



SCOTGOLD
RESOURCES LTD

**Scotland's First
Commercial Gold Mine**

Annual Report **2022**



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Operations and Strategic Review

FY 2022

Operational Overview

- Significant progress made at ("Cononish" or the "Project") in Scotland as the Company targets production of c.23,500oz p.a. run rate of gold in 2023
- Continued optimisation initiatives across underground mining and processing to enhance efficiencies, increase mining rates, gold recovery and production
- Achieved Phase 1 production (3,000tpcm/9,000 ounces of gold p.a. run rate) in Q1 2022
- Attained optimised production rate at end October 2022 (4,000tpcm/16,000 ounces of gold p.a. run rate)
- Commenced very low frequency magnetics to determine a 2023 resource drilling campaign to increase Cononish life of mine
- Hold 13 licences, covering 2,900km of the Dalradian Belt across the Grampian Mountain range for future exploration
- 96 employees at 30 November 2022 (31 December 2021: 73) with ambitious growth plans to continue to increase headcount during 2023
- Vision to build a multi-asset gold production company in Scotland

Financials

Total revenues of

\$17.8 million

in 2022 (2021: \$300k)

Loss before taxation in
2022 of

\$10.8 million

(2021: \$5 million)

Cash at 30 June 2022 of

\$168k

(2021: \$2.6 million)

Commercial production
achieved 30 June 2022
after three consecutive
months of positive
operating cashflow

Net debt of \$23.4m at
30 June 2022

CEO's Statement



It has been a year of transformative progress as we continue to ramp up production at our Cononish gold mine in Scotland towards Phase 2 mining, to achieve a yearly run rate of +23,500 ounces of gold in 2023.

Phil Day
CEO & MD

We were delighted to achieve Phase 1 mining in Q1 2022 and subsequently announce the significant milestone of commercial production on 30 June 2022, after three consecutive months of positive operating cashflow, and continue to operate as a cash generative mining operation with buoyant gold concentrate sales.

When developing an underground mine to achieve full production, there are sometimes short-term variations in ounces produced. This is normal and expected in underground mine development as development work continues in parallel with definition drilling to allow long hole retreat stope mining to commence. Once long-hole stoping is achieved, minimal dilution and increased ore recovery will be realised (and in parallel with all other optimisation initiatives implemented during 2021 and 2022 across the underground mine and processing plant), provide continuity of ore mined/ounces produced on a week by week/month by month basis.

As I write this, 2023 is shaping up to be an exciting year for us in terms of mine development and gold production and I look forward to reporting on progress through out.

As ever, none of this progress would be possible without our talented and committed team here in Tyndrum. We have grown ambitiously, increasing our workforce 156% since I joined in April 2021, to 96 people, of which 51 are from Scotland. In line with our vision to build a multi-asset gold production company, we will continue to increase our headcount during 2023 and beyond, through apprenticeships,

internships, and student bursaries such as ours with the University of St Andrews, to become the employer of choice in the region.

Cononish is an exceptionally high-grade gold underground mining operation with a reserve grade of c.11.9g/t Au and has a current life of mine of 8.5 years with an estimated 555,000 tonnes of ore. Notably, even without any further resource exploration and expansion, Cononish's in-situ value is estimated to be £288 million, at current gold prices of £1,456 per ounce and projected All in Sustaining cost ("AISC") of £554 per ounce, will place Scotgold as one of the highest yielding – lowest cost gold producers globally once in full production in 2023.

Whilst we anticipate significant cash generation, especially once full production is achieved during 2023, we are committed to continuing to grow and realise Cononish and Scotgold's value through exploration. Our resource/reserve and life of mine has the potential to be substantially increased within the immediate Cononish mining area, and to this end we have completed very low frequency magnetics to determine a 2023 exploration programme to do this.

Looking ahead to 2023, I remain hugely excited and look forward to keeping stakeholders updated on our developments as we continue to build an intergenerational mining company for the future.

