

SCOTGOLD RESOURCES LIMITED

INTERIM FINANCIAL REPORT 31 DECEMBER 2015

DIRECTORS' REPORT

Your Directors submit the financial report of Scotgold Resources Limited and Controlled Entities (the "Company" or the "Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

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

Nathaniel le Roux	Non-Executive Chairman
Richard Gray	Managing Director
Richard Harris	Non-Executive Director
Chris Sangster	Non-Executive Director
Phillip Jackson	Non-Executive Director

REVIEW OF OPERATIONS

Cononish Gold and Silver Project

Bankable Feasibility Study ("BFS")

On 5 August 2015, the Company announced the results of the Bankable Feasibility Study ('BFS') for its wholly owned Cononish Gold and Silver Project, conducted by Bara Consulting Ltd of the UK. This study is based upon the Mineral Resource Statement announced in January 2015 and confirms the Ore Reserve Estimate announced in May 2015, both of which were compiled using guidelines recommended in the JORC Code (2012). The Cononish Gold and Silver Project is part of the Company's gold portfolio located in Scotland.

Summary of BFS highlights:

PRODUCTION	
Average Production	72,000 tonnes per annum
Average Life of Mine (Au Equivalent)	11.8 grams/tonne
Average Metal Produced	23,370 ounces equivalent gold*
	per annum
Life of Mine	8 years

* Ounces equivalent gold = ounces gold + ounces silver*15/1100 – ratio calculated at base case prices of \$1,100/ ounce gold and \$15.00/ ounce silver

PRE-TAX CASHFLOW SENSITIVITY TO GOLD PRICE							
Gold Price	US\$700/ ounce	US\$900/ ounce	US\$1,000/ ounce	US\$1,100/ ounce	US\$1,200/ ounce	US\$1,300/ ounce	US\$1,500/ ounce
Pre Tax Cashflow	£1.5M	£22.5M	£32.9M	£43.4M	£53.9M	£64.3M	£85.3M
NPV (10%)	(£4.4M)	£9.3M	£16.1M	£22.9M	£29.8M	£36.6M	£50.3M
IRR	0%	25%	35%	45%	54%	64%	82%

Key features of the Project are:

- Robust Project economics using a base case gold price of US\$1,100/ounce (£688/ ounce) with an EBITDA of £67.4M, a pre-tax free cashflow of £43.4M, pre-tax NPV(10%) of £22.9M and a pre-tax IRR of 45%.
- Low operating cost with Life of Mine ('LoM') average of £327/ ounce equivalent gold (US\$523/ ounce equivalent gold) (including Royalties) and Project breakeven (0% IRR) at US\$689/ ounce equivalent gold.

- Peak funding requirement of £18.5M and all in Life of Mine Capital including contingencies, equipment replacements etc. of £24.0M.
- Average annual gold production of 23,370 ounces equivalent gold with peak production in Year 2 of 28,540 ounce equivalent gold.
- Average Life of Mine grade of 11.8 grams equivalent gold /tonne and peak grade of 15.4 grams equivalent gold/ tonne in year 2.
- Rapid implementation schedule of 16 months post contract and finance completion and short payback period of 19 months from full production.

For greater detail on this study and the parameters used to derive these results, refer to the Company's announcement (05/08/2015 – Cononish Gold and Silver Project Bankable Feasibility Study) on the Company's website. The BFS Study Executive Summary is also published on the Company's website at www.scotgoldresources.com

Bulk Processing Trial (“BPT”)

Subsequent to the reporting period, on 24th February 2016 the Company announced that it intended undertaking a Bulk Processing Trial (“BPT”). The fact that Cononish has an existing stockpile of ore on surface provides the Company with an opportunity to establish a pilot scale processing trial at low cost which will provide both tangible evidence that gold can be produced from Cononish and reduce the perceived technical risk of the project as it relates to the processing of ore.

