

Principle Nine: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for all aspects of the business. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the Non-Executive Directors are properly briefed on all operational and financial matters.

The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nomination Committee. The Chairman has the responsibility for overseeing the implementation of the strategy of the Board.

The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with.

Key operational and financial decisions are reserved for the Board through quarterly project reviews, annual budgets, and quarterly budget and cash-flow forecasts and on an ad hoc basis where required. The current Board of eight Directors contains two Independent Non-Executive Directors and it is intended to maintain this ratio. The Independent Non-Executive Directors are responsible for bringing independent and objective judgment to Board decisions.

The Board has established Audit and Corporate and Social Responsibility Committees, chaired by Mr Phillip Jackson and Mr Peter Hetherington respectively.

The Board of Directors recognise the potential influence of a major shareholder. Accordingly, the Board and the Company's major shareholder, in consultation with the Company's Nomad, are drafting a "Relationship Agreement" which will formalise certain decision-making procedures.

The Board will conduct a review at least annually to ensure that the Company's corporate governance framework evolves in line with the Group's development, strategy and business plan.

Principle Ten: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company regularly communicates with, and encourages feedback from, its shareholders who are its key stakeholder group. The Company also provides regulatory, financial and business news updates through the Regulatory News Service (RNS).

The Company's web-site is designed to facilitate easy interaction between the Company and shareholders and other users. Management of the web-site is located in-house to ensure that content is maintained on an up-to-date and real-time basis and that the interaction between the user and the Company is direct and effective. Contact details are also provided on the website.

Web-site content is regularly updated and includes the latest corporate presentation on the Group as well as RNS announcements. Users, including all stakeholders, can register to be alerted via email when material announcements are made. The Company's contact details are on the website should stakeholders wish to make enquiries of management. The Group's financial reports are uploaded to the website as soon as practicable after announcement to the market.

Notices of General Meetings are mailed to shareholders each year and the results of voting on all resolutions at general meetings are announced to the market as soon as practicable after the close of the respective meetings.
The Company's auditors engage with the Audit Committee at least once a year and offer their views and recommendations on the strength of the financial management of the Group.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2021, 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
Peter Hetherington	6	6
Nathaniel le Roux	6	6
Richard Gray	6	6
Phillip Day	2	2
Phillip Jackson	6	6
Richard Barker	6	6
William Styslinger	6	6
Ian Proctor	5	6
Christopher Sangster	3	3

AUDIT COMMITTEE

The Audit Committee is comprised of Mr Jackson (Chairman), Mr Barker and Mr Styslinger. Two meetings of the Audit Committee were held during the year ended 30 June 2021.

The Audit Committee Report for the year ended 30 June 2021 can be found in the QCA Corporate Governance Statement of the Company, which can be found on the Company web-site at https://www.scotgoldresources.com/docs/QCA-2021.pdf.

CORPORATE AND SOCIAL RESPONSIBILITY COMMITTEE

The Corporate and Social Responsibility ("CSR") Committee is comprised of Mr Hetherington (Chairman) and Mr Gray.

The three broad areas of focus of the CSR Committee are:

- Health, Safety and Welfare of the Community, Employees, Consultants and Visitors;
- Stewardship of the Environment; and
- Corporate Citizenship and Societal Interaction

The CSR Committee is also charged with the responsibility of operational and environmental risk assessment. The CSR Committee did not meet during the year ended 30 June 2021.

REMUNERATION REPORT (audited)

Statement from the Chairman of the Remuneration and Nomination Committee

Dear Shareholder

I am delighted to present the Directors' Remuneration Report as Chair of the Remuneration and Nomination Committee of Scotgold Resources Limited for the year ended 30 June 2021.

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

Appointment of Director

Phillip Day was appointed as a Chief Executive and Managing Director of the Company on 1 April 2021, pursuant to Richard Gray retiring from the role of Managing Director with effect from that date. Mr Gray became a Non-Executive Director of the Company on 1 April 2021.

Resignation of Director

Chris Sangster retired as a Non-Executive Director on 26 February 2021.

Remuneration policy

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

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

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

Share schemes

An Enterprise Management Incentive Scheme was established pursuant to Schedule 5 of the United Kingdom Income Tax (Earnings and Pensions) Act 2003 and adopted by the Board on 30 June 2020. In terms of the rules of the Enterprise Management Incentive Scheme, the Board may at its discretion grant Enterprise Management Incentive Scheme options to employees of the Company and its controlled entities to acquire ordinary shares in the Company at such exercise price and in such numbers as it considers appropriate and to attach such performance conditions to the vesting of such options as it considers appropriate, subject to compliance with the provisions of the abovementioned Schedule 5 and other applicable legislation.

In addition, the Company has put in place a Non-Employee Share Option Scheme which provides for the granting by the Board of options under that scheme to non-executive directors of the Company and to other persons who provide consultancy services to the Company and its controlled entities at such exercise prices and in such numbers as the Board considers appropriate and to attach such performance conditions to the vesting of such options as it considers appropriate, subject to compliance with applicable legislation.

Previously, the Group did not operate an Employee Share Scheme.

There are no deferred shares.

Performance-based remuneration

The Company does not pay any performance-based component of remuneration, with the exception of certain share-based payments, as disclosed below.

Details of remuneration for year ended 30 June 2021

Directors' Remuneration

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

Details of the agreements are set out below.

Agreements in respect of remuneration of Directors:

Executive Directors

Phillip Day (Chief Executive Officer and Managing Director with effect from 1 April 2021) is remunerated in terms of a contract of employment dated 1 April 2021 which provides for a fixed salary of £161,250 per annum, as well as an annual leave entitlement of 18.75 days plus a pro rata number of public holidays in Scotland and eligibility to join the Group pension fund. The contract of employment further provides that Mr Day shall be reimbursed for the reasonable cost of necessary travel incurred in connection with visits to the operations of the Group in Scotland, including flights to and from Switzerland and car hire in the United Kingdom, and that the Group shall provide accommodation to Mr Day while he is visiting the operations.

For the year ended 30 June 2021, the amount paid to Mr Day as salary amounted to $80,370, comprising $72,557 of annual remuneration in terms of his employment contract and an increase in leave pay balance of $7,813.

PAW Consulting Services GmbH, a company controlled by Mr Day, renders consulting services to SGZ Grampian Limited and charges a monthly consulting fee of £4,479 per month for those services, plus reimbursement of reasonable costs incurred in rendering those services. The total fees charged by Paw Consulting Services GmbH in respect of those services during the year ended 30 June 2021 amounted to $40,088, of which $15,902 related to the period prior to the appointment of Mr Day as Chief Executive Officer and Managing Director.

On 10 May 2021, Mr Day was granted 840,000 options to acquire shares in the Company at an exercise price of 60p per share under the Enterprise Management Incentive Scheme of the Company. The options vest 3 years from the date of the grant, subject to Mr Day being an employee in good standing of the Company or an entity controlled by the Company on that day and expire on 10 May 2026. An amount of $20,700 has been recognised as an expense during the year in respect of these options.

Richard Gray (former Managing Director and now Non-Executive Director) was remunerated in terms of a contract dated 22 September 2017 which provided for a fixed salary and benefits, with a termination period of three months. For the year ended 30 June 2021, the amount paid to Mr Gray as salary amounted to $261,676, comprising $243,419 of annual remuneration in terms of his employment contract and an increase in leave pay balance of $18,257.

In the year ended 30 June 2018, Mr Gray was granted 1,000,000 options to acquire shares in the Company at an exercise price of 30p per share. The options vest on the later of one year from date of grant or the commencement of gold production from the Cononish mine. The options will expire 10 years after the date of grant, being 1 May 2028. The options were granted subject to shareholder approval, which approval was given at the Annual General Meeting of the Company on 26 November 2019. All of these options had vested at 30 June 2021.

A charge of $313,697 has been recognised as an expense for the period from the date of grant of the options to 30 June 2021.

On 1 July 2020, Mr Gray was granted 400,000 options to acquire shares in the Company at an exercise price of 71p per share. The vesting of these options is subject to the non-market vesting condition of cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeding a level of 500 gold equivalent ounces. The options are exercisable by the holder with effect from the vesting date, expire on 30 June 2025 and carry no dividend or voting rights. Of these 400,000 options, 352,112 were granted under the Enterprise Management Incentive Scheme of the Company. None of these options had vested at 30 June 2021, but they vested at the end of August 2021.

A charge of $203,264 has been recognised as an expense for the year ended 30 June 2021 in respect of these options.

Non-Executive Directors

i) Chris Sangster earned fees from the Company as a consultant on technical issues. In addition to his director's fees, Mr Sangster earned fees of $45,917 in the year ended 30 June 2021 (2020 - $69,087).

ii) Through his service company, Barston Corporation Pty Ltd, Richard Barker also acts as Company Secretary. In addition to his director's fees, Mr Barker earned fees related to Company Secretary services of $39,996 in the year ended 30 June 2021 (2020 - $37,328).

iii) Mr le Roux made available to SGZ Cononish Limited a secured loan facility in May 2018. During the year, an amount of £3.5 million of the facility was drawn down, bringing the cumulative amount drawn down under the facility to an amount of £7.5 million at 30 June 2021. Details of the secured loan facility are set out in Note 17.

iv.) Mr le Roux, Mr Hetherington, Mr Styslinger and Mr Proctor respectively made short term, interest-free, unsecured loans of £634,500, £114,500, £166,500 and £32,000 to SGZ Cononish Limited on 12 May 2021, which amounts were all outstanding at 30 June 2021.

Loans due from/to Directors

There are no loans due from Company Directors.

As set out in Note 17, Bridge Barn Limited, a company controlled by Mr Nat le Roux, has provided a secured loan facility to the consolidated entity on commercial terms throughout the year. As at 30 June 2021 the amount owing by the consolidated entity in respect of drawdowns made on that secured loan was $15,412,129 (2020 - $7,681,847).

Mr le Roux, Mr Hetherington, Mr Styslinger and Mr Proctor respectively made short term, interest-free, unsecured loans of £634,500, £114,500, £166,500 and £32,000 to SGZ Cononish Limited on 12 May 2021, which amounts were all outstanding at 30 June 2021.

<u>Shareholder approval of Directors' remuneration</u>

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

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

Director/Executive	Associated Company	Short-term benefits Fees	Consulting / Salary	Retirement Benefits	Share - based payments	Total
		$	$	$	$	$
Year ended 30 June 2020						
Peter Hetherington *		-	-	-	-	-
Nat le Roux *		-	-	-	-	-
Richard Gray		-	259,760	10,140	66,194	336,094
Chris Sangster		18,818	69,087	-	-	87,905
Phillip Jackson	Holihox Pty Ltd	18,000	-	-	-	18,000
Richard Barker	Barston Corp. Pty Ltd	17,568	37,328	-	-	54.896
William Styslinger *		-	-	-	-	-
Ian Proctor *		-	-	-	-	-
		54,386	366,175	10,140	66,194	496,895

Director/Executive	Associated Company	Short-term benefits Fees	Consulting / Salary	Retirement Benefits	Share-Based payments	Total
		$	$	$	$	$
Year ended 30 June 2021						
Peter Hetherington *		-	-	-	-	-
Nat le Roux *		-	-	-	-	-
Richard Gray		-	261,676	9,737	249,813	521,226
Phillip Day[1]		40,088	80,370	-	20,700	141,158
Chris Sangster[2]		12,239	45,917	-	-	58,156
Phillip Jackson	Holihox Pty Ltd	18,000	-	-	-	18,000
Richard Barker	Barston Corp. Pty Ltd	18,080	39,996	-	-	58,076
William Styslinger *		-	-	-	-	-
Ian Proctor *		-	-	-	-	-
		88,407	427,959	9,737	270,513	786,616

* Mr le Roux, Mr Hetherington, Mr Styslinger and Mr Proctor have waived their director fees for the time being
[1] Appointed on 1 April 2021
[2] Resigned on 26 February 2021

The proportion of remuneration linked to performance and the fixed proportion of remuneration are as follows:

Director/Executive	Associated Company	Fixed proportion 2021 $	Fixed proportion 2020 $	Linked to performance 2021 $	Linked to performance 2020 $
Year ended 30 June 2021					
Peter Hetherington		100%	100%	-	-
Nat le Roux		100%	100%	-	-
Phillip Day		100%	-	-	-
Richard Gray		52%	80%	48%	20%
Chris Sangster		100%	100%	-	-
Phillip Jackson	Holihox Pty Ltd	100%	100%	-	-
Richard Barker	Barston Corp. Pty Ltd	100%	100%	-	-
William Styslinger		100%	100%	-	-
Ian Proctor		100%	100%	-	-

Share-based payments

The share-based payments made to key management personnel comprise options over ordinary shares of the Company as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value Per option at grant date
Richard Gray	1,000,000	1 May 2018	Later of 1 May 2019 and commencement of production at Cononish mine	1 May 2028	£0.30	£0.172
Richard Gray	400,000	1 July 2020	Date that cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeds a level of 500 gold equivalent ounces	30 June 2025	£0.71	£0.331
Phillip Day	840,000	10 May 2021	10 May 2024	10 May 2026	£0.60	£0.2903

Each of the options granted to Richard Gray on 1 May 2018 entitles the holder to one ordinary unissued share at a strike price of £0.30. The vesting of the options is dependent upon satisfaction of the non-market vesting condition of achieving commencement of production at the Cononish Mine. Options are exercisable by the holder with effect from the vesting date. There have been no alterations to the terms and conditions of the options since the date of grant thereof. The vesting condition was satisfied in December 2020.

Each of the options granted to Richard Gray on 1 July 2020 entitles the holder to one ordinary unissued share at a strike price of £0.71. The vesting of the options is dependent upon satisfaction of the non-market vesting condition of cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeding a level of 500 gold equivalent ounces. Options are exercisable by the holder with effect from the vesting date. There have been no alterations to the terms and conditions of the options since the date of grant thereof. Of these 400,000 options, 352,112 were granted under the Enterprise Management Incentive Scheme of the Company. The vesting condition was satisfied at the end of August 2021.