Phil Day
CEO & MD
16 December 2022

Chairman's Statement



“

I am delighted to report on the progress we have made during the past year, as Scotland's and the UK's first commercial gold producer.

Peter Hetherington
Chairman

We have a growth strategy focused on delivering long-term sustainable growth and returns for all stakeholders with a vision to build a multi-asset gold production company in Scotland. This strategy is centred on three core pillars – optimising value at our Cononish Gold Mine in Tyndrum, Scotland; growth through resource expansion and regional exploration; and investment in our people and commitment to sustainability.

During the past year we have been maximising value at Cononish through continued optimisation initiatives across our operation both in our underground mining operations and processing plant to enhance efficiencies, increase mining rates, gold recovery and production.

The second calendar half of 2021 saw our new team, led by our CEO & MD, Phil Day who joined the Company in April 2021, implement

Figure 1: Scotgold's Strategy

STRATEGY TO CREATE ENDURING VALUE

VISION TO BUILD A MULTI-ASSET GOLD PRODUCER IN SCOTLAND



Chairman's Statement

(continued)

a re-design of the mine schedule to allow faster access to the higher-grade zones within Cononish's orebody. This was to fast-track Phase 1 ramp up towards 3,000t pcm processing rates (9,000 ounces of gold run rate per annum of gold). Like many mining firms around the world, we endured significant Covid-19 disruptions, with people infected or isolating repeatedly, along with significant challenges with our extensive supply chains during this period. However, with thanks to our committed team in Scotland who worked tirelessly during that challenging time, we were delighted to report that we achieved Phase 1 production in Q1 2022.

During Q2 2022 the new enterprise resource system and mining mobile equipment fleet were implemented. It was in this quarter where we recorded our first record gold sales and production of £5.0 million and 3,531 ounces of gold, respectively. Further optimisation initiatives were conducted in Q3 2022 which saw ventilation and power upgrades to the underground mining operation and de-bottlenecking of the process plant (flotation and tailings filtration). These optimisation initiatives saw Cononish's processing rate achieve 4,000tpcm in October in Q3 2022.

The tailings thickener is now installed, and final works are now being implemented over the Christmas period. Once fully commissioned it should see our processing rate increase to 5,000tpcm, equating to a gold production run rate of 20,000 ounces per annum. Underground resource definition and grade control drilling commenced in Q4 2022 which will significantly increase the resolution of our orebody and make mine planning more efficient and effective.

In tandem with the underground mine work, final plant optimisation works, including adding further filtration plates and to complete further optimisation around the tailings filter and ball mill will be completed. Once complete, we expect to achieve Phase 2 production with a processing rate of 6,000tpcm (72,000t annually), equating to a gold run rate of +23,500 ounces in 2023.

Once in Phase 2, our AISC at Cononish is anticipated to be £544 per ounce, and with the mine running an average grade through the processing plant of c.12g/t Au year to date, will place us as one of the highest margin, lowest cost gold producers globally.

Our second pillar central to our strategy is 'growth through resource expansion and

Figure 2: 2022 – 2023 Mine Optimisation and Growth

2022 – 2023: MINE OPTIMISATION & GROWTH

FOCUSED ON OPTIMISING VALUE OF CONONISH



Chairman's Statement

(continued)

regional exploration'. Whilst the past year has predominantly been focused on optimising value at Cononish to achieve Phase 2/full production in 2023, exploration is pivotal to unlocking value and building a multi-asset gold company in Scotland and an intergenerational mining company of the future.

As already noted, Cononish is an exceptionally high-grade gold underground mining operation. We believe the current Cononish resource can be significantly increased, with corresponding increase of the current 8.5 years life of mine, through exploration drilling. There are several areas within the Cononish resource (near mine expansion targets) that are capable of hosting mineable high-grade pods. We plan to explore these areas with drilling to increase the resource in addition to investigating the extension of the resource along down dip and strike. As these areas are part of the current resource vein, we believe they may be more readily available to convert to reserves. During Q3 2022, we began very low frequency resolution magnetics to determine a 2023 resource drilling campaign and look forward to updating shareholders on this in due course.