A stockpile of approximately 7000t of ore grading around 7.9g/t Au and 39g/t Ag is stockpiled on the mine 'platform' at Cononish. It is proposed to install a small scale pilot plant (portable and skid mounted) to treat around 2,400t (approximately 1,200 m³) of this material over approximately a six-month period. The material to be treated forms part of the Probable Reserves for the project (refer ASX and AIM announcements dated 25/05/2015 and 26/05/2015 respectively).

The material will be treated through the plant which will utilise gravity separation via a centrifugal device, similar to the planned full scale plant. However, the flotation circuit process will be replaced by a spiral bank to generate a sulphide rich concentrate.

The capital cost of the plant is estimated at £140,000, with delivery expected by mid-April and, subject to receiving the necessary planning permission, the BPT would commence on or around 1st May 2016.

Planning application with Loch Lomond & The Trossachs National Park Planning Authority is well underway with positive discussions having been recently held and a formal application has been made.

The objectives of the BPT are to demonstrate the marketability and profitability of Scottish gold production from Cononish. It will also give further confidence to metallurgical test-work already completed and to provide a basis for a review of the current development plan under the current Bankable Feasibility Study.

In undertaking this bulk processing trial, it is not intended that the Cononish project is brought into commercial production but rather that the experience gained and proof of gold production will facilitate the financing of the project, which can then proceed as planned or with a revised phased approach, depending on the outcomes of the BPT and BFS review.

Grampian Project

Stream sediment program

In order to advance its understanding of the regional setting, over the past four years, the Company has and continues to conduct a regional stream sediment sampling program. Analysis of the returned stream sediment data, in conjunction with work undertaken by Drs. Gumiel and Arias, has indicated the presence of a significant number of gold anomalies in the better covered Glen Orchy licence area and a number of anomalies throughout the other licence areas.

Initial Structural Study

The Company engaged the services of Dr. Pablo Gumiel and Dr. Mónica Arias of Consulting de Geología y Minería, S.L., to conduct an Initial Structural Study of the Cononish deposit and Tyndrum area. In addition significant work was undertaken to develop, and expand existing, structural models for both the Cononish deposit and the wider Tyndrum area. The study aimed to bring the large volume of existing data in various datasets, including the stream sediment data discussed above, together into one model. The structural and geochemical criteria used in the model will be tested and refined through field work and further understanding of the structural setting of the Cononish deposit.

On 27 November 2015 the Company announced the completion of the Initial Structural Study and Database review.

Highlights of the report included:

6 highly prospective targets are identified within 2.5 km of the Cononish Gold and Silver Project;

5 further highly prospective targets are outlined within the study area;

The study highlighted the Beinn Udlaidh and Arrivain areas in particular as having prospectivity at least comparable to the Cononish deposit and further exploration work for these is being prioritised accordingly.

The study also indicates that structural analysis will be a key tool for the identification of “pay shoots” within the Cononish deposit and therefore is expected to assist with future resource expansion at depth and along strike.

Corporate

Rights Issue

On 27th August 2015, the Company announced a pro-rata non-renounceable rights issue (Rights Issue or Offer) of fully paid ordinary shares in the capital of the Company (New Shares) on the basis of one (1) New Share for every ten (10) existing shares held at the record date of 4 September 2015 (Record Date) at an issue price of 1.3 cents each, together with one (1) free attaching unlisted option per New Share subscribed (Options). The Options are exercisable at £0.01 on or before 30 September 2017.