Each of the options granted to Phillip Day on 10 May 2021 entitles the holder to one ordinary unissued share at a strike price of £0.60. The options vest on 10 May 2024, provided that Mr Day is an employee in good standing of the Company or an entity controlled by the Company on that date, All of the options granted to Mr Day were granted under the Enterprise Management Incentive Scheme of the Company.

Options carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are as follows:

	2021	2020	2019	2018	2017
	$	$	$	$	$
Sales revenue	299,807	-	-	-	-
EBITDA	(2,406,611)	(1,105,783)	(3,285,036)	(1,657,616)	(1,124,095)
EBIT	(3,721,458)	(1,834,222)	(3,416,512)	(1,727,523)	(1,227,227)
(Loss) after income tax	(4,980,942)	(2,504,134)	(3,518,455)	(1,899,667)	(1,348,167)
Basic (loss) per share (cents per share)	(9.28)	(5.04)	(7.84)	(7.92)	(8.60)

Voting at the 2020 Annual General Meeting

The Remuneration Report for the year ended 30 June 2020 was adopted unanimously at the 2020 Annual General Meeting on a show of hands.

Key management personnel share holdings

Year ended 30 June 2021

	Balance 30 June 2020	Exercise of options	Subscription	At date of resignation/ appointment	Disposal of shares	Balance 30 June 2021
Peter Hetherington	4,088,961					4,088,961
Nat le Roux	22,618,223	-	-	-	-	22,618,223
Phillip Day	-	-	-	-	-	-
Richard Gray	105,677	-	-	-	-	105,677
Chris Sangster	206,045	-	-	(206,045)	-	-
Phillip Jackson	43,313	-	-	-	-	43,313
Richard Barker	-	-	-	-	-	-
William Styslinger	5,931,400	-	-	-	-	5,931,400
Ian Proctor	1,155,844	-	-	-	-	1,155,844
	34,149,463	-	-	(206,045)	-	33,943,418

Key management personnel option holdings

Year ended 30 June 2021

	Balance 30 June 2020	Granting of options	Disposal of options	Balance 30 June 2021
Richard Gray	1,000,000	400,000	-	1,400,000
Phillip Day	-	840,000	-	840,000
	1,000,000	1,240,000	-	2,240,000

Aggregate amounts payable to Directors and their related entities:

	Consolidated Entity **2021** **$**	Consolidated Entity **2020** **$**
Accounts payable	55,030	25,318
Current borrowings	1,745,257	-
Non-current borrowings owing to Bridge Barn Limited		
Principal	13,814,698	7,160,759
Accumulated interest	1,597,431	521,088
Total	17,212,416	7,707,165

There were no performance related payments made during the year. The vesting of the 400,000 share options granted to Mr Gray on 1 July 2020 is dependent on the performance-related condition of cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeding a level of 500 gold equivalent ounces.

Approval

This report was approved by the Board on 21 December 2021 and signed on its behalf by:

....
Nat le Roux
Chair of the Remuneration and Nomination Committee

End of Audited 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.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Mr Nat le Roux stepped down as Non-Executive Chairman on 2 November 2021 and Mr Peter Hetherington was appointed as Non-Executive Chairman on that date. Mr Nat le Roux continues to serve as a Non-Executive Director of the Company.

The second tranche of £1,000,000 was drawn down on the short term unsecured loan facility on 6 August 2021. On 27 September 2021, 3,301,420 ordinary shares were issued to the providers of the short term unsecured loan in full and final settlement of the loan prior to the settlement date thereof of 4 November 2021, with Mr Nat le Roux, Mr Peter Hetherington, Mr William Styslinger and Mr Ian Proctor respectively being issued with 2,094,751, 378,013, 549,686 and 105,645 ordinary shares at an issue price of £0.6058 ($1.138) per share. The shareholder who provided part of the short term unsecured loan facility received 173,325 ordinary shares in settlement, at the same issue price.

The 400,000 options granted to Mr Richard Gray on 1 July 2020 and 270,000 of the options granted to senior management on that date vested at the end of August 2021.

The recipient of 225,000 of the 750,000 options granted to senior management on 1 July 2020 resigned on 30 November 2021, resulting in the 135,000 options granted to him which had vested at the end of August 2021 (which had not been exercised as at the date of resignation) as well as the 90,000 unvested options granted to him lapsing on that date.

Saint Consulting (UK) Limited ceased to provide consulting services to the Group on 5 October 2021 and as a result, the 200,000 options granted to that company on 29 July 2020, which had vested but had not been exercised by 5 October 2021, lapsed.

The final payment of USD256,715 ($472,858) was made in respect of the haultruck on 2 August 2021.

There are no matters or circumstances that have arisen after the reporting 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.

INDEMNIFICATION OF DIRECTORS

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

AUDITOR

The Perth, Australia affiliate of BDO International, BDO Audit (WA) Pty Ltd are the auditors of the Company.

NON-AUDIT SERVICES

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

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

BDO Corporate Tax (WA) Pty Ltd provides income tax and corporate finance services to the Company – 2021: $7,001 (2020 - $14,879). In addition, income tax services were provided to the Company by various offices in the United Kingdom of BDO LLP – 2021: $55,014 (2020 - $6,434).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration has been received for the year ended 30 June 2021 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.

....
PHILLIP DAY – Chief Executive Officer and Managing Director

Dated at Tyndrum, this 21st day of December 2021

BDO

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF SCOTGOLD RESOURCES LIMITED

As lead auditor of Scotgold Resources Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 21 December 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

SCOTGOLD RESOURCES LTD
AND CONTROLLED ENTITIES

	Notes	2021 $	2020 $
Revenue	2	299,807	-
Cost of sales	3	(299,807)	-
Profit (loss) from production operations		-	-
Interest income	4	8,285	38,989
Other income	5	416,007	381,708
Gain on loan renegotiation		-	38,383
Administration costs		(888,176)	(462,151)
Interest expense	6	(1,259,484)	(669,912)
Depreciation and loss on disposal of non-current assets	7	(1,314,847)	(732,359)
Employee and consultant costs, excluding share-based payments		(1,095,882)	(736,371)
Share-based payments	21	(364,725)	(66,194)
Listing and share registry costs		(193,023)	(188,178)
Legal fees		(103,530)	(36,677)
Office and communication costs		(101,913)	(68,174)
Currency exchange variances		(57,580)	19,470
Other expenses		(26,074)	(22,668)
LOSS BEFORE INCOME TAX		(4,980,942)	(2,504,134)
Income tax benefit	8	-	-
LOSS FOR THE YEAR		(4,980,942)	(2,504,134)
Other Comprehensive Income			
Items that may be reclassified to Profit or Loss			
Exchange difference on translation of foreign subsidiaries		765,392	(226,738)
Total comprehensive result for the year		(4,215,550)	(2,730,872)
Basic (loss) per share (cents per share)	30	(9.28)	(5.04)
Loss per share for the year attributable to the members of Scotgold Resources Ltd (cents per share)		(9.28)	(5.04)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

SCOTGOLD RESOURCES LTD
AND CONTROLLED ENTITIES

	Notes	2021 $	2020 $
CURRENT ASSETS			
Cash and cash equivalents		2,624,342	1,019,979
Trade and other receivables	9	448,336	226,134
Inventory	10	187,276	62,291
Other current assets	11	296,657	129,253
Total Current Assets		3,556,611	1,437,657
NON-CURRENT ASSETS			
Trade and other receivables	9	1,579,820	1,527,306
Plant and equipment	12	16,280,930	469,115
Right-of-use assets	13	2,777,962	1,738,238
Mineral exploration and evaluation	14	2,990,000	2,441,728
Mine development asset	15	25,770,548	28,805,352
Total Non-Current Assets		49,399,260	34,981,739
TOTAL ASSETS		52,955,871	36,419,396
CURRENT LIABILITIES			
Trade and other payables	16	2,306,453	1,127,113
Other current liabilities	16	873,977	461,999
Borrowings	17	7,927,888	542,761
Total Current Liabilities		11,108,318	2,131,873
NON-CURRENT LIABILITIES			
Borrowings	17	11,986,714	8,740,965
Provisions	18	908,915	657,934
Total Non-Current Liabilities		12,895,629	9,398,899
TOTAL LIABILITIES		24,003,947	11,530,772
NET ASSETS		28,951,924	24,888,624
EQUITY			
Issued capital	19	52,640,345	44,978,659
Reserves	20	785,967	(596,589)
Accumulated losses	20	(24,474,388)	(19,493,446)
TOTAL EQUITY		28,951,924	24,888,624

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

SCOTGOLD RESOURCES LTD
AND CONTROLLED ENTITIES

	Issued Capital	Accumulated Losses	Options Reserve	Share-based payment reserve	Foreign Currency Translation Reserve	Total Equity
YEAR ENDED 30 JUNE 2020	**$**	**$**	**$**	**$**	**$**	**$**
Balances at 1 July 2019	**41,098,558**	**(16,986,248)**	**134,769**	**205,182**	**(788,262)**	**23,663,999**
Adjustment on initial application of AASB 16	-	(3,064)	-	-	-	(3,064)
Total comprehensive result for the year	-	(2,504,134)	-	-	(226,738)	(2,730,872)
Transactions with owners in their capacity as owners:						
Issue of shares	2,075,997	-	-	-	-	2,075,997
Options exercised	1,839,556	-	-	-	-	1,839,556
Share-based payments	-	-	-	78,460	-	78,460
Share issue expenses	(35,452)	-	-	-	-	(35,452)
Balances at 30 June 2020	**44,978,659**	**(19,493,446)**	**134,769**	**283,642**	**(1,015,000)**	**24,888,624**
YEAR ENDED 30 JUNE 2021						
Balances at 1 July 2020	**44,978,659**	**(19,493,446)**	**134,769**	**283,642**	**(1,015,000)**	**24,888,624**
Total comprehensive result for the year	-	(4,980,942)	-	-	765,392	(4,215,550)
Transactions with owners in their capacity as owners:						
Issue of shares	8,147,502	-	-	-	-	8,147,502
Share-based payments	-	-	-	617,164	-	617,164
Share issue expenses	(485,816)	-	-	-	-	(485,816)
Balances at 30 June 2021	**52,640,345**	**(24,474,388)**	**134,769**	**900,806**	**(249,608)**	**28.951,924**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

SCOTGOLD RESOURCES LTD
AND CONTROLLED ENTITIES

	Notes	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers		(1,443,368)	(1,031,667)
Interest income received		8,285	38,989
Net Cash Outflow from Operating Activities	26	(1,435,083)	(992,678)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(428,794)	(507,795)
Payments for mine development activities		(10,249,942)	(7,957,393)
Purchase of plant and equipment		(803,791)	(428,733)
Proceeds on disposal of plant and equipment		400	-
Expenditure on right-of-use assets		-	(47,710)
Net Cash Outflow from Investing Activities		(11,482,127)	(8,941,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options, net of costs		7,661,686	2,040,545
Proceeds from exercise of options		-	1,839,556
Proceeds on draw-down of first tranche of unsecured loan		1,810,938	-
Proceeds on draw-down of secured loan		6,343,675	3,762,227
Repayment of right-of-use leases		(1,297,746)	(698,243)
Net Cash Inflow from Financing Activities		14,518,553	6,944,085
Net increase (decrease) in cash held		1,601,343	(2,990,224)
Effect of exchange rate fluctuations on cash and cash equivalents		3,020	92,283
Cash and cash equivalents at beginning of year		1,019,979	3,917,920
Cash and cash equivalents at end of year		2,624,342	1,019,979

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

Reporting Basis and Conventions

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the consolidated entity's assets and the discharge of their liabilities in the normal course of business. At balance date, the consolidated entity had current assets of $3,556,611 (2020 - $1,437,657), including available cash and cash equivalents of $2,624,342 (2020 - $1,019,979), and current liabilities of $11,108,318 (2020 - $2,131,873).

The Board reviews cash flows covering a period of 12 to 18 months and while the Board considers that the consolidated entity is a going concern it also recognises that funds will be required for general working capital requirements as production levels ramp up at the Cononish mine. In addition to existing cash reserves at 30 June 2021, the consolidated entity had further available funds by way of a short term unsecured loan facility of £1.0m ($1.84m) not yet drawn down at that date.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

As at 30 June 2021, the consolidated entity had cash balances of $2,624,342 (30 June 2020 - $1,019,979) and for the financial year then ending, incurred net cash outflows from operating and investing activities of $12,917,210 (2020 – $9,934,309). The consolidated entity had net current liabilities of $7,551,707 at 30 June 2021 (30 June 2020 - $694,216). The movement in the net current liability position of the consolidated entity was largely due to the first tranche of the secured loan facility falling due for repayment on 13 May 2022, being $4,356,866 at 30 June 2021, and the drawing down of £1,000,000 ($1,841,960) of the short term unsecured loan facility on 12 May 2021, which was due to be repaid on 4 November 2021.

The consolidated entity completed the construction of the plant building, the installation of the processing plant and the construction of the tailings management facility at the Cononish Mine during the year and made one shipment of gold concentrate in May 2021.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

The ability of the consolidated entity to continue as a going concern is dependent on the achievement of the status of commercial production (which has been defined by the Board as the point at which positive net cash flow has been generated by production operations for a period of three consecutive months), the ability of the consolidated entity to put in place additional financing to address any adverse effects of any delays in achieving that status and the continued support of its major shareholder and Directors. The status of commercial production had not been achieved by 30 June 2021.