In addition to expanding the Cononish resource and increasing the life of mine in the near-term we have an impressive land package for regional exploration in the future. We hold 13 licences, covering 2,900 square km of the Dalradian Belt across the Grampian Mountain range. The geology points to further exceptionally high-grade deposits, like Cononish and it is part of our longer-term strategy to explore these areas with the vision to develop additional gold mines in Scotland.

Finally, our third pillar central to our growth strategy is our 'investment in people and commitment to sustainability'.

We are supported and driven by our exceptional people. We currently have 96 employees in our team with ambitious growth plans to continue to increase our headcount during 2023. We are led by an experienced executive leadership team with a proven track record that will help us to deliver on our vision an in-turn generate value for all stakeholders.

We are investing in our people, to not only help build Scotgold, but also that of the Scottish and UK mining industry. We want to be the employer of choice in the region, helping to drive local and Scottish employment. In this regard, I am delighted to report that we have been working with Fourth Valley College in Falkirk on apprenticeship schemes where we currently have placed students in mechanical engineering roles. In addition, in July 2022, we launched a partnership with the University of St Andrews for a five-year student bursary programme. Our team is working closely with the University teaching staff and students on the MSc Strategic Resources course involving work at both the University and at our Cononish site.

We are committed to the principles of sustainable and responsible mining in all aspects of our business. Operating in Scotland's first national park, we have an important duty of care to the environment, and we are dedicated to the safety of our workforce and local communities. To that end, we are proud of our no cyanide status, as one of the only gold producers globally that does not use it in our processing. We also utilise dry stack tailings to ensure safety and a minimal environmental footprint. Dry stack tailings are much more environmentally friendly and safer than conventional wet tailings that sadly have seen terrible mismanagement and accidents over the years at mine sites globally. Dry stack tailings completely dry the tailings into sand like material before placing into gullies. This allows the Company to fill the gullies to match the natural landscape. In line with our commitment to reduce CO2 emissions we are also reviewing the use of hydro power at site and will update the market accordingly on this initiative.

We also support work of Loch Lomond and The Trossachs National Park and contribute to the Strathfillan Development Trust, which is a local charity representing the residents of Tyndrum, Crianlarich and Inverarnan.

In terms of financials, we are now a cash generative gold mining company, where we expect to see further significant growth in terms of cash generation as we enter Phase 2 production in 2023. Notably we achieved commercial production (three consecutive

Chairman's Statement

(continued)

months of positive operating cashflow) at the end of June 2022. Total revenues for the year was \$17.8 million and whilst we reported a widening of losses for 2022 of \$10.8 million, with Cononish now cash generative and operating profitably we expect to see significant cash generation in 2023 and a move towards profitability.

Finally, I would like to extend my appreciation to the team here in Scotland who have worked with dedication during the past year to deliver on Cononish's production ramp up. I would also like to extend my gratitude to my fellow board members, leadership team, advisors, and importantly shareholders for their continued support.

2023 is shaping up to be an extremely exciting year as Cononish reaches full ramp up/ Phase 2 mining of +23,500 ounces of gold run rate per annum. Furthermore, as we begin to explore the resource/reserve expansion potential of Cononish to increase its life of mine and our regional licence areas, we will continue to open Scotland as a new gold mining province and ultimately develop future mining operations in Scotland.

Peter Hetherington

Chairman

16 December 2022



Cononish processing plant



VLF Magnetics exploration at Cononish Glen



View of Cononish mine site

Operations and Strategic Review

OPERATIONS REVIEW

Background

Scotgold Resources Limited ("the Company") was established in 2007 and has been listed on the AIM market of the London Stock Exchange (AIM:SGZ).

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.

The Company has continued to ramp up production during the period, after achieving its second shipment of gold concentrate during July 2021. The Company achieved commercial production on 30 June 2022.

Phase 2/Expansion Phase is targeted for 2023 where the Company anticipate achieving 23,500 ounces p.a. run rate of gold.