A total of 95,295,889 new shares were applied for under the Rights Issue to raise approximately \$1,238,847 (before costs) and a total of 95,295,889 Options were issued as follows:

Event	Number	\$	% of total offered under Rights Issue
Shares applied for under Rights Issue	91,090,481	\$1,184,176	80%
Shares applied for under Excess Entitlements Facility (by eligible shareholders in excess of their entitlement)	4,205,408	\$54,670	4%
Total shares issued	95,295,889	\$1,238,846	84%
Total free attaching Options issued	95,295,889		
Remaining Shortfall shares placed	18,243,341	\$237,163	16%
Remaining Shortfall free attaching Options	18,243,341		

On 28 October 2015 the Company announced that it had completed the placement of the following securities:

- The placement of the shortfall from the Company's rights issue, comprised of 18,243,341 fully paid ordinary shares at an issue price of 1.3c per share to raise \$237,163, together with one (1) free attaching unlisted option per share.
- A placement under the Company's existing Listing Rule 7.1 capacity of 10,556,659 fully paid ordinary shares at an issue price of 1.3c per share to raise \$137,237, together with one (1) free attaching option per share issued.

Expiry of Options

On 24 July 2015, 26,222,222 options with an exercise price of £0.045 expired.

On 7 December 2015, 153,161 options with an exercise price of £0.031 expired.

Placement of Shares

Subsequent to the reporting period, on 10 March 2016 the Company announced that it had placed 83,333,332 new ordinary Scotgold shares ("Shares") at an issue price of £0.006 (approximately AUD\$0.011) each with new shareholders to raise £500,000 (approximately AUD\$948,500) before expenses.

Completion of the Placement is occurred, and the 83,333,332 new Shares are expected to be admitted to trading on AIM and the ASX on or about 16 March 2016. The Shares issued under the Placement rank pari passu with existing Scotgold Shares.

Following Admission, the Company's enlarged issued share capital will comprise 1,342,833,693 Shares, with voting rights. The Company does not hold any Shares in treasury. Therefore the total number of Shares in the Company with voting rights will be 1,342,833,693.

Appointment of Chief Financial Officer and Company Secretary

Subsequent to the reporting period, on 13 January 2016 the Company announced the appointment of David Swan as Chief Financial Officer ("CFO"). David has acted as CFO and finance director of a number of public and public listed companies in the exploration and mining sector in Australia and UK. David is based in London, UK.

The Company also announced the appointment of Gabriel Chiappini as Company Secretary. Mr Chiappini is an Australian chartered accountant with extensive corporate experience within Australia and the UK. Mr Chiappini has worked in the exploration and mining sector for many years. Mr Chiappini was appointed effective 31 December 2015.

Change of Company Registered Office.

Subsequent to the reporting period, on the 11 February 2016 the Company changed its registered office address to:

50 Ord Street
West Perth
Western Australia, 6005

For further information please contact:

Scotgold Resources Limited	Stockdale Securities Limited	Capital Markets Consultants	Vicarage Capital Limited
Richard Gray - CEO	Robert Finlay/ Alastair Stratton/ Ed Thomas	Simon Rothschild	Rupert Williams
Tel: +44 (0)1838 400 306	Tel: +44 (0)20 7601 6100	Tel +44 (0)7703 167 065	Tel: +44 (0)20 3651 2911

Competent Persons' Statement:

The information in this report that relates to the 2015 Mineral Resources for Cononish Gold Project (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.

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

Tenement details

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

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

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

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

No tenements were acquired or disposed of during the quarter, although as previously noted, the Inverliever option area will reduce in size on finalisation of matters with the Crown Estates.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our Auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.

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Richard Gray - Managing Director and Chief Executive Officer

Dated Scotland 14 March 2016

AUDITOR'S INDEPENDENCE DECLARATION


As lead auditor for the review of the consolidated financial report of Scotgold Resources Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
14 March 2016

M R W Ohm
Partner

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Liability limited by a scheme approved under Professional Standards Legislation