These conditions indicate a material uncertainty that may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the consolidated entity has sufficient financing available to continue as a going concern for the following reasons:

- Although the status of commercial production had not been reached by 30 June 2021, the consolidated entity has subsequently made steady progress in working towards that target, with production levels reaching the designed capacity level of the processing plant and a further ten shipments of gold concentrate having been made after 30 June 2021;

- Bridge Barn Limited has stated that it is willing to defer repayment of the principal debt components of Tranches 1 and 2 of the secured loan facility and require payment of only the accumulated interest amounts on these tranches on the respective original principal repayment dates;

- As set out in Note 32, the short term unsecured loan was settled by the issuing of ordinary shares on 27 September 2021; and

- Discussions are underway with the off-take partner of the consolidated entity to put in place the prepayment facility referred to in clause 6.3.A of the off-take agreement in order to fully fund the ongoing working capital requirements of SGZ Cononish Limited.

The settlement of the short term unsecured loan by the issuing of ordinary shares together with the deferral of the repayment of the principal debt components of the secured loan facility and the putting in place of the prepayment facility with the off-take partner are expected to effectively address the net current liability position of the consolidated entity.

Should the consolidated entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity be unable to continue as a going concern.

Statement of Compliance

The financial report was authorised for issue on 21 December 2021.

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to the consolidated entity's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to amounts recognised in the financial statements other than as noted below.

The following new or amended standards have been adopted during the year ended 30 June 2021:

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

The adoption of this standard has had no effect on the consolidated entity as no business has been acquired during the year.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The adoption of this standard has had no effect on the consolidated entity.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

The adoption of this standard has had no effect on the consolidated entity.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The adoption of this standard has had no effect on the consolidated entity.

AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

The adoption of this standard has had no effect on the consolidated entity.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual improvements 2018-2020 and Other Amendments

The amendments to AASB 116 provide that where samples are produced as a result of testing whether an asset is functioning properly, then the revenue resulting from the sale of those samples produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management must be recognised in profit or loss (as opposed to being credited to the cost of that asset).

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

The amendments to AASB 116 apply retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary to be capable of operating in the manner intended by management, on or after the beginning of the earliest period presented in the financial statements to which the amendment first applies (i.e. 1 July 2021). However, these amendments have been applied for the year ended 30 June 2021. The revenue from the gold concentrate produced during the process of commissioning the processing plant at the Cononish mine which was sold during the year ended 30 June 2021 has been accounted for as revenue in profit or loss and that portion of the gold concentrate produced during the commissioning process which had not been sold by 30 June 2021 has been included in gold concentrate inventory at that date.

New Accounting Standards and Interpretations

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial years ended 30 June 2021. They have not been adopted in preparing the financial statements for the year ended 30 June 2021.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

This standard was issued in March 2020 and contains four main changes to the requirements for classification of liabilities as current or non-current and specifically, the unconditional right to defer settlement, the effect of bank covenants, the right to defer settlement vs intention to do so and early settlement by conversion to equity.

The standard is effective for annual reporting periods beginning on or after 1 January 2023, having been deferred by one year pursuant to AASB issuing AASB 2020-6. As these amendments only apply for the first time to the 30 June 2024 Statement of Financial Position (and 30 June 2023 comparative Statement of Financial Position), the entity is not yet able to make an assessment of the impacts regarding the right to defer settlement, compliance with bank covenants, and intention to settle set out therein.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual improvements 2018-2020 and Other Amendments

This standard was issued in June 2020 and effects amendments to AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141. The standard is effective for annual reporting periods beginning on or after 1 January 2022.

The amendments to AASB 1 apply only to entities that apply AASB 1 for the first time for the year ended 30 June 2023 and are not expected to have any impact on the consolidated entity.

There will be no impact on the financial statements of the consolidated entity when the amendments to AASB 3 are first adopted because they apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period to which this amendment applies, i.e. annual periods beginning on or after 1 July 2022.

The amendment to AASB 9 clarifies which fees an entity includes when it applies the ‘10 percent’ test to assess whether there has been a modification or substantial modification to a financial liability. There will be no impact on the financial statements of the consolidated entity when these amendments are first adopted because they apply prospectively to financial liabilities that are modified or exchanged on or after the beginning of the first annual reporting period to which this amendment applies, i.e. annual periods beginning on or after 1 July 2022.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

The amendments to AASB 137 provide that the costs of fulfilling a contract need to be considered when assessing whether a contract is onerous and sets out examples of such costs. These amendments only apply to contracts with unfulfilled obligations at the beginning of the first annual reporting period to which the amendments apply, i.e. annual periods beginning on or after 1 July 2022. The cumulative effect of initially applying the amendments will be recognised as an adjustment to opening balances of retained earnings on 1 July 2022.

The amendments to AASB 141 deal with biological assets in the agriculture industry and application thereof is not expected to have any effect on the consolidated entity.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This amendment introduces a definition of 'accounting estimate', i.e. monetary amounts in financial statements that are subject to estimation uncertainty, such as estimating expected credit losses for receivables, or estimating the fair value of an item recognised in the financial statements at fair value.

Accounting estimates are developed using measurement techniques and inputs. Measurement techniques comprise estimation techniques (such as used to determine expected credit losses or value in use) and valuation techniques (such as the income approach to determine fair value).

The amendments clarify that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input.

These amendments apply to annual reporting periods beginning on or after 1 January 2023.

There will be no impact on the financial statements of the consolidated entity when these amendments are first adopted because they apply prospectively to changes in accounting estimates that occur on or after the beginning of the first annual reporting period to which these amendments apply, i.e. annual periods beginning on or after 1 July 2023.

AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

AASB 2020-4 introduced a practical expedient that permitted lessees not to have to assess whether a rent concession that occurs as a direct consequence of the COVID-19 pandemic is a lease modification in respect of lease payments originally due on or before 30 June 2021. AASB2021-3 extends the practical expedient to cover COVID-19 rent concessions where the reduction in lease payments affects lease payments up to and including 30 June 2022.

These amendments apply to annual reporting periods beginning on or after 1 April 2021.

The practical expedient afforded by AASB 2020-4 was utilised during the year ended 30 June 2020, but no Covid-19 related lease payment concessions were received during the year ended 30 June 2021 and no such concessions are expected in future, so AASB 2021-3 is not expected to have an impact on the financial statements of the consolidated entity when this amendment is first adopted.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the 'initial recognition exemption' does not apply to transactions where an entity recognises an asset and a liability which give rise to equal taxable and deductible temporary differences. This could occur, for example, where lessees recognise a right-of-use asset and lease liability for lease transactions, or where an entity recognises decommissioning, restoration and other similar obligations, which form part of a related asset.

These amendments apply to annual reporting periods beginning on or after 1 January 2023.

These amendments will first be adopted for the year ended 30 June 2024 and will apply prospectively to all transactions that occur on or after the beginning of the earliest comparative period, i.e. all transaction that occur on or after 1 July 2022.

In addition, at the beginning of the earliest comparative period, i.e. 1 July 2022, deferred tax assets (to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised) and deferred tax liabilities will be recognised for all deductible and temporary differences associated with right-of-use assets and lease liabilities as well as decommissioning, restoration and other similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of initially applying these amendments will be recognised in opening balances of retained earnings on 1 July 2022. As a large number of the leases in effect at 30 June 2021 are expected to end on or before 30 June 2022, the effect of adoption of these amendments on 1 July 2022 is not expected to be material, but this is dependent on whether material leases are entered into during the year ending 30 June 2022, so it is not possible to make an assessment of the extent of the impact on the consolidated entity at this stage.

Accounting Policies

(a) Basis of Consolidation

A controlled entity is any entity controlled by Scotgold Resources Limited. Scotgold Resources Limited controls an entity when it is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity. Scotgold Resources Limited has power over an entity when it has existing rights that give it the current ability to direct the activities that significantly affect the returns of that entity. 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 consistency 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 reporting date.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

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 taxable profits will be available against which deductible temporary differences 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. Assets under construction or being prepared for use are accounted for as part of the mine development asset and are transferred to plant and equipment on completion of construction of those assets or completion of preparation of those assets for use.

The carrying amount of plant and equipment is reviewed annually by the 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 employment and subsequent disposal of the assets. 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.

The present value of decommissioning liabilities attributable to items of plant and equipment, as well as any changes in the present value of such liabilities arising due to changes in the cash flows used to determine such liabilities or the discount rate applied to cash flows used to determine such liabilities, is included in the cost of that item of plant and equipment.

(d) Depreciation

The depreciable amount of all fixed assets, excluding computer hardware, ore processing plants and tailings management facilities, are depreciated on a reducing balance basis 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

Ore processing plants are depreciated on the basis of the estimated production units to be produced over the life of the plants from the date of commencement of commercial production by the plants. Tailings management facilities are depreciated on the basis of the estimated total tonnage of tailings to be deposited at the facilities from the date that tailings are first deposited.

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

Class of Fixed Asset:	Depreciation Rate:
Plant and equipment	15 – 50%
Motor vehicles	25%
Office furniture and equipment	15 – 50%
Ore processing plants	Number of units of production as a % of total useful life production units
Tailings management facilities	Tonnage of tailings as % of total useful life tonnage

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

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

(e) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low value assets. Lease payments on these assets are charged to mine development asset or expensed to profit or loss as incurred, as appropriate.

During the year, an aggregate amount of $175,323 (2020 - $276,732) paid in respect of short-term leases and leases of low value assets was charged to mine development asset, being primarily payments in respect of mobile plant hired on a weekly basis with no minimum hire period, of which $37,298 relates to mobile plant used in the construction of the processing plant building and tailings management facility.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

(f) Exploration and Evaluation Expenditure

The consolidated entity held thirteen exploration licences in Scotland at 30 June 2021. The commencement date of each of these licences is 5 November 2018, with a term of five years and an option to extend for a further period of four years, subject to the Crown Estate Scotland being satisfied with the progress made in conducting exploration activities in the area covered by that licence. No minimum capital expenditure figure is stipulated in any of the thirteen licences.

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 in the case of areas of interest in respect of which tenure is current and 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.

Mineral exploration and evaluation expenditure is reclassified as a mine development asset once the technical feasibility and commercial viability of extracting the related mineral reserve is demonstrable.

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

The present value of restoration, decommissioning and environmental monitoring liabilities attributable to exploration and evaluation activities, as well as any changes in the present value of such liabilities arising due to changes in the cash flows used to determine such liabilities or the discount rate applied to cash flows used to determine such liabilities, is included in exploration and evaluation expenditure. Fixed asset depreciation is charged directly to profit and loss in the period in which it is charged.

(g) Mine development asset

When an exploration area of interest meets certain criteria, including the determination of technical feasibility and commercial viability and the obtaining of all planning consents and approvals, the deferred exploration and evaluation costs attributable to that area of interest are tested for impairment, with any impairment being recognised in profit or loss, and then reclassified as a mine development asset.

All subsequent expenditure on mine development activities is capitalised. Assets under construction or being prepared for use are accounted for as part of the mine development asset and are transferred to plant and equipment on completion of construction of those assets or completion of preparation of those assets for use.

Revenue generated from gold concentrate produced during the process of commissioning is accounted for as revenue in profit or loss and any portion of the gold concentrate produced during the commissioning process which has not been sold by the end of a reporting period is included in inventory at the reporting date.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

Commercial production has been defined by the Board as the point at which positive net cash flow has been generated by production operations for a period of three consecutive months. Production costs incurred prior to the consolidated entity reaching the stage of commercial production are charged to the mine development asset. These costs are not amortised during the mine development phase, but the carrying value thereof is assessed for impairment whenever facts and circumstances suggest that the carrying amount may exceed the recoverable amount thereof by taking into account discount rates, gold and silver prices and ore reserve estimates.

Once the stage of commercial production has been achieved, the mine development asset is amortised over the life of the mine to which the development asset relates according to the rate of depletion of the economically recoverable reserves of that mine or amortised on the basis of production-related metrics, as appropriate. The stage of commercial production had not been achieved by 30 June 2021. During the year ended 30 June 2021, a portion of the mine development asset in an amount of $404,734 (2020 - $Nil) was charged to profit or loss as production costs.

The present value of restoration, decommissioning and environmental monitoring liabilities attributable to mine development activities, as well as any changes in the present value of such liabilities arising due to changes in the cash flows used to determine such liabilities or the discount rate applied to cash flows used to determine such liabilities, is included in the mine development asset.

(h) Impairment of Assets

At each reporting date, the Directors review the carrying values of 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 profit or loss. 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.

(i) 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.

The consolidated entity has specific obligations in respect of restoration, decommissioning and environmental monitoring arising as a result of the undertaking of mine development activities. The extent of the liability arising in respect of these obligations is determined for each reporting period based on the extent of mine development activities undertaken by the end of that reporting period and the timing and amount of cash flows expected to be expended in future to meet such obligations. These expected cash flows are discounted to net present value at a current pre-tax rate and provided for, with a corresponding addition to the mine development asset or specific items of property, plant and equipment required to be decommissioned in future.

The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of restoration, decommissioning and environmental monitoring are reviewed annually and adjusted as appropriate, Changes in the estimated expected future costs, or in the discount rate applied to determine the net present value of those expected future costs are added to or deducted from the mine development asset, or items of property, plant and equipment required to be decommissioned in future.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and 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.

(k) Inventory

Inventory is valued at the lower of cost and net realisable value.

(l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party to the contract and a financial liability or equity instrument of the counterparty to that contract.

(m) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the business model adopted by the consolidated entity for managing them. With the exception of trade receivables that do not contain a significant financing component, the consolidated entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses;
- Financial assets at fair value through OCI with no recycling of cumulative gains and losses on derecognition; and
- Financial assets at fair value through profit or loss.

All of the financial assets of the consolidated entity have been classified within the category of financial assets at amortised cost.

Financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held in a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

As the consolidated entity is engaged in the principal activities of mine development, production of gold and silver and mineral exploration, the holding of financial assets is effected with the objective of collecting the contractual cash flows applicable to those financial assets for deployment in the mine development and gold and silver production operations or mineral exploration and evaluation activities of the consolidated entity.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

When the consolidated entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the consolidated entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the consolidated entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the consolidated entity has retained.