Low-capex optimisation initiatives, including the addition of a thickener into the tailings circuit, are underway. Commissioning is set for c. Q4 2022 and will further increase ore throughput and gold recoveries. With debottlenecking of the flotation plant working at a rate of c.4,000 tonnes of feed per month, the Company expects to see the commissioning of the tailings thickener to increase throughput to 5,000 tonnes per month.

The Group reached commercial production on 30 June 2022 by achieving three consecutive months of positive operating cash flows.

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.

Operations and Strategic Review

(continued)

Corporate Activities

The Group, through its subsidiary SGZ Cononish Ltd, settled the short-term funding provided by the Directors by issuing 3,301,420 of new ordinary shares of no par value at a price of 60.58p and a fair value of 82.5p in September 2021.

On 3 November 2021 Mr Peter Hetherington became Non-Executive Chairman having been Non-Executive Director previously. On the same day Mr Nathaniel le Roux became Non-Executive Director stepping down from his role as Non-Executive Chairman.

On 14 January 2022, the Group negotiated a debt restructure with Bridge Barn Limited, a company owned and controlled by Mr Nathaniel le Roux (Non-Executive Director), which had provided the existing loan facility of £7.5 million (the "Existing Loan Facility"). The restructured loan provided £5.0m to replace the original loan tranches and interest due and provided a cash injection to the business of £131,562. The restructured £5m loan has a term of 3 years to 1 Jan 2025 at the same terms and rate as the previous loan of 9%. The terms of the Existing Loan Facility for the remaining original tranches £3.5 million principal (plus interest) will remain. The other tranches of the Existing Loan Facility are repayable on various dates from 7 March 2023 to 17 March 2024. Principal amounts of the Loans owing to Bridge Barn now stand at £8.5 million.

Also on 14 January 2022, Jane Styslinger, a related party of William Styslinger (non-executive director of Scotgold), provided an additional loan of £500,000 at an interest rate of 9%, payable in three years from the date of drawdown.

On 3 March 2022, the Group entered into a short term Loan Facility with Bridge Barn Limited, a company owned and controlled by Nathaniel le Roux (Non-Executive Director) providing £250,000 to Scotgold. This was repaid in full on 23 May 2022.

On 16 March 2022, the Company appointed Sean Duffy as Chief Financial Officer and Evan Spencer as an Independent Non-Executive Director and Chairman of the Technical Committee, to the Board of Directors.

Mr Richard Gray and Mr Phillip Jackson both resigned as Non-Executive Directors on 16 March 2022.

On 7 April 2022, the Group, entered into a loan procurement agreement with Fern Wealth GmbH ("Fern Wealth") from a syndicate of high-net-worth investors for an amount up to £3 million. At 30 June 2022, £2.1 million of this loan had been drawn down.

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: 2022 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.

Operations and Strategic Review

(continued)

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	Metal	Grade	Metal	In-situ
		Au g/t	Au Koz	Ag g/t	Ag Koz	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 MRE 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.

In 2022 an internal grade control model has been developed using underground channel samples, audit mapping and historical drillholes and enables greater confidence in the vein location and ore grades. This model is used for monthly forecasting and does not change the MRE.

The MRE will be updated in Q1 2023, however for now it has not been depleted and remains unchanged.

Operations and Strategic Review

(continued)

Cononish Ore Reserves

As part of initial work towards developing the 2015 BFS, Bara Consulting Limited (“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 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 from 2020 to 2022 has been in waste and ore.

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.

Since 2019, the Company has been steadily ramping up production. In 2022 the focus has been on the commencement of stoping and the necessary development and infrastructure for this to occur.

The Ore Reserve statement above does not take account of the depletion of the underground development from 2019 to 2022 or the surface stockpile. This will be adjusted in 2023 as part of a larger Mineral Resource and Reserve update.

As of 31 July 2022, approximately 32.6kt of ore and 35.4kt of waste have been mined since 2019.