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

CONDENSED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 December 2015 \$	31 December 2014 \$
Revenue	782	9,141
Administration costs	(267,557)	(157,597)
Interest expense	-	(94,810)
Unwinding of convertible note discount	(105,427)	(31,239)
Depreciation and loss on disposal of fixed assets	(8,087)	(9,033)
Exploration expensed as incurred	(114,596)	(207,110)
Employee and consultant costs	(138,375)	(155,972)
Listing and share registry costs	(127,538)	(98,143)
Legal fees	(49,789)	(141,599)
Borrowing costs	-	(174,419)
Office and communication costs	(36,090)	(57,042)
Currency revaluation of interest bearing loan	-	(73,427)
Other expenses	(28,369)	(49,375)
Loss before income tax	(875,046)	(1,240,625)
Income tax benefit	-	-
Net loss for the period	(875,046)	(1,240,625)
Other comprehensive income		
Exchange gain/(loss) on translation of foreign subsidiaries	(42,644)	4,567
Total comprehensive loss for the period	(917,690)	(1,236,058)
Basic (loss) per share (cents per share)	(0.07)	(0.20)

CONDENSED STATEMENT
OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Consolidated	
	Note	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		861,646	802,649
Trade and other receivables		25,523	38,440
Other current assets		<u>17,623</u>	<u>23,712</u>
Total Current Assets		<u>904,792</u>	<u>864,801</u>
NON-CURRENT ASSETS			
Trade and other receivables		101,399	102,649
Property, plant and equipment		96,519	104,605
Deferred exploration and evaluation expenditure	2	<u>15,298,217</u>	<u>14,794,913</u>
Total Non-Current Assets		<u>15,496,135</u>	<u>15,002,167</u>
TOTAL ASSETS		<u>16,400,927</u>	<u>15,866,968</u>
CURRENT LIABILITIES			
Trade and other payables		115,457	343,853
Other current liabilities		90,969	71,920
Interest bearing liabilities	3	<u>1,457,710</u>	<u>-</u>
Total Current Liabilities		<u>1,664,136</u>	<u>415,773</u>
NON CURRENT LIABILITIES			
Interest bearing liabilities	3	<u>-</u>	<u>1,353,783</u>
Total Non-Current Liabilities		<u>-</u>	<u>1,353,783</u>
TOTAL LIABILITIES		<u>1,664,136</u>	<u>1,769,556</u>
NET ASSETS		<u>14,736,791</u>	<u>14,097,412</u>
EQUITY			
Issued capital	4	24,268,598	22,711,529
Reserves		629,161	1,463,805
Accumulated losses		<u>(10,160,968)</u>	<u>(10,077,922)</u>
TOTAL EQUITY		<u>14,736,791</u>	<u>14,097,412</u>

CONDENSED STATEMENT
OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Accumulated Losses	Options Reserve	Foreign Currency Translatio n Reserve	Convertible Note Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Half year to 31 December 2014						
Balance at 1 July 2014	18,463,121	(7,964,957)	1,038,154	(59,985)	-	11,476,333
Issue of shares	3,547,393	-	-	-	-	3,547,393
Share issue expenses	(125,901)	-	-	-	-	(125,901)
Issue of options	-	-	90,000	-	-	90,000
Issue of Convertible Note	-	-	-	-	243,121	243,121
Total comprehensive loss for the period	-	(1,240,625)	-	4,567	-	(1,236,058)
As at 31 December 2014	<u>21,884,613</u>	<u>(9,205,582)</u>	<u>1,128,154</u>	<u>(55,418)</u>	<u>243,121</u>	<u>13,994,888</u>
Half year to 31 December 2015						
Balance at 1 July 2015	22,711,529	(10,077,922)	1,141,769	(34,519)	356,555	14,097,412
Issue of shares	1,613,247	-	-	-	-	1,613,247
Share issue expenses	(56,178)	-	-	-	-	(56,178)
Options Expiry	-	792,000	(792,000)	-	-	-
Total comprehensive loss for the period	-	(875,046)	-	(42,644)	-	(917,690)
As at 31 December 2015	<u>24,268,598</u>	<u>(10,160,968)</u>	<u>349,769</u>	<u>(77,163)</u>	<u>356,555</u>	<u>14,736,791</u>