The consolidated entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the consolidated entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the consolidated entity applies a simplified approach in calculating ECLs. Therefore, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(n) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at the fair value of consideration received and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The financial liabilities of the consolidated entity include trade and other payables and borrowings.

Subsequent to initial recognition, the measurement of financial liabilities depends on their classification, with the classification categories being:

- Financial liabilities at fair value through profit or loss; or
- Loans and borrowings.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

As at 30 June 2021, no financial liabilities are held for trading or have been designated upon initial recognition as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Loans and borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the consolidated entity.

Lease payments comprise:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option when the exercise of the option is reasonably certain to occur; and
- any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease term;
- certainty of a purchase option; and
- termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right of use asset is fully written down.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

(p) Revenue

In terms of the agreement with the off-take partner of the consolidated entity, for each shipment of gold concentrate, a provisional invoice representing 90% of the sales value of that shipment (net of smelting and refining costs), is issued when the shipment is made. The sales value is determined by reference to the wet metric tonnage of the shipment, the quoted gold and silver prices in effect for the period of two full weeks prior to the date of the shipment and the moisture content and gold and silver grades of the gold concentrate in that shipment, as determined by an independent firm of assayers, as well as the terms of the off-take agreement.

On reaching its destination, the material in the shipment is subjected to a final assay by a firm of independent assayers, who additionally test for the presence of impurities. Based on the results produced by that final assay and the quoted gold and silver prices in effect during the period of one full month following the date of making the shipment, a final invoice is produced in respect of that shipment, with the off-take partner paying the difference between the sales value (net of smelting and refining costs) of that final invoice and the amount paid in respect of the provisional invoice.

Revenue in respect of sales of gold concentrate is recognised in profit or loss based on the final invoices for those sales, with an estimate of final sales value being made in the case of shipments made prior to the end of a reporting period in respect of which the final invoice has not been issued before the date of reporting. The gross sales value is recognised as revenue and the costs of smelting and refining as well as any penalties for impurities are recognised as part of smelting, refining, transport, marketing and assay costs.

Revenue generated from gold concentrate produced during the process of commissioning is accounted for as revenue in profit or loss.

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

(q) Government grants

Grants from the government are recognised only when there is both a reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants are receivable in the form of Regional Selective Assistance provided by Scottish Enterprise in respect of the Cononish Mine project. The Regional Selective Assistance grant is receivable in instalments with conditions as to capital expenditure, project funding and creation of new jobs being attached to each claim instalment. Claims in respect of each instalment are submitted to Scottish Enterprise together with proof that the specific conditions attached to that claim instalment have been met.

(r) Cost of sales

Smelting, refining, transport, marketing and assay costs are recognised in profit or loss when incurred.

Commercial production has been defined by the Board as the point at which positive net cash flow has been generated by production operations for a period of three consecutive months. Production costs incurred prior to the consolidated entity reaching the stage of commercial production are capitalised to the mine development asset.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

Once the stage of commercial production has been achieved, production costs incurred during that stage are charged to profit or loss and production costs incurred prior to that stage being achieved, which have been charged to the mine development asset, are amortised on the basis of production-related metrics. The stage of commercial production had not been achieved by 30 June 2021.

During the year ended 30 June 2021, a portion of the mine development asset in an amount of $404,734 (2020 - $Nil) was charged to profit or loss as production costs.

(s) 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.

(t) 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.

(u) Comparative Figures

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

(v) 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.

(w) Share based payments – shares and options

The fair value of shares and share options granted is recognised as an expense or as an addition to mine development asset depending on the services rendered in respect of which the shares or share options are granted, 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Foreign currency translation

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

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting 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 operations SGZ Grampian Limited and SGZ Cononish Limited is Pounds Sterling (£). The functional currency of SGZ France SAS and Scotgold Resources Portugal is the Euro (€).

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the consolidated financial statements at the rate of exchange ruling at the reporting 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 consolidated entity losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is 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 consolidated entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(y) 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y)(i) Critical accounting estimates and associated assumptions

Estimation of useful lives of assets

The determination by the consolidated entity of the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets involves a significant amount of judgement, based on historical experience with similar assets, available industry information with regard to similar assets and anticipation of future events.

The useful lives determined could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Provision for restoration and decommissioning

A provision has been made for the present value of anticipated costs of restoration and decommissioning at the Cononish mine at the end of mining operations there as well as to carry out after-care and monitoring for an agreed period subsequent to such cessation. As at each reporting date, the consolidated entity recognises the best estimate of the Directors in respect of the liability for restoration and decommissioning which has been incurred up to and including that reporting date, which best estimate is determined by reference to the extent of mine development activity (or when production is underway, mining activity) undertaken up to that date as well as the obligations set out in the applicable legislation and agreements to which the consolidated entity is a party. Key assumptions employed in determining the best estimate in respect of liability for restoration and decommissioning include discount rates, the life-of-mine and the extent of obligations undertaken, all or any of which may change in the future and accordingly affect the carrying amount of the provision for restoration and decommissioning.

Based on the extent of mine development activities carried out up to and including that date, the provision for restoration and decommissioning at 30 June 2021 was $908,915 (2020 - $657,934).

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

Mineral reserves and resources

There are numerous risks inherent in estimating ore reserves and resources and the associated life-of-mine plan. A number of assumptions must be made when estimating ore reserves and resources, including assumptions as to exchange rates, gold and silver prices and any premium over market spot prices which may be obtained, extraction costs and recovery and production rates. Any such assumptions and estimates may change as new information becomes available. Apart from possibly resulting in changes to judgements as to the economic viability of the orebody, these changes may further change the estimate of life-of-mine, thereby changing the timing and amount to be recognised as a provision in respect of restoration and decommissioning and changing the basis of amortisation of the mine development asset once production commences.

Share-based payments

In determining the amount to be recognised in respect of share-based payments during each reporting period, it is necessary to perform a valuation of instruments such as share options or warrants granted as share-based payments for services received.

The consolidated entity determines such valuation using the "Black Scholes" model. Inputs into that model include assumptions which require judgement on the part of the Directors. In addition, once such value has been determined, in accounting for these options the Directors must exercise judgement as to number of share-based payment instruments granted which are likely to vest and the likelihood that any non-market vesting conditions will be met.

(y)(ii) Critical judgements in applying the consolidated entity's accounting policies

Determination of date of reclassification to mine development asset

In a prior year, exploration and evaluation expenditure attributable to the Cononish area of interest was reclassified to mine development asset pursuant to the making of a judgement by the Directors that the criteria to be met to make such reclassification had been met on 19 December 2018. In making that judgement, the Directors took into account the requirements set out in the provisions of various agreements entered into by SGZ Cononish Limited dealing with the rights of SGZ Cononish Limited to conduct mining activities at the Cononish mine, the conditions to be met by that company prior to being permitted to conduct mining activities and whether all of these conditions had been met.

The same judgement process will be applied in future in evaluating whether other areas of interest have met the criteria for reclassification to mine development asset.

Impairment

AASB 136 Impairment of Assets requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Recoverable amount is defined within AASB 136 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.

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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued**)**

In particular, pursuant to the making of a judgement that exploration and evaluation expenditure attributable to the Cononish area of interest met the criteria for reclassification to mine development asset on 19 December 2018, the attributable balance of exploration and evaluation expenditure proposed to be so reclassified was tested for impairment at the date of reclassification by reference to value-in-use calculations performed using a life-of-mine model of the Cononish mine incorporating key assumptions such as gold and silver market prices, any premium obtainable over spot market prices, mining rates, ore grades, plant processing recoveries and efficiencies, exchange rates, staffing levels and equipment operating efficiencies, among others. The formulation of these key assumptions involved the use by the Directors of judgements as to current and expected general macro-economic conditions and expected conditions in the gold mining industry as well as factors specific to the Cononish mine such as mineral resources and reserves estimates and ore grades.

Where the Directors adjudge that it is necessary to make material changes to key assumptions employed in the life-of-mine model, then these new key assumptions are incorporated into the life-of-mine model and the resultant value-in-use valuation produced by the life-of-mine model is then used as the basis for determining the necessity for and amount of any impairment.

As at 30 June 2021, the gross asset base of the consolidated entity directly attributable to the Cononish mine amounted to $47,623,151 (2020 - $33,502,849). The Directors have not identified any impairment indicators necessitating impairment of the carrying value of that asset base at 30 June 2021.

In identifying the existence of any impairment indicators, the Directors have employed the following key judgements:

- The market capitalisation of the consolidated entity was materially higher than its net asset value at 30 June 2021;
- The gold price remains buoyant and global economic conditions remain conducive to increasing rates of inflation (as stimulus measures remain in place to combat the effects of the Covid-19 pandemic) and thereby sustained strong gold price levels; and
- Good progress has been made after 30 June 2021 in achieving sustainable levels of production at or near the designed capacity levels of the Cononish mine processing plant, with 10 gold concentrate shipments having been made after 30 June 2021.

At 30 June 2021, the consolidated entity had capitalised mineral exploration and evaluation expenditure of $2,990,000 (2020 - $2,441,728).

In the case of impairment of mineral exploration and evaluation, AASB 6 Exploration for and Evaluation of Mineral Resources requires an assessment of recoverable amount to be completed whenever specific facts and circumstance set out in that Standard suggest that the carrying amount of an exploration asset may exceed its recoverable amount, being as follows:

- The period for which the entity has the right to explore in a specific area of interest has expired during the reporting period or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area of interest is neither budgeted nor planned;
- Exploration for and evaluation of minerals in the specific area of interest have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in that specific area of interest; and
- Sufficient data exists to indicate that although development in a specific area of interest is likely to proceed, the carrying amount of the deferred exploration and evaluation expenditure in respect of that specific area of interest is unlikely to be recovered in full from successful development of or by sale of that area of interest.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors do not believe any of these indications of impairment are present.

NOTE 2 – REVENUE

Revenue comprises sales of gold concentrate.

NOTE 3 – COST OF SALES

Cost of sales	**2021**	**2020**
	$	**$**
Smelting, refining, transport, marketing and assay costs	13,107	-
Production costs	286,700	-
Total cost of sales	299,807	-

NOTE 4 – INTEREST INCOME

Interest income	**2021**	**2020**
	$	**$**
Interest received on non-current receivables	8,171	36,219
Interest received on bank deposits	114	2,770
Total interest income	8,285	38,989

NOTE 5 – OTHER INCOME

Other income	**2021**	**2020**
	$	**$**
Regional Selective Assistance grant payments from Scottish Enterprise	413,966	379,468
Sale of scrap metal	2,041	2,240
Total other income	416,007	381,708

NOTE 6 – INTEREST EXPENSE

Interest expense	**2021**	**2020**
	$	**$**
Secured loan	1,038,714	546,747
Right-of-use lease liability	213,635	98,956
Unwinding of discount on provision for restoration and decommissioning	7,135	24,209
Total interest expense	1,259,484	669,912

NOTE 7 - DEPRECIATION AND LOSS ON DISPOSAL OF NON-CURRENT ASSETS

	2021	2020
Depreciation of non-current assets	**$**	**$**
Plant and equipment	185,162	75,253
Motor vehicles	8,250	8,755
Office furniture and equipment	14,841	5,589
Right-of-use assets	1,106,594	638,842
Total depreciation of non-current assets	1,314,847	728,439
Loss on disposal of non-current assets		
Motor vehicles	-	3,920
Total loss on disposal of non-current assets	-	3,920
Total depreciation and loss on disposal of non-current assets	1,314,847	732,359

NOTE 8 - INCOME TAX

The prima facie tax benefit at 27.5% (2020 - 27.5%) on loss from ordinary activities is reconciled to the income tax benefit in the financial statements as follows:

	2021	2020
	$	**$**
Loss from ordinary activities	(4,980,942)	(2,504,134)
Prima facie income tax benefit at 27.5% (2020 - 27.5%)	1,369,759	688,637
Difference in tax rate between jurisdictions	(342,409)	(317,603)
Net taxable temporary timing differences	600,184	631,851
Net deductible temporary timing differences	(3,806)	(2,703)
Tax effect of permanent differences		
Share issue costs amortised	29,008	2,288
Other non-deductible expenses	(108,017)	(34,565)
Increase in assessable losses	1,544,719	967,905
Deferred tax asset not brought to account	(1,544,719)	(967,905)
Income tax benefit	-	-

The difference in tax rate between jurisdictions arises due to the difference in corporation tax rate between Australia (27.5%) and the United Kingdom (19.0%). It is considered that there are sufficient assessable losses as at 30 June 2021 to offset the effect of taxable temporary differences in future.

NOTE 8 - INCOME TAX (continued**)**

INCOME TAX BENEFIT

The directors estimate the cumulative unrecognised deferred tax asset attributable to the Company and its controlled entities at the tax rates applicable in the respective applicable jurisdictions is as follows:

UNRECOGNISED DEFERRED TAX ASSETS

	2021	**2020**
	$	**$**
Revenue losses after permanent differences	4,979,511	3,310,133
Capital raising costs yet to be claimed	412,846	32,514
	5,392,357	3,342,647

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2021 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 entities derive future assessable income of an amount and type sufficient to enable the benefit from the deductions for the tax losses and the un-recouped exploration expenditure to be realised;
(b) The Company and its controlled entities 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 entities in realising the benefit from the deductions for the tax losses and un-recouped exploration expenditure.