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

Operations and Strategic Review

(continued)

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 southwest 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.

Very low frequency (VLF) geophysics exploration took place in September 2022 in the Cononish Glen. VLF can define high conductivity structures at depth, often indicative of the presence of metals, and will be used to define future exploration drilling targets.

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

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

Operations and Strategic Review

(continued)

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 is the ramp up and completion of phase two of the mine, where production is expected to hit 72,000 tonnes of ore and 23,500 ounces of gold per annum.

Notably, a review of the strategic goals of the Company was conducted during 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 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 lease holding.

Directors' Report

For the year ended 30 June 2022

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 2022. 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	16/03/2022
Phillip Jackson	Non-Executive Director	14/08/2007	16/03/2022
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
Sean Duffy	Chief Financial Officer	16/03/2022	present
Evan Spencer	Non-Executive Director	16/03/2022	present

Particulars of Current Directors and Company Secretary

Peter Hetherington

Non-Executive Chairman

B. Econ., Mstrs (Fin)

Qualifications and experience

Mr Hetherington is currently CEO of Capital.com a derivatives trading firm. Previously he was Chief Executive Officer of Schroders Personal Wealth and IG Group Holdings Plc. Mr Hetherington is also Chair of Circa5000, an impact investing platform. He graduated from Nottingham University with a degree in Economics, and from the London Business School with a Masters in Finance. He 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:

Holywell Alpacas Ltd

Scottish Widows Schroder Wealth Holdings Limited

Circa5000 Ltd

Capital Com (UK) Ltd

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 settled by the issuing of ordinary shares on 27 September 2021.

Directors' Report

(continued)

Nathaniel le Roux

Non-Executive Director

MSc (Hons)

Qualifications and experience

Mr Nathaniel ('Nat') le Roux spent most of his career in financial markets and was Chief Executive of IG Group plc before retiring in 2006. He has subsequently held various non-executive positions, including serving as an independent director of the London Metal Exchange between 2008 and 2016. Nat's current business interests are focussed on organic farming and renewable energy. 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:

Terravesta Holdings Ltd

Bridge Barn Ltd

Interest in Shares and Options

Fully Paid Shares 24,712,974

Special Responsibilities

Overall strategic guidance and UK Capital markets.

The Group (specifically its subsidiary SGZ Cononish Limited) has drawn down £8.5m from a secured loan facility via a company controlled by Mr le Roux 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. This loan was refinanced during the year through repayment of the initial loan and draw down of a further tranche. Full details can be found in note 17.

Mr le Roux made a short-term, interest-free, unsecured loan of £634,500 to SGZ Cononish Limited on 12 May 2021, which 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.

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.

Sean Duffy

Chief Financial Officer

MBA, ACCA

Qualifications and experience

Mr Duffy has more than 25 years of finance experience in the mining industry, previously as CFO and Company Secretary for the ASX and UK Listed Adriatic Metals Plc, the TSX-V and ASX-listed Black Dragon Gold and for the TSX-V listed Asian Mineral Resources. Previously, Mr Duffy was CFO and Company Secretary for AIM-listed Anglo Asian Mining Plc and has held senior finance roles at BHP Billiton's global operations, including Finance Director of BHP Billiton Indonesia.

Mr Duffy was appointed as Chief Financial Officer with effect from 16 March 2022.

Other Directorships in past three years:

Esperanza Resources Limited

Gumtree Management Services Limited

Fuego Estrella SA

Interest in Shares and Options

Options 400,000

Directors' Report

(continued)

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 settled by the issuing of ordinary shares on 27 September 2021.

Jane Styslinger, a personally related party of the director also provided an unsecured loan of £500,000 to SGZ Cononish Limited on 13 January 2022. This was fully drawn down by 30 June 2022.

Ian Proctor

Non-Executive Director
ACA

Qualifications and experience

Ian Proctor is a Chartered Accountant and currently the Chairman of UK & Ireland, Flutter Entertainment PLC ("Flutter"), having previously held the position of Chief Executive Officer and Chief Financial Officer of Sky Bet Group 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 settled by the issuing of ordinary shares on 27 September 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.

Directors' Report

(continued)

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.

Mr Gray resigned from his position as Non-Executive director on 16 March 2022.

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

Mr Jackson resigned from his position as Non-Executive director on 16 March 2022.

Evan Spencer

Non-Executive Director
Mstrs, Bsc (Hons)

Qualifications and experience

Mr Evan Spencer is an experienced executive with over 25 years in the mining and minerals industry. He has depth of experience in managing and developing mining operations both underground and open pit globally, including securing permitting approvals and joint venture management agreements.

He has held a wide range of senior management and operational roles for international companies including Barrick Gold Corporation, St Barabra Ltd, Kagara Corporation and Goldfields of South Africa. Mr Spencer is currently the Executive Chairman for ASX listed Kasbah Resources Ltd Australian listed mineral exploration and development company advancing the Achmmach Tin Project in the Kingdom of Morocco.

Mr Spencer was appointed as Non-Executive Director with effect from 16 March 2022.

Other Directorships in past three years:

Kasbah Resources Ltd
Nevada Copper Corp

Special Responsibilities

Mr Spencer is Chairman of the technical committee.

Directors' Report

(continued)

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		
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
800,000	£0.75	23 May 2027

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 2,900km².

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 \$10,784,984 (2021 - \$4,980,942).

Financial Position

At 30 June 2022 the Company had cash reserves of \$168,086 (2021 - \$2,624,342) and the full £8,500,000 (\$15,008,387) of the secured loan facility had been drawn down, compared to a cumulative amount drawn down of £7,500,000 (\$13,242,694) at 30 June 2021. A further £2,065,000 (\$3,646,155) of the £3,000,000 (\$5,297,078) available from Fern Wealth had been drawn down. In addition, the £500,000 (\$882,846) loan provided by Jane Styslinger had been fully drawn down.

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.

Directors' Report

(continued)

Likely Developments and Expected Results

The Company intends to ramp up production in the Cononish silver and gold mine to a state of full and sustainable production by reaching 23,500 ounces of gold per annum and to continue its exploration activities.

Governance

As Chairman of the Board of Directors of Scotgold Resources Limited ("Scotgold", "we", "Company", "Board", or "Group" as the context requires), it is my responsibility to ensure that Scotgold has sound governance and an effective Board. This responsibility includes leading the Board and overseeing the Group's corporate governance. Good and timely information flows between Executives and Non-Executives with interactions that are both supportive and challenging are essential to this.

Governance Code and Compliance

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.

Scotgold has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code") in line with the London Stock Exchange's AIM Rules. This Statement follows the ten-point structure of the QCA Code and describes how we have applied the Code. The Group will provide updates not less than annually.

The QCA Code sets out ten principles which should be applied. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Group. The Board recognises that even where the Group may not fully comply with a principle or general provisions of the Code, it uses the Code as a benchmark in assessing its corporate governance standards. These principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

Key governance related matters that have occurred during the year to 30 June 2022 include my appointment as Non-Executive Chairman from 3 November 2021, with Nathaniel le Roux stepping down from the position and remaining on the Board as a Non-Executive Director. Other board changes include the appointments of Sean Duffy, Chief Financial Officer, and Evan Spencer, Non-Executive Director, on 16 March 2022, and the resignations of Richard Gray and Philip Jackson on the same date.

Peter Hetherington.

Non-Executive Chairman
December 2022

QCA Principles

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. A comprehensive update of the life-of-mine model is currently being undertaken by the Group.

Directors' Report

(continued)

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 ongoing 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.

Challenges to delivering the above strategies, long-term goals and shareholder value include exploration risks, environmental risks and political risks, all of which are outlined in the Risk Management section below, as well as steps the Board takes to protect the Company and mitigate these risks, thus securing a long-term future for the Company.

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

Scotgold seeks constructive relationships with investors and potential investors so it can understand the views of shareholders and so they know its goals and ambitions. All shareholders are encouraged to attend the Company's Annual General Meetings (AGM), which provides an opportunity to meet, listen and present to shareholders, and shareholders can express their views on the Company's business activities and performance. After the close of business at the AGM, 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 website is designed to facilitate easy interaction between the Company and shareholders and other users. Management of the website 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 website 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, Shore Capital, 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.

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Directors' Report

(continued)

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 Group has met its obligations to date.

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; 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.

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 ongoing basis.

The Board regularly reviews the Group's principal stakeholders and how it engages with them. The stakeholder voice is brought into the boardroom throughout the year through information provided by management and also by direct engagement with stakeholders themselves, including shareholder interviews with the CEO. The relevance of each

stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making process.

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.

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 ongoing 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

Directors' Report

(continued)

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 development. 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.

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; and
- 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.

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.

Directors' Report

(continued)

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.

Directors' Report

(continued)

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.

Directors' Report

(continued)

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. Meetings of the Board are open and constructive, with every Director expected to participate fully. 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, six of whom are Non-Executive and two of whom are regarded as independent. Richard Barker 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 QCA Code recommends a balance between Executive and Non-Executive Directors and recommends that there be at least two Independent Non-Executive Directors. The Board considers each of Mr Spencer and Mr Barker to be Independent Non-Executive Directors. Mr le Roux, Mr Stysliger, 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.

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

The Directors have both a breadth and depth of skills and experience to fulfil their roles. The Board is satisfied that it has a suitable balance between independence (of both

character and judgement) on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

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 ensure that Board procedures are followed and that the Group complies with all applicable rules, regulations and obligations governing its operation in the UK, as well as helping the Chairman maintain excellent standards of corporate governance. One Advisory Limited also provides support with MAR compliance, AIM regulations and UK Corporate Governance.

The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal. The Nomination Committee will seek to take into account any Board imbalances for future nominations, with an area taken into account being diversity.

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.

Directors' Report

(continued)

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 that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this is likely to in turn impact upon the long-term performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

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 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's principal responsibilities are to ensure that the Group and its Board are acting in the best interests of shareholders, customers and wider society in a sustainable way. The leadership of the Board is undertaken in a manner which ensures that the Board retains integrity, effectiveness and, includes creating the right Board dynamic to ensure that important matters, in particular, strategic

Directors' Report

(continued)

decisions receive adequate time and attention. The Chairman is also the main point of contact for shareholders and key stakeholder liaison, although the Executives meet shareholders regularly throughout the year.

The Chairman's role is leadership of the Board and ensuring its effectiveness in all aspects of its role. He 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 Board has established Audit and Corporate and Social Responsibility Committees, chaired by Mr Ian Proctor and Mr Peter Hetherington respectively. Terms of Reference for all Committees are available on the Company's website.

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 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 website is designed to facilitate easy interaction between the Company and shareholders and other users. Management of the website 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.

Website 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. All resolutions at the 2022 Annual General Meeting were passed comfortably, and the proxy results can be found on the website. The Board maintains that, if there is a resolution passed at a General Meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

Directors' Report

(continued)

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2022, 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	5
Nathaniel le Roux	6	5
Richard Gray	5	5
Phillip Day	6	6
Phillip Jackson	5	5
Richard Barker	6	6
William Styslinger	6	5
Evan Spencer	1	1
Sean Duffy	5	5
Ian Proctor	6	4

Audit Committee

The Audit Committee is comprised of Mr Proctor (Chairman), Mr Barker and Mr Styslinger. Two meetings of the Audit Committee were held during the year ended 30 June 2022.

The Audit Committee Report for the year ended 30 June 2022 can be found in the QCA Corporate Governance Statement of the Company, which can be found on the Company website at www.scotgoldresources.com.

Corporate and Social Responsibility Committee

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

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 2022.

Directors' Report

(continued)

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 2022.

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

Appointment of Director

Peter Hetherington was appointed Non-Executive Chairman 2 November 2021 with Nathaniel