**CONDENSED STATEMENT
OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

Consolidated

	6 months to 31 December 2015 \$	6 months to 31 December 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(793,864)	(404,232)
Interest income received	316	4,527
Net cash used in operating activities	<u>(793,548)</u>	<u>(399,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration activities	(668,165)	(511,500)
Payment for property, plant and equipment	-	(1,195)
Net cash used in investing activities	<u>(668,165)</u>	<u>(512,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	1,613,246	3,359,739
Share issue costs	(56,176)	(125,900)
Loan repayments	-	(3,031,286)
Proceeds from borrowing	-	1,000,000
Borrowing costs and interest	(1,500)	(312,899)
Net cash provided by financing activities	<u>1,555,570</u>	<u>889,654</u>
Net increase/(decrease) in cash held	93,857	(22,746)
Cash and cash equivalents at the beginning of the period	802,649	640,857
Effect of exchange rate fluctuations on cash held	<u>(34,860)</u>	<u>21,295</u>
Cash and cash equivalents at the end of the period	<u>861,646</u>	<u>639,406</u>

NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that the financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Scotgold Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

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

The financial report has also been prepared on an accruals basis and is based on historical cost.

Going Concern

As at 31 December 2015, the Group had a cash balance of \$861,646, a total comprehensive loss for the six-month period of \$917,690 and had a net cash outflow from operating and investing activities of \$1,461,713. In addition, there is a working capital deficiency of \$759,344 at balance

date due primarily to convertible notes with a combined face value of \$1.6 million which mature on 30 September 2016.

As announced on 11 March 2016, the Company has placed 83,333,332 shares at an issue price of £0.006 to raise £500,000 (approximately \$945,500) before expenses.

The Directors have forecast that a further capital raising and/or entering into a sale or joint venture of assets is required as part of this refinancing.

The Directors believe the Company will obtain sufficient funding to enable it and the consolidated entity to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. However, the existence of the above conditions constitute a material uncertainty which may cast significant doubt in relation to the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised standards

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half year.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective. As a result of this review, the Directors have determined that there is no material impact on the Group and no change is necessary to the Group accounting policies.

NOTE 2 - DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	Six months to 31 December 2015 \$	Twelve months to 30 June 2015 \$
Balance at beginning of period	14,794,913	13,894,769
Expenditure incurred during the period	617,900	1,293,340
Expenditure expensed as incurred	(114,596)	(393,196)
Total deferred exploration and evaluation expenditure	<u>15,298,217</u>	<u>14,794,913</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 3 – INTEREST BEARING LIABILITIES

Convertible Notes

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

\$1,000,000 has been advanced to the Company under the convertible note agreements. The funds raised by the Convertible Notes were used as part-repayment of the RMB Facility and for working capital.

The Convertible Notes have a repayment date of 24 months from their date of issue, with an interest rate of 1% per annum. The holders of the Convertible Notes may elect to convert the Convertible Notes (in part or in full) into ordinary shares in the Company at a conversion price of \$0.006 per share. For every share issued on conversion of the Convertible Notes, one free attaching option will be issued, exercisable at \$0.012 on or before 31 March 2016. Full details of the Convertible Notes and attaching options were set out in the Company's Notice of Meeting dated 23 June 2014.

The Company has also entered into a convertible note agreement on the terms and conditions set out in the Company's announcement on 30 March 2015.

\$600,000 has been advanced to the Company under the convertible note agreement. The funds raised by the convertible note were used for working capital purposes.

The Convertible Note has a repayment date of 30 September 2016, with an interest rate of 1% per annum. The holder of the Convertible Notes may elect to convert the Convertible Notes (in part or in full) into ordinary shares in the Company at a conversion price of £0.006 per share.