Franking Credits

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

NOTE 9 – TRADE AND OTHER RECEIVABLES

Current	**2021**	**2020**
	$	**$**
Trade debtors	20,011	-
GST / VAT receivable	414,455	191,134
Other receivables	13,870	35,000
	448,336	226,134

Non-current		
Rehabilitation, restoration and land management Bond deposits	1,524,561	1,473,600
Performance Bond deposit	55,259	54,201
	1,579,820	1,527,306

NOTE 9 – TRADE AND OTHER RECEIVABLES (continued)

The rehabilitation, restoration and land management Bond deposits constitute security for the performance by SGZ Cononish of its obligations in terms of the Section 75 Agreement entered into in 2018 between that company, the owner of the land on which the Cononish mine is situated, the Loch Lomond and the Trossachs National Park Authority and the Crown Estate Scotland in respect of the development of the Cononish gold and silver mine. The deposits lodged comprise the following:

- £537,918 ($990,823) in respect of obligations to undertake restoration, decommissioning and environmental aftercare and monitoring on cessation of operations at the Cononish mine; and
- £268,693 ($494,922) in respect of obligations in terms of implement a plan for the management of the Greater Cononish Glen in which the Cononish mine is situated (the “Greater Cononish Glen Management Plan”).

The cumulative amount of interest earned on the amounts lodged is $38,989 (2020 - $30,818).

The Performance Bond deposit is an amount of £30,000 lodged by SGZ Cononish Limited as part of an agreement with Roads Scotland in respect of the upgrading and maintenance by SGZ Cononish Limited of the Dalrigh junction on the A82 road between Tyndrum and Crianlarich and serves as security for the performance by SGZ Cononish Limited of its obligations to maintain the Dalrigh junction for a period of five years from the completion of that upgrade.

NOTE 10 – INVENTORY

	2021 $	2020 $
Inventory of gold concentrate	120,796	-
Inventory of mining consumables	66,480	62,291
	187,276	62,291

NOTE 11 – OTHER CURRENT ASSETS

	2021 $	2020 $
Prepayments	296,657	129,253

NOTE 12 – PLANT AND EQUIPMENT

	2021 $	2020 $
Cost	16,825,605	791,625
Accumulated Depreciation	(544,675)	(322,510)
	16,280,930	469,115

NOTE 12 – PLANT AND EQUIPMENT (continued)

Movement for the year ended 30 June 2020

	Plant and equipment	Motor vehicles	Furniture and office equipment	Total
Cost				
Opening balance	1,221,591	71,348	11,366	1,304,305
Reclassification as right-of-use assets	(865,168)	(42,620)	-	(907,788)
Additions	376,007	34,509	18,217	428,733
Disposals	-	(6,709)	-	(6,709)
Foreign exchange movement	(25,679)	(322)	(915)	(26,916)
Closing balance	706,751	56,206	28,668	791,625
Accumulated depreciation				
Opening balance	282,276	24,439	1,028	307,743
Reclassification as right-of-use assets	(59,257)	(6,014)	-	(65,271)
Depreciation expensed	75,253	8,755	5,589	89,597
Disposals	-	(2,789)	-	(2,789)
Foreign exchange movement	(6,068)	(396)	(306)	(6,770)
Closing balance	292,204	23,995	6,311	322,510

Movement for the year ended 30 June 2021

	Plant and equipment	Motor vehicles	Furniture and office equipment	Total
Cost				
Opening balance	706,751	56,206	28,668	791,625
Additions	752,330	679	50,782	803,791
Transfer from mine development asset (see Note 14)	15,192,588	-	-	15,192,588
Disposals	-	-	(403)	(403)
Foreign exchange movement	34,568	1,637	1,799	38,004
Closing balance	16,686,237	58,522	80,846	16,825,605
Accumulated depreciation				
Opening balance	292,204	23,995	6,311	322,510
Depreciation expensed	185,162	8,250	14,841	208,253
Disposals	-	-	(3)	(3)
Foreign exchange movement	12,534	872	509	13,915
Closing balance	489,900	33,117	21,658	544,675
Net carrying value				
At 30 June 2021	16,196,337	25,405	59,188	16,280,930
At 30 June 2020	414,547	32,211	22,357	469,115

NOTE 12 – PLANT AND EQUIPMENT (continued)

The transfer from mine development asset comprises the following components:

	$
Processing plant	8,508,030
Processing plant building, including decommissioning and rehabilitation	4,874,680
Concrete apron adjacent to processing plant building	209,550
Bridge from ore stockpile area to processing plant building	80,827
Tailings management facility, including decommissioning and rehabilitation	1,519,501
	15,192,588

NOTE 13 – RIGHT-OF-USE ASSETS

	2021 $	2020 $
Cost	4,601,501	2,411,627
Accumulated Depreciation	(1,823,539)	(673,389)
	2,777,962	1,738,238

The movement in right-of-use assets for the year is as follows:

	2021 $	2020 $
Cost		
Balance at beginning of year	2,411,627	-
Recognition at date of initial application	-	756,378
Reclassification from plant and equipment on initial application	-	907,788
Additions during the year	1,840,777	552,323
Modifications of rights during year	243,692	257,641
Foreign exchange movement	105,405	(62,503)
Balance at end of year	4,601,501	2,411,627
Accumulated Depreciation		
Balance at beginning of year	673,389	-
Reclassification from plant and equipment on initial application	-	65,271
Depreciation expensed	1,106,594	638,842
Foreign exchange movement	43,556	(30,724)
Balance at end of year	1,823,539	673,389

During the year, an amount of $175,323 (2020 - $276,732) paid in respect of short-term leases and leases of low value assets was charged to mine development asset, being primarily payments in respect of mobile plant hired on a weekly basis with no minimum hire period, of which $37,298 relates to mobile plant used in the construction of the processing plant building and tailings management facility.

NOTE 14 – MINERAL EXPLORATION AND EVALUATION

	2021 $	2020 $
Opening balance	2,441,728	2,034,815
Additional expenditure deferred during the year	467,948	440,126
Foreign exchange movement	80,324	(33,213)
Closing balance	2,990,000	2,441,728

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

NOTE 15 – MINE DEVELOPMENT ASSET

	2021 $	2020 $
Opening balance	28,805,352	20,293,754
Expenditure incurred	11,029,274	8,680,503
Share-based payment costs capitalised (see Note 21)	252,439	12,266
Provision for restoration and decommissioning (see Note 18)	220,447	381,727
Transfer to plant and equipment	(15,192,588)	-
Transfer to production costs	(404,734)	-
Foreign exchange movement	1,060,358	(562,898)
Closing balance	25,770,548	28,805,352

Share-based payment costs capitalised to mine development asset relate to options granted to senior management to incentivise the meeting of the corporate target of gold at the Cononish mine.

The transfer to plant and equipment has been made pursuant to the completion during the year of the processing plant, processing plant building and tailings management facility. The respective amounts attributable to these assets is set out under Note 12 - Plant and equipment.

As noted above, the stage of commercial production had not been attained at the Cononish Mine by 30 June 2021. Once commercial production has been achieved, the components of the balance at 30 June 2021 will be amortised to production costs and expense on appropriate bases.

Mine development asset includes an amount of $175,232 (2019 - $276,732) of amounts paid in respect of short-term leases and leases of low value assets during the year, being primarily payments in respect of mobile plant hired on a weekly basis with no minimum hire period, of which $37,298 relates to mobile plant used in the construction of the processing plant building and tailings management facility.

NOTE 16 – TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables	2,306,453	1,127,113
Other accruals	873,977	461,999
	3,180,430	1,589,112

NOTE 16 – TRADE AND OTHER PAYABLES (continued)

	2021 $	2020 $
Trade payables and accruals relating to exploration expenditure	96,165	55,254
Trade payables and accruals relating to development expenditure	2,679,815	1,348,477
Trade payables and accruals relating to administration	404,450	185,381
	3,180,430	1,589,112

Trade payables are non-interest bearing and are normally settled on 30 days terms (2020 - 30 days).

NOTE 17 – BORROWINGS

Non-current	2021 $	2020 $
Secured loan facility	11,055,263	7,681,847
Right-of-use lease liabilities	931,451	1,059,118
	11,986,714	8,740,965

Current	2021 $	2020 $
Secured loan facility	4,356,866	-
Short term unsecured loan	1,841,960	-
Right-of-use lease liabilities	1,729,062	542,761
	7,927,888	542,761
Total borrowings	19,914,602	9,283,726

All of the borrowings are denominated in £ (Pounds sterling).

Loan from company controlled by shareholder

There have been no material variations or changes to the terms of the secured loan facility during the year.

All remaining funds available under the facility were drawn down during the year, as follows:

	Date of drawdown	Amount of drawdown £	Amount of drawdown $
Tranche 3	9 July 2020	500,000	904,159
Tranche 4	12 August 2020	1,000,000	1,830,831
Tranche 5	1 September 2020	1,000,000	1,810,282
Tranche 6	5 February 2021	500,000	900,576
Tranche 7	17 March 2021	500,000	897,827
Total drawdowns during the year		3,500,000	6,343,675

NOTE 17 – BORROWINGS (continued**)**

The terms of the secured loan facility at 30 June 2021 are as follows:

i) An overall facility amount of £7,500,000, all of which had been drawn down by 30 June 2021;

ii) Nominal interest rate is 9.0% applied to all amounts drawn down;

iii) Each tranche or sub-tranche, as appropriate, together with accumulated interest thereon, is repayable 36 months after the date of drawdown of that tranche or sub-tranche; and

iv) Security for repayment is provided by way of Debenture over all of the assets and undertakings of the Company's wholly owned subsidiaries, SGZ Grampian Limited and SGZ Cononish Limited, including the transfer of security of the issued capital of each of these subsidiaries.

Movements on the secured facility loan for the year ended 30 June 2021:

	Balance at beginning of year	Drawdowns	Interest at effective rate	Foreign exchange movements	Balance at end of year	Date of repayment
	$	$	$	$	$	
Tranche 1	3,898,092	-	338,745	120,029	4,356,866	13/05/2022
Tranche 2	3,783,755	-	318,717	116,294	4,218,766	25/10/2022
Tranche 3	-	904,159	73,332	18,403	995,894	09/07/2023
Tranche 4	-	1,830,831	132,300	14,009	1,977,140	12/08/2023
Tranche 5	-	1,810,282	124,091	34,397	1,968,770	01/09/2023
Tranche 6	-	900,576	29,853	21,102	951,531	05/02/2024
Tranche 7	-	897,827	21,676	23,659	943,162	17/03/2024
	7,681,847	6,343,675	1,038,714	347,893	15,412,129	

Movements on the secured facility loan for the year ended 30 June 2020:

	Balance at beginning of year	Drawdowns	Gain on amendment of repayment terms	Interest at effective rate	Foreign exchange movements	Balance at end of year
	$	$	$	$	$	$
Tranche 1	3,655,221	-	(38,383)	331,536	(50,282)	3,898,092
Tranche 2	-	3,762,227	-	215,211	(193,683)	3,783,755
	3,655,221	3,762,227	(38,383)	546,747	(243,965)	7,681,847

The effective interest rate on the secured loan facility is 8.38% (2019 – 8.46%).

Short term unsecured loan

Mr Nat le Roux, Mr William Styslinger, Mr Peter Hetherington and Mr Ian Proctor (all directors of the Company) and a shareholder of the Company entered into an agreement with SGZ Cononish Limited on 4 May 2021 to provide a short term, interest free, unsecured loan in an aggregate amount of £2,000,000 to that company in two tranches of £1,000,000 each.

NOTE 17 – BORROWINGS (continued**)**

The first tranche of £1,000,000 ($1,810,938) was drawn down on 12 May 2021 and was owing at 30 June 2021.

The movement on the loan for the year ended 30 June 2021 was as follows:

	$
Drawdown on 12 May 2021	1,810,938
Foreign exchange movement	31,022
Balance at end of year	1,841,960

The date of repayment of the loan was 4 November 2021 at 30 June 2021, but, as set out in Note 32 – Matters subsequent to the end of financial year, the second tranche of £1,000,000 was drawn down on 6 August 2021 and on 27 September 2021, 3,301,420 ordinary shares were issued to the providers of the short term unsecured loan in full and final settlement of the loan.

Lease liabilities

The movements in lease liabilities are as follows:

	2021	**2020**
	$	**$**
Balance at beginning of year	1,601,879	-
Recognition at date of initial application	-	759,442
Reclassification of hire purchase facilities on initial application	-	732,531
Additional rights acquired	1,840,777	477,137
Modifications to rights	243,692	257,641
Interest expense	213,635	98,956
Repayments	(1,297,746)	(698,243)
Foreign exchange movement	58,276	(25,585)
Balance at end of year	2,660,513	1,601,879
Non-current portion	931,451	1,059,118
Current portion	1,729,062	542,761

The effective interest rate on the lease liabilities is 9.13% (2020 – 9.88%). Right-of-use assets with an aggregate net carrying value of $2,777,962 (2020 - $1,738,238) are financed by the lease liabilities.

NOTE 18 – PROVISIONS

Provision for restoration and decommissioning	**2021 $**	**2020 $**
Balance at end of year	908,915	657,934

This provision represents the best estimate of the present value of expenditures required to effect restoration of the Cononish mine area at the end of mining operations at the mine as well as to carry out aftercare and monitoring activities in terms of the Decommissioning and Restoration Plan formulated in accordance with the requirements set out in the Section 75 Agreement entered into by SGZ Cononish Limited on 12 September 2018, based on the mine development activities carried out up to and including 30 June 2021.

In arriving at the amount of the provision, an inflation rate of 2.0% has been applied to estimated future costs stated at current levels and the resultant cashflows have been discounted back to 30 June 2021 using a discount rate of 1.54% (2020 – 0.87%).

Movements in the provision are as follows:

	2021 $	**2020 $**
Opening balance	657,934	238,690
Unwinding of discount	7,135	24,209
Adjustment for mine development progress and change in discount rate	220,447	381,727
Restoration provision attributable to right-of-use asset acquired	-	27,476
Foreign exchange movement	23,399	(14,168)
Closing balance	908,915	657,934

NOTE 19 – ISSUED CAPITAL

	2021 No. of shares	**2020 No. of shares**	**2021 $**	**2020 $**
Ordinary shares – fully paid	56,221,871	51,351,741	52,640,345	44,978,659

(a) Voting and dividend rights

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of shares held. The ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Article 16 of the Constitution specifies that on a show of hands every member present in person, by attorney or by proxy shall have one vote for every fully paid share held or in the case of a 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 share.

NOTE 19 – ISSUED CAPITAL (continued)

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

During the year ended 30 June 2020:

Date	Details	Shares	Value (cents)	$
	Balance at 30 June 2019	45,639,546		41,098,558
28/08/2019	Share subscription	3,285,783	0.6318	2,075,997
28/08/2019	Expenses related to share subscription			(35,452)
28/08/2019	Options conversion	23,704	0.7169	16,994
22/10/2019	Options conversion	826	0.7203	595
20/11/2019	Options conversion	153,000	0.7550	115,523
03/12/2019	Options conversion	43,968	0.7639	33,589
09/12/2019	Options conversion	398,137	0.7639	304,157
23/12/2019	Options conversion	1,744,657	0.7577	1,321,962
07/01/2020	Options conversion	59,256	0.7524	44,582
05/02/2020	Options conversion	2,856	0.7525	2,148
11/03/2020	Options conversion	8	0.7500	6
	Balance at 30 June 2020	51,351,741		44,978,659

During the year ended 30 June 2021:

Date	Details	Shares	Value (cents)	$
	Balance at 30 June 2020	51,351,741		44,978,659
16/10/2020	Share subscription	999,545	2.005	2,004,192
26/10/2020	Share subscription	1,727,728	2.005	3,464,274
26/10/2020	Expenses related to share subscription			(331,833)
09/04/2021	Share subscription	819,286	1.2599	1,032,218
16/04/2021	Share subscription	1,323,571	1.2442	1,646,818
16/04/2021	Expenses related to share subscription			(153,983)
	Balance at 30 June 2021	56,221,871		52,640,345

Shares issued for non-cash consideration amounted to Nil during the year (2020 - Nil).

(c) Movements in options were as follows:

During the year ended 30 June 2020

Details	Number	$
Balance at 30 June 2019	2,513,681	134,769
Options converted on 28 August 2019	(23,704)	-
Options converted on 22 October 2019	(826)	-
Options converted on 20 November 2019	(153,000)	-
Options converted on 3 December 2019	(43,968)	-
Options converted on 9 December 2019	(398,137)	-
Options converted on 23 December 2019	(1,744,657)	-
Options converted on 7 January 2020	(59,256)	-
Options converted on 5 February 2020	(2,856)	-
Options converted on 11 March 2020	(8)	-
Options lapsed	(57,269)	-
Balance at 30 June 2020	30,000	134,769

NOTE 19 – ISSUED CAPITAL (continued)

There were no movements in options during the year, other than the share-based payment changes disclosed in Note 21.

The options outstanding at 30 June 2021, excluding options issued to key management and senior managers as share-based payments, are as follows:

Number	Exercise Price	Expiry Date	Reserve $
30,000	$8.00	31 March 2022	134,769

Details of options issued to key management and senior managers are set out in Note 21. The above tables of options do not reflect movements in options issued to key management and senior managers. Details of such movements are disclosed in Note 21.

NOTE 20 – RESERVES AND ACCUMULATED LOSSES

Accumulated Losses	**2021 $**	**2020 $**
Balance at beginning of the year	(19,493,446)	(16,986,248)
Increase in opening accumulated loss on initial application of AASB16	-	(3,064)
Net loss from ordinary activities	(4,980,942)	(2,504,134)
Balance at end of the year	(24,474,388)	(19,493,446)

Foreign Currency Translation Reserve	**2021 $**	**2020 $**
Balance at beginning of the year	(1,015,000)	(788,262)
Reserve arising on translation of foreign currency subsidiaries	765,392	(226,738)
Balance at end of the year	(249,608)	(1,015,000)
Share Option Reserve		
Balance at beginning of the year	134,769	134,769
Balance at end of the year	134,769	134,769
Share-based payment Reserve		
Balance at beginning of the year	283,642	205,182
Issue of options for services rendered (Note 21)	617,164	78,460
Balance at end of the year	900,806	283,642
Total reserves	785,967	(596,859)

NOTE 20 – RESERVES AND ACCUMULATED LOSSES (continued**)**

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 other than options issued as share based payment for services received by the consolidated entity.

Share-based Payment Reserve

The share-based payment reserve arises on the granting of share options or similar instruments to employees and other parties providing similar services.

NOTE 21 – SHARE-BASED PAYMENTS

The rules of the Enterprise Management Incentive Scheme of the Company provide that the Board may at its discretion grant Enterprise Management Incentive Scheme options to employees of the Company and its controlled entities to acquire ordinary shares in the Company at such exercise price and in such numbers as it considers appropriate and to attach such performance conditions to the vesting of such options as it considers appropriate, subject to compliance with the provisions of Schedule 5 of the United Kingdom Income Tax (Earnings and Pensions) Act 2003 and other applicable legislation.

In addition, the Company has put in place a Non-Employee Share Option Scheme which provides for the granting by the Board of options under that scheme to non-executive directors of the Company and to other persons who provide consultancy services to the Company and its controlled entities at such exercise prices and in such numbers as the Board considers appropriate and to attach such performance conditions to the vesting of such options as it considers appropriate, subject to compliance with applicable legislation.

On 1 July 2020, 400,000 options were granted to Mr Richard Gray, the then Managing Director of the Company. Each option entitles the holder to one ordinary unissued share at an exercise price of £0.71. The vesting of these options is subject to the non-market vesting condition of cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeding a level of 500 gold equivalent ounces. The options are exercisable by the holder with effect from the vesting date, expire on 30 June 2025 and carry no dividend or voting rights. Of these 400,000 options, 352,112 were granted under the Enterprise Management Incentive Scheme of the Company. None of the 400,000 options had vested at 30 June 2021, but all of the options vested at the end of August 2021.

On 1 July 2020, 750,000 options were granted to senior managers of the Company under the Enterprise Management Incentive Scheme of the Company. Each option entitles the holder to one ordinary unissued share at an exercise price of £0.71. Of the 750,000 options, 450,000 vest when cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeds a level of 500 gold equivalent ounces and 300,000 vest when cumulative gold production at the Cononish mine (excluding any gold produced prior to 1 July 2020) exceeds a level of 10,000 gold equivalent ounces, these vesting conditions being non-market vesting conditions. The options are exercisable by the holder with effect from the vesting date, expire on 30 June 2025 and carry no dividend or voting rights.

NOTE 21 – SHARE-BASED PAYMENTS (continued**)**

On the granting of the 750,000 options to senior management, 120,000 of the options with an exercise price of £0.34 per share granted to senior managers on 16 April 2019 were cancelled.

The recipient of 300,000 of the 750,000 options granted to senior management on 1 July 2020 ceased to be an employee before 30 June 2021, resulting in the lapsing of all of the options issued to him. The remaining 450,000 options had not vested at 30 June 2021, but 270,000 of these options vested at the end of August 2021. The recipient of 225,000 of the 750,000 options granted to senior management on 1 July 2020 resigned on 30 November 2021, resulting in the 135,000 options granted to him which had vested at the end of August 2021 as well as the 90,000 unvested options granted to him lapsing on that date.

On 29 July 2020, 200,000 options were granted to Saint Consulting (UK) Limited, the company providing project management services in respect of the construction of the Cononish mine processing plant building and tailings management facility. Each option entitles the holder to one ordinary unissued share at an exercise price of £0.71. The vesting of these options is subject to the non-market vesting condition of successful completion of hot commissioning of the Cononish Mine processing plant on or before 31 December 2020, as determined by the Board. The options are exercisable by the holder with effect from the vesting date, expire on 28 July 2023 and carry no dividend or voting rights. All of these options had vested by 31 December 2020. When Saint Consulting (UK) Limited ceased to provide consulting services to the Group on 5 October 2021, these 200,000 options had not been exercised and lapsed.

On 10 May 2021, 840,000 options were granted to Mr Phillip Day, the Managing Director of the Company. Each option entitles the holder to one ordinary unissued share at an exercise price of £0.60. The options vest on 10 May 2024, provided that Mr Day is an employee in good standing of the Company or an entity controlled by the Company on that date, The options are exercisable by the holder with effect from the vesting date, expire on 10 May 2026 and carry no dividend or voting rights. All of the options granted to Mr Day were granted under the Enterprise Management Incentive Scheme of the Company.

At 30 June 2021, the share options granted to management for services rendered and expected to vest in future have the following expiry dates and exercise prices:

Grant date	Number of options	Expiry date	Exercise price per option	Fair value per option
1 July 2020	850,000	30 June 2025	£0.71	£0.331
10 May 2021	840,000	10 May 2026	£0.60	£0.290

The average exercise price of these unvested options as at 30 June 2021 is £0.65 (30 June 2020 - £0.304).

At 30 June 2021, the share options granted to management and consultants for services rendered which had vested have the following expiry dates and exercise prices:

Grant date	Number of options	Expiry date	Exercise price per option	Fair value per option
1 May 2018	1,000,000	1 May 2028	£0.30	£0.172
1 July 2020	200,000	30 June 2025	£0.71	£0.439

The average exercise price of these vested options as at 30 June 2021 is £0.368 (30 June 2020 - £Nil).

NOTE 21 – SHARE-BASED PAYMENTS (continued)

The options were valued using the "Black-Scholes" model, employing the following key inputs and assumptions:

	Granted on		
	1 July 2020	**29 July 2020**	**10 May 2021**
Expected volatility	55%	55%	55%
Risk-free rate	0.30%	0.20%	1.67%
Life of option	5 years	3 years	5 years
Valuation date	1 July 2020	29 July 2020	10 May 2021

The movement in number of options issued as share-based payment is as follows:

	2021 Number	**2020 Number**
Balance at beginning of the year	1,120,000	1,120,000
Grant of options on 1 July 2020	1,150,000	-
Cancellation of options on 1 July 2020	(120,000)	-
Grant of options on 29 July 2020	200,000	-
Grant of options on 10 May 2021	840,000	-
Lapsing of options in April 2021	(300,000)	-
Balance at end of the year	2,890,000	1,120,000

Charges in respect of share-based payment have been recognised as follows:

	Options granted on					
	1 May 2018	**16 April 2019**	**1 July 2020**	**29 July 2020**	**10 May 2021**	**Increase in share-based payment reserve**
	$	**$**	**$**	**$**	**$**	**$**
Cumulative to 30 June 2019	200,954	4,228	-	-	-	205,182
During year ended 30 June 2020						
Charged to profit or loss	66,194	-	-	-	-	66,194
Charged to mine development	-	12,266	-	-	-	12,266
Cumulative to 30 June 2020	267,148	16,494	-	-	-	283,642
During year ended 30 June 2021						
Charged to profit or loss	46,549	-	297,476		20,700	364,725
Charged to mine development	-	-	94,212	158,227		252,439
Cumulative to 30 June 2021	313,697	16,494	391,688	158,227	20,700	900,806
Cumulative to 30 June 2020						
Charged to profit or loss	267,148	-	-	-	-	267,148
Charged to mine development	-	16,494	-	-	-	16,494
	267,148	16,494	-	-	-	283,642
Cumulative to 30 June 2021						
Charged to profit or loss	313,697	-	297,476	-	20,700	631,873
Charged to mine development	-	16,494	94,212	158,227	-	268,933
	313,697	16,494	391,688	158,227	20,700	900,806

NOTE 22 - COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

As at 30 June 2021, the consolidated entity held thirteen exploration licences in Scotland. The commencement date of each of these licences is 5 November 2018, with a term of five years and an option to extend for a further period of four years, subject to the Crown Estate Scotland being satisfied with the progress made in conducting exploration activities in the area covered by that licence. No minimum capital expenditure figure is stipulated in any of the thirteen licences.

The licence payments to be made in respect of the thirteen licences, under the respective assumptions that (a) all of the licences are only held for the five year term and (b) all of the licences are extended for the further period of four years are as follows:

	Initial five year term only	Extension for further four years
	$	$
Not later than one year	119,727	119,727
Later than 1 year but not later than 2 years	119,727	119,727
Later than 2 years but not later than 5 years	-	597,279
Later than 5 years	-	207,109
	239,454	1,043,842

The licence payments to be made at 30 June 2020 were as follows:

	Initial five year term only	Extension for further four years
	$	$
Not later than one year	116,362	116,362
Later than 1 year but not later than 2 years	116,362	116,362
Later than 2 years but not later than 5 years	116,362	349,086
Later than 5 years	-	232,724
	349,086	814,534

The amounts expected to be paid on the extension of the Crown Option leases has increased due to a change made by Crown Estates Scotland in the basis of pricing of the extension of Crown Option leases.

Greater Cononish Glen Management Plan

As part of the Section 75 Agreement entered into between SGZ Cononish Limited, the owner of the land on which the Cononish mine is situated, the Loch Lomond and the Trossachs National Park Authority and the Crown Estate Scotland in respect of the development of the Cononish mine, SGZ Cononish Limited has assumed obligations to implement a plan for the management of the Greater Cononish Glen in which the Cononish mine is situated.

NOTE 22 - COMMITMENTS FOR EXPENDITURE (continued)

The costs of meeting these obligations are expected to be incurred as follows:

	As at 30 June	
	2021	**2020**
	$	**$**
Not later than one year	36,983	122,418
Later than 1 year but not later than 2 years	9,659	8,684
Later than 2 years but not later than 5 years	13,464	17,379
Later than 5 years	122,195	81,671
	182,301	230,152

Minimum certain rent payments

In terms of the mining lease agreement between SGZ Cononish Limited and the owners of the land on which the Cononish mine is situated, an annual certain rent, indexed to the United Kingdom Retail Price Index ("RPI"), is payable annually up to 23 July 2039. The term of the mining lease was extended for a period of 9 years on 11 March 2021.

Assuming a 2.0% per annum increase in the RPI in future, the amounts payable in respect of the annual mining lease rental shall be as follows:

	As at 30 June	
	2021	**2020**
	$	**$**
Not later than one year	37,182	34,793
Later than 1 year but not later than 2 years	37,925	35,489
Later than 2 years but not later than 5 years	118,388	110,784
Later than 5 years	655,756	242,325
	849,251	423,391

Minimum royalty payments

The mining lease agreement between SGZ Cononish Limited and the owner of the land on which the Cononish mine is located provides that royalties at rates of between 3.5% and 10% shall be payable to the landowner on the net realisable value of any minerals produced at the Cononish Mine other than gold, silver or other precious metals, subject to the payment of a minimum royalty of £26,505 per annum, indexed to the United Kingdom Retail Price Index. The obligation to pay the minimum royalty commenced with effect from the date of commencement of production at the Cononish mine and the amounts are payable as follows:

	2021
	$
Not later than one year	70,668
Later than 1 year but not later than 2 years	72,449
Later than 2 years but not later than 5 years	226,158
Later than 5 years	1,252,700
	1,621,975

NOTE 22 - COMMITMENTS FOR EXPENDITURE (continued**)**

Certain Rent payments

The lease agreement between SGZ Cononish Limited and the Crown Estate Commissioners in respect of the Cononish mine provides for the payment of a minimum amount of Certain Rent at a rate of £150,000 per annum, payable half-yearly on 1 January and 1 July of each year, with Certain Rent being adjusted to a level of 30% of the average annual anticipated Royalty Rent with effect from the second anniversary of the signing of the Section 75 Agreement entered into with the owner of the land on which the Cononish Mine is situated, the Loch Lomond and the Trossachs National Park Authority and the Crown Estate Scotland and indexed in accordance with the United Kingdom RPI with effect from the third anniversary of such signing.

Using the expected levels of annual Royalty Rent levels set out in the latest life-of-mine model, and assuming an annual increase in the RPI of 2%, the following amounts are estimated to be payable as Certain Rent after 30 June 2021:

	As at 30 June	
	2021	**2020**
	$	**$**
Not later than one year	138,147	223,774
Later than 1 year but not later than 2 years	870,917	441,294
Later than 2 years but not later than 5 years	2,611,109	2,897,434
Later than 5 years	2,988,386	3,183,998
	6,608,559	6,746,500

Amounts payable to Loch Lomond and the Trossachs Countryside Trust

The following amounts are payable to the Loch Lomond and the Trossachs Countryside Trust in terms of Clause 18 of the Section 75 Agreement entered into with the owner of the land on which the Cononish mine is situated, the Loch Lomond and the Trossachs National Park Authority and the Crown Estate Scotland in respect of the development of the Cononish mine:

	2021
	$
Not later than one year	46,049
Later than 1 year but not later than 2 years	46,049
Later than 2 years but not later than 5 years	276,294
Later than 5 years	276,294
	644,686

Contract for purchase of haultruck

On 6 November 2020, SGZ Cononish Limited entered into a contract for the purchase of a dump truck for use in underground mining operations. As at 30 June 2021, an amount of $472,858 (USD256,715) is payable after that date when the dump truck is ready to be shipped from the plant in Canada.

NOTE 22 - COMMITMENTS FOR EXPENDITURE (continued)

Assets not recognised as right-of-use assets

The following amounts are payable in respect of the use of assets which have not been accounted for as right-of-use assets due to the expected period of use ending before 30 June 2021 or the underlying assets being low value assets:

	As at 30 June	
	2021	**2020**
	$	**$**
Not later than one year	2,581	72,292
Later than 1 year but not later than 2 years	665	646
Later than 2 years but not later than 5 years	834	1,455
Later than 5 years	5	6
	4,085	74,399

NOTE 23 - CONTINGENT LIABILITIES

SGZ Cononish Limited has entered into certain agreements which provide for the making of future payments contingent upon commencement of production at the Cononish mine and/or attainment of certain levels of production at the Cononish Mine, as follows:

(a) A donations agreement with the Strathfillan Community Development Trust (”SCDT”) was concluded on 7 September 2018 pursuant to which £240,000 is payable to SCDT in annual instalments of £15,000 per annum upon the Cononish mine reaching an ore processing rate of 3,000 tonnes per month (“tpm”), increasing to £30,000 per annum in any year upon reaching an ore processing rate of 6,000tpm. The donations agreement further provides for the payment of two lump sum payments of £125,000, the first being payable on the first anniversary of commencement of commercial production at the Cononish mine at a rate of at least 3,000 tonnes per month, and the second lump sum being payable on the earlier of the date falling four years after the payment of the first lump sum of £125,000 and the date of commencement of production at an ore processing rate of 6,000tpm, whichever is the earlier. The ore processing rate of 3,000 tonnes per month had not been attained by 30 June 2021;

(b) The agreement of lease between SGZ Cononish Limited and the owner of the land on which the Cononish mine is located provides that royalties at rates of between 3.5% and 10% shall be payable to the landowner on the net realisable value of any minerals produced at the Cononish Mine other than gold, silver or other precious metals, subject to the payment of a minimum royalty of £26,505 per annum indexed to UK RPI (described more fully in Note 22), with effect from the date of commencement of production at the Cononish mine; and

(c) In terms of the lease between SGZ Cononish Limited and the Crown Estate Commissioners, Royalty Rent at a rate of 4% of the net realisable value arising on the sale of gold and silver from the Cononish mine shall be payable half yearly in arrears, subject to the payment of a minimum amount in the form of Certain Rent (described more fully in Note 22).

NOTE 23 - CONTINGENT LIABILITIES (continued)

In consideration of Scottish Enterprise being willing to offer SGZ Cononish Limited up to £430,000 in the form of Regional Selective Assistance grants under the terms and conditions of the offer letter issued by Scottish Enterprise dated 14 November 2018, the Company has provided a guarantee to Scottish Enterprise as security for any amounts of such grants received by SGZ Cononish Limited which may become repayable by that company to Scottish Enterprise under the terms and conditions of that offer letter. As at 30 June 2021, the full grant amount of £430,000 ($792,043) had been received by SGZ Cononish Limited from Scottish Enterprise.

Scotgold Resources Limited and its controlled entities have no other known material contingent liabilities as at 30 June 2021.

NOTE 24 - INVESTMENT IN CONTROLLED ENTITIES

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

NOTE 25 - 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.

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Year ended 30 June 2020	Scotland Mining $	Scotland Exploration $	Australia $	Other $	Total $
Segment other income	456,310	2,767	3	-	459,080
Segment loss	1,929,931	28,497	493,966	51,740	2,504,134
Segment assets	33,502,849	2,808,519	104,445	3,583	36,419,396
Segment non-current assets	32,482,513	2,478,996	20,230	-	34,981,739
Segment liabilities	11,384,404	73,087	62,003	11,278	11,530,772
Segment non-current liabilities	9,385,903	12,996	-	-	9,398,899
Included in segment result and segment assets:					
Interest expense	668,345	1,567	-	-	669,912
Depreciation	714,163	14,276	-	-	728,439
Capitalised exploration	-	440,126	-	-	440,126
Mine development costs	8,680,503	-	-	-	8,680,503
Acquisition of fixed assets	428,733	-	-	-	428,733
Right-of-use assets acquired	552,323	-	-	-	552,323

Year ended 30 June 2021	Scotland Production $	Scotland Exploration $	Australia $	Other $	Total $
Segment other income	723,985	114	-	-	724,099
Segment loss	4,004,886	23,440	948,101	4,515	4,980,942
Segment assets	47,623,151	4,947,052	383,856	1,812	52,955,871
Segment non-current assets	46,105,614	3,020,977	272,669	-	49,399,260
Segment liabilities	23,777,823	114,560	101,102	10,462	24,003,947
Segment non-current liabilities	12,887,495	8,134	-	-	12,895,629
Included in segment result and segment assets:					
Interest expense	1,258,326	1,158	-	-	1,259,484
Depreciation	1,305,303	9,544	-	-	1,314,847
Capitalised exploration	-	467,948	-	-	467,948
Mine development costs	11,029,274	-	-	-	11,029,274
Acquisition of fixed assets	801,453	2,338	-	-	803,791
Right-of-use assets acquired	1,840,777	-	-	-	1,840,777

NOTE 26 - NOTES TO THE STATEMENT OF CASH FLOWS

	2021	2020
	$	$
(a) Reconciliation of loss after income tax to net operating cash flows		
Loss from ordinary activities	(4,980,942)	(2,504,134)
Depreciation	1,314,847	728,439
Loss on disposal of non-current assets	-	3,920
Interest expense	1,259,484	669,912
Share-based payments	364,725	66,194
Transfer from mine development asset to production overheads	404,734	
Gain on loan renegotiation	-	(38,383)
	(1,637,152)	(1,074,052)
Movement in assets and liabilities		
Receivables	(15,039)	25,555
Other current assets	5,026	(19,642)
Payables	212,082	75,461
Net cash used in operating activities	(1,435,083)	(992,678)

	2021	2020
(b) Non-cash investing and financing activities	$	$
Acquisition of right-of-use assets		
Modification of existing leases (see Note 17)	243,692	257,641
New leases (see Note 17)	1,840,777	477,137
Options granted to management for no cash consideration (see Note 21)	617,164	78,460
	2,701,633	813,238

	2021	2020
(c) Net debt reconciliation	$	$
Cash and cash equivalents	2,624,342	1,019,979
Borrowings	(17,254,089)	(7,681,847)
Lease liabilities	(2,660,513)	(1,601,879)
Net debt	(17,290,260)	(8,263,747)

NOTE 26 - NOTES TO THE STATEMENT OF CASH FLOWS (continued)

The movements in net debt are as follows:

	Liabilities from financing activities			Other assets	
	Borrowings	Leases	Sub-total	Cash and cash equivalents	Total
	$	$	$	$	$
Net debt as at 1 July 2018	(1,740,867)	-	(1,740,867)	11,207,036	9,466,169
Cash flows	(2,645,553)	-	(2,645,553)	(7,246,969)	(9,892,522)
Accrual of interest	(101,943)	-	(101,943)	-	(101,943)
Foreign exchange movements	100,611	-	100,611	(42,147)	58,464
Net debt as at 30 June 2019	(4,387,752)	-	(4,387,752)	3,917,920	(469,832)
On adoption of AASB 16:					
Recognition	-	(759,442)	(759,442)	-	(759,442)
Reclassification	732,531	(732,531)	-	-	-
	(3,655,221)	(1,491,973)	(5,147,194)	3,917,920	(1,229,274)
Cash flows	(3,762,227)	698,243	(3,063,984)	(2,990,224)	(6,054,208)
Accrual of interest	(546,747)	(98,956)	(645,703)	-	(645,703)
Gain on loan renegotiation	38,383	-	38,383	-	38,383
Modification of existing leases	-	(257,641)	(257,641)	-	(257,641)
New leases	-	(477,137)	(477,137)	-	(477,137)
Foreign exchange movements	243,965	25,585	269,550	92,283	361,833
Net debt as at 30 June 2020	(7,681,847)	(1,601,879)	(9,283,726)	1,019,979	(8,263,747)
Cash flows	(8,154,613)	1,297,746	(6,856,867)	1,604,363	(5,252,504)
Accrual of interest	(1,038,714)	(213,635)	(1,252,349)		(1,252,349)
Modification of existing leases	-	(243,692)	(243,692)		(243,692)
New leases	-	(1,840,777)	(1,840,777)		(1,840,777)
Foreign exchange movements	(378,915)	(58,276)	(437,191)		(437,191)
Net debt as at 30 June 2021	(17,254,089)	(2,660,513)	(19,914,602)	2,624,342	(17,290,260)

NOTE 27 - 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
Peter Hetherington	Non-Executive Chairman	18/06/2018	present
Nathaniel le Roux	Non-Executive Director	18/03/2015	present
Richard Gray	Non-Executive Director	10/10/2014	present
Phillip Day	Chief Executive Officer and Managing Director	01/04/2021	present
Chris Sangster	Non-Executive Director	10/10/2014	26/02/2021
Phillip Jackson	Non-Executive Director	14/08/2007	present
Richard Barker	Company Secretary and Non- Executive Director	09/10/2017	present
William Styslinger	Non-Executive Director	18/06/2018	present
Ian Proctor	Non-Executive Director	14/08/2019	present

Chris Sangster resigned on 26 February 2021.

Richard Gray retired with effect from 1 April 2021 and was appointed as a Non-Executive Director with effect from that date.

Phillip Day was appointed as Chief Executive Officer and Managing Director on 1 April 2021.

On 2 November 2021, Nat le Roux retired as Non-Executive Chairman and continues to serve as a Non-Executive Director. On the same day, Peter Hetherington was appointed as Non-Executive Chairman.

(b) Key management personnel remuneration

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

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

	Consolidated	
	2021	**2020**
	$	**$**
Short-term employee benefits	516,366	420,561
Post-employment benefits	9,737	10,140
Share-based payments	270,513	66,194
	796,616	496,895

NOTE 27 - KEY MANAGEMENT PERSONNEL (continued)

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

	Consolidated Entity 2021 $	Consolidated Entity 2020 $
Accounts payable	55,030	25,318

NOTE 28 - RELATED PARTY INFORMATION

Transactions with Directors

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

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

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

iii) A company controlled by Nat le Roux provided loan funds to the consolidated entity on commercial terms throughout the year. The details of the loan funds provided are shown in Note 17. That company also paid an amount of £22,800 ($40,304) in respect of recruitment fees on behalf of the Group during the period, which was reimbursed by the Group on 18 January 2021. The recruitment fees were paid on normal commercial terms by Mr Nat le Roux's company and were reimbursed on normal commercial terms.

iv) Mr Nat le Roux, Mr Peter Hetherington, Mr William Styslinger and Mr Ian Proctor together with a shareholder of the Company entered into an agreement with SGZ Cononish Limited on 4 May 2021 to provide a short term, interest free, unsecured loan in an aggregate amount of £2,000,000 to that company in two tranches of £1,000,000 each and respectively made short term, interest-free, unsecured loans of £634,500, £114,500, £166,500 and £32,000 in terms of that agreement on 12 May 2021, which amounts were all outstanding at 30 June 2021. The date of repayment of the loan was 4 November 2021 at 30 June 2021, but, as set out in Note 32 – Matters subsequent to the end of financial year, the second tranche of £1,000,000 was drawn down on 6 August 2021 and on 27 September 2021, 3,301,420 ordinary shares were issued to the providers of the short term unsecured loan in full and final settlement of the loan.

NOTE 28 - RELATED PARTY INFORMATION (continued)

v) Mr Phillip Day was appointed as Chief Executive Officer and Managing Director on 1 April 2021. The Company and SGZ Grampian Limited have respectively entered into a service agreement with Mr Phillip Day and an agreement for the rendering of consultancy services with PAW Consulting Services GmbH, a company controlled by Mr Day. The details of the service agreement are set out in the Remuneration Report. The agreement for the rendering of consultancy services with PAW Consulting Services GmbH provides for a consultancy service fee of £4,479 per month, excluding VAT, to be payable net of any amounts in respect of income tax and national insurance contributions required to be deducted by law.

In addition, the Group shall reimburse all reasonable expenses incurred by PAW Consulting Services GmbH in rendering the consultancy services. The total fees charged by Paw Consulting Services GmbH in respect of those services during the year ended 30 June 2021 amounted to $40,088, of which $15,902 related to the period prior to the appointment of Mr Day as Chief Executive Officer and Managing Director. All fees charged under the consulting agreement have been charged at commercial, arm's length rates.

Aggregate amounts payable to Directors and their personally related entities:

	Consolidated Entity	
	2021	**2020**
	$	**$**
Accounts payable	55,030	25,318
Short term unsecured loan	1,745,257	-
Non-current borrowings owing to Bridge Barn Limited		
Principal	13,814,698	7,160,759
Accumulated interest	1,597,431	521,088
	17,212,416	7,707,165

NOTE 29 - REMUNERATION OF AUDITORS

	Consolidated	
	2021	**2020**
	$	**$**
BDO Audit (WA) Pty Ltd and BDO Corporate Tax (WA) Pty Ltd:		
Auditing and reviewing of the financial statements of Scotgold Resources Limited and of its controlled entities.	57,063	48,964
Other services – provision of tax services	62,015	18,783
Other services – provision of corporate finance services	-	2,530
	119,078	70,277

The remuneration paid for the year ended 30 June 2021 includes $55,014 (2020 - $6,434) paid to BDO LLP in the United Kingdom in respect of tax advisory services.

NOTE 30 - LOSS PER SHARE

	Consolidated	
	2021	**2020**
	$	**$**
Earnings used in calculation of loss per share	(4,980,924)	(2,504,134)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	53,680,730	49,702,739

There are 2,920,000 potential ordinary shares as at 30 June 2021 (30 June 2020 – 1,150,000). The issuing of these potential ordinary shares would be anti-dilutive.

NOTE 31 - FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable, lease liabilities, a short-term loan facility and a secured loan facility provided by a major shareholder.

The Board's overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The consolidated entity 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 affairs of the consolidated entity. The Chairman is responsible for ensuring the maintenance of, and compliance with, appropriate systems.

(b) Financial Risk Exposures and Management

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

Interest Rate Risk

Interest rate risk comprises cash flow interest rate risk and fair value interest rate risk.

Cash flow interest rate risk is the risk that movements in interest rates will result in increased cash outflows on floating rate financial liabilities of the consolidated entity. As all of the interest-bearing financial liabilities of the consolidated entity are fixed rate liabilities, the consolidated entity has no exposure to cash flow interest rate risk at 30 June 2021 in respect of its financial liabilities. Interest rates applicable to the commercial call account held by the consolidated entity vary with market rates, but the consolidated entity currently holds funds on that account pending deployment of these funds for use in mine development and production operations and for exploration and evaluation activities and is not dependent upon interest received on the account as a source of income.

Fair value interest risk is the risk that movements in market interest rates will affect the fair value of fixed interest financial instruments of the consolidated entity.

NOTE 31 - FINANCIAL INSTRUMENTS (continued**)**

The interest rate profile of the financial assets and liabilities of the consolidated entity is as follows:

	Weighted Average Effective Interest Rate 2021	Weighted Average Effective Interest Rate 2020	2021 $	2020 $
Financial Assets				
Cash at Bank	0.01%	0.05%	2,624,342	1,019,979
Trade and other receivables	-	-	448,336	226,134
Non-current Bond obligation deposits	0.40%	1.25%	1,579,820	1,527,306
Total Financial Assets			4,652,498	2,773,419
Financial Liabilities				
Trade and other payables	-	-	2,306,453	1,127,113
Short term unsecured loan	-	-	1,841,960	-
Right-of-use lease liabilities	9.13%	9.88%	2,660,513	1,601,879
Secured loan facility	8.38%	8.46%	15,412,129	7,681,847
Total Financial Liabilities			22,221,055	10,410,839

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 consolidated financial statements.

Interest Rate Sensitivity Analysis

The consolidated entity 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 2021 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. Had there been an increase of 100 basis points in the nominal interest rate applicable to the secured loan facility at the beginning of the year, then the interest charge for the year would have increased by $109,304 to $1,148,018 and there would have been a net decrease in equity of $111,673 after taking into account the effect on the foreign currency translation reserve and a corresponding increase in the secured loan facility balance of $111,673.

Foreign Currency Risk

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. In order to partially mitigate the impact of fluctuations in foreign exchange rates related to this exposure, management have a policy of holding sufficient cash in various currencies to settle firm commitments and other anticipated cash outflows. Aside from this, the group does not engage in any hedging transactions.

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NOTE 31 - FINANCIAL INSTRUMENTS (continued**)**

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the consolidated entity at the reporting date are as follows:

Currency	Liabilities 2021 $	Assets 2021 $	Liabilities 2020 $	Assets 2020 $
£ Sterling	23,832,909	4,551,946	11,449,509	2,371,394
€ Euro	88,649	1,812	72,969	3,584
USD US Dollars	4,594	32,982	-	350,497
SEK Swedish Krone	-	-	-	43,792
	23,926,152	4,586,740	11,522,478	2,769,267

Foreign currency

A 10% depreciation in the Australian Dollar : Pound Sterling exchange rate would result in an increase in net monetary liabilities of $2,142,574 (2020 - $1,008,680). The Company has traditionally raised equity funding in Pound Sterling and holds the funds arising from such equity funding in Pounds Sterling, which mitigates currency risk.

Other than translational risk, the consolidated entity has no other significant exposure to foreign currency risk at the reporting date.

Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows.

As at 30 June 2021 the consolidated entity had an amount of £ Nil (30 June 2020 - £3,500,000) available to be drawn down on the secured loan facility from Bridge Barn Limited and £ 1,000,000 (30 June 2020 - £Nil) to be drawn down under the short term unsecured loan facility.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting 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 or United Kingdom Financial Conduct Authority supervision.

The terms of the off-take agreement in respect of sales of gold concentrate provide for ownership of shipments of gold concentrate to only pass to the off-take partner on payment of 90% of the sales value of each shipment, so the exposure to credit risk in respect of each shipment of gold concentrate is limited to 10% of the sales value, net of smelting and refining costs.

The consolidated entity is primarily exposed to credit risk in the case of its gold concentrate off-take partner, but this is mitigated by the payment terms in the off-take agreement described above.

NOTE 31 - FINANCIAL INSTRUMENTS (continued)

Capital Management Risk

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

Management effectively manages the capital of the consolidated entity by assessing the financial risks of the consolidated entity 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 consolidated entity 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 the reporting date and has no financial assets where the carrying amount exceeds net fair values at the reporting date.

NOTE 32 - MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

Mr Nat le Roux stepped down as Non-Executive Chairman on 2 November 2021 and Mr Peter Hetherington was appointed as Non-Executive Chairman on that date. Mr Nat le Roux continues to serve as a Non-Executive Director of the Company.

The second tranche of £1,000,000 was drawn down on the short term unsecured loan facility on 6 August 2021. On 27 September 2021, 3,301,420 ordinary shares were issued to the providers of the short term unsecured loan in full and final settlement of the loan prior to the settlement date thereof of 4 November 2021, with Mr Nat le Roux, Mr Peter Hetherington, Mr William Styslinger and Mr Ian Proctor respectively being issued with 2,094,751, 378,013, 549,686 and 105,645 ordinary shares at an issue price of £0.6058 ($1.138) per share. The shareholder who provided part of the short term unsecured loan facility received 173,325 ordinary shares in settlement, at the same issue price.

The 400,000 options granted to Mr Richard Gray on 1 July 2020 and 270,000 of the options granted to senior management on that date vested at the end of August 2021.

The recipient of 225,000 of the 750,000 options granted to senior management on 1 July 2020 resigned on 30 November 2021, resulting in the 135,000 options granted to him which had vested at the end of August 2021 (which had not been exercised as at the date of resignation) as well as the 90,000 unvested options granted to him lapsing on that date.

Saint Consulting (UK) Limited ceased to provide consulting services to the Group on 5 October 2021 and as a result, the 200,000 options granted to that company on 29 July 2020, which had vested but had not been exercised by 5 October 2021, lapsed.

The final payment of USD256,715 ($472,858) was made in respect of the haultruck on 2 August 2021.

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

NOTE 33 - PARENT ENTITY DISCLOSURES

Financial Position	2021 $	2020 $
CURRENT ASSETS		
Cash and cash equivalents	36,848	37,086
Trade and other receivables	74,339	47,129
Total Current Assets	111,187	84,215
NON-CURRENT ASSETS		
Plant and equipment	272,669	20,230
Investment in and loans to subsidiaries	28,668,919	24,831,795
Total Non-Current assets	28,941,588	24,852,025
TOTAL ASSETS	29,052,775	24,936,240
CURRENT LIABILITIES		
Trade and other payables	100,851	47,616
Total Current Liabilities	100.851	47,616
TOTAL LIABILITIES	100,851	47,616
NET ASSETS	28,951,924	24,888,624
EQUITY		
Issued capital	56,717,836	49,056,150
Reserves	1,035,575	418,411
Accumulated losses	(28,801,487)	(24,585,937)
TOTAL EQUITY	28,951,924	24,888,624

Financial Performance

Loss for the year attributable to the parent	4,215,550	2,733,936
Total comprehensive loss	4,125,550	2,733,936

The loss attributable to the parent entity includes write down of loans to subsidiaries caused by subsidiary losses of $3,267,449 (2020: $4,018,048). In the prior year, the parent entity issued a guarantee to Scottish Enterprise in respect of any amounts of grants received by SGZ Cononish Limited from that entity which may become repayable (see Note 23). Grants in a total amount of £430,000 ($792,043) had been received by SGZ Cononish Limited as at 30 June 2021. The parent entity has no other contingent liabilities or commitments for acquisition of plant and equipment.

DIRECTORS’ DECLARATION

1. In the opinion of the Directors of Scotgold Resources Limited (the ‘Company’):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity’s financial position as at 30 June 2021 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 2021.

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

....
PHILLIP DAY – Chief Executive Officer and Managing Director

Dated at Tyndrum, this 21st day of December 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Scotgold Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scotgold Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

BDO

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

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

Carrying value of mine asset

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Notes 12 and 15 to the financial report, the carrying value of Property, Plant and Equipment and Mine development asset of the Cononish Mine ("Mine asset") represents a significant asset of the Group. The group is required to assess whether there are any indicators of impairment present to suggest that the carrying amount of the mine assets exceeds its recoverable amount in accordance with its accounting policy. The assessment of the carrying value of the mine asset requires management to exercise judgement in identifying indicators of impairment (including significant adverse changes in commodity prices, cost or reserve estimates) for the purpose of determining whether the recoverable amount of the asset needs to be estimated.	Our audit procedures included, but were not limited to considering whether any facts or circumstances existed to suggest impairment testing was required, which included: • Assessing changes to key economic inputs used in the mine model discounted cash flow against external market information and trends including gold price and foreign exchange rates; • Agreeing a sample of the additions to mine development expenditure during the year to supporting documentation, and ensuring that amounts were capitalised correctly; • Comparing the carrying amount of the mine development to the Project's calculated net present value, and cross-checking this with the market capitalisation of the company;

BDO

Key audit matter	How the matter was addressed in our audit
As a result of the significance of these judgements, we considered that the carrying amount of the mine development was a key audit matter.	• Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and • Assessing the adequacy of the related disclosures in Notes 1 (c), 1(g), 1(h), 1(y), 12, and 15 to the financial statements

Valuation of Exploration and Evaluation Expenditure

Key audit matter	How the matter was addressed in our audit
As the carrying value of the exploration and evaluation assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: • Assessing whether the rights to tenure of the area of interest remained current at balance date; • Considering the status of the ongoing exploration programmes by holding discussions with management, and reviewing the Group's exploration budgets, RNS announcements and directors' minutes; • Considering whether the area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 14 of the financial report.

BDO

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 34 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Scotgold Resources Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 21 December 2021

ANALYSIS OF SHAREHOLDING

Voting Rights

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

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

Substantial Shareholders

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

Mr Nat le Roux	24,712,974	41.52%
Mr William Styslinger	6,481,086	10.89%
Mr Peter Hetherington	2,466,974	4.14%
Mr Charles Outhwaite	2,056,440	3.45%
The Holywell Alpaca Settlement	2,000,000	3.36%

Directors' Shareholding

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

CORPORATE GOVERNANCE STATEMENT

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

Details of the governance arrangements of the consolidated entity can be found on the Company web-site at https://www.scotgoldresources.com/investors/corporate-governance/.

The consolidated entity has adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code 2018 ("the QCA Code"). The QCA Corporate Governance Statement of the Company can be found on the Company web-site at https://www.scotgoldresources.com/docs/QCA-2021.pdf. In addition, details of the application by the Company of the principles of the QCA Code are set out in the Directors' Report.