The balance outstanding at 31 December 2015 is made up as follows:

	First draw	Second draw	Total
	\$	\$	\$
Principal sum drawn	1,000,000	600,000	1,600,000
Equity component taken to reserves	(243,121)	(113,434)	(356,555)
Unwinding of discount	157,931	57,833	215,764
Interest paid	(1,500)	-	(1,500)
	<u>913,310</u>	<u>544,399</u>	<u>1,457,709</u>

NOTE 4 - ISSUED CAPITAL

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Ordinary Shares		
Issued and fully paid	<u>24,268,598</u>	<u>22,711,529</u>

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

	Number	\$
Opening balance at 1 July 2015	1,135,392,472	22,711,529
Entitlements issue	95,295,889	1,238,847
Entitlement issue shortfall	18,243,341	237,163
Placement 24 October 2015	10,556,659	137,237
Transaction costs	-	(56,178)
Closing balance at 31 December 2015	<u>1,259,488,361</u>	<u>24,268,598</u>

Movements in options in ordinary shares of the Company are as follows:

	Number	\$
Opening balance at 1 July 2015	66,486,494	1,141,769
Options issued – entitlements issue free attaching options	113,539,230	-
Options issued – placement free attaching options	10,556,659	-
Options expired during the period	(26,375,383)	(792,000)
Closing balance at 31 December 2015	<u>164,207,000</u>	<u>349,769</u>

Details of options are as follows:

Date	Issue purpose	Expiry	Price	Number	\$
10/10/12	Consultant incentive options	31/3/22	\$0.0800	3,000,000	134,769
9/01/13	RMB borrowing costs	28/3/16	£0.0450	7,111,111	125,000
23/9/14	RMB borrowing costs	22/9/17	£0.0069	30,000,000	90,000
7/10/15	Entitlements issue free attaching	30/9/17	£0.0100	95,295,889	-
28/10/15	Shortfall free attaching	30/9/17	£0.0100	18,243,341	-
28/10/15	Placement free attaching	30/9/17	£0.0100	10,556,659	-
				<u>164,207,000</u>	<u>349,769</u>

NOTE 5 - CONTINGENT LIABILITIES

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

Scotgold Resources Limited and its controlled entities have no other known material contingent liabilities as at 31 December 2015.

NOTE 6 – DIRECTORS' REMUNERATION

During the six months ended 31 December 2015, the following amounts were paid to directors of the Company.

	Fees	Consulting	Salary	Total
	\$	\$	\$	\$
Nathaniel le Roux	19,915			19,915
Richard Gray			106,724	106,724
Richard Harris	11,970	43,250		55,220
Chris Sangster	8,855	80,043		88,898
Phillip Jackson	11,970			11,970
	52,710	123,293	106,724	282,727

NOTE 7 – EVENTS SUBSEQUENT TO REPORTING DATE

On 13 January 2016 the Company announced the appointment of David Swan as chief Financial Officer and Gabriel Chiappini as Company Secretary.

On 20 January the Company issued 12,000 shares as a result of options being exercised.

On 24 January 2016 the Company announced a proposed Bulk Processing Trial ("BPT") of 2,400 tonnes of stockpiled ore, subject to planning permission. The timing of the BPT and anticipated planning permission necessitated the advance purchase of a 1.5 tph pilot plant at a cost of USD \$145,377 (AUS \$202,074).

On 10 March 2016 the Company announced the placement of 83,333,332 new ordinary shares at £0.006 per share to raise £500,000 (approximately AUD\$948,500) before expenses.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2015

In the opinion of the directors of Scotgold Resources Limited ("the Company"):

- 1) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
- 2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

.....
Richard Gray - Managing Director and Chief Executive Officer

Dated Scotland 14 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Scotgold Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scotgold Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Scotgold Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that as at 31 December 2015, the group had a cash balance of \$861,646, a total comprehensive loss for the six month period of \$917,690 and had a net cash outflow from operating and investing activities of \$1,461,713. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the 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.

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
14 March 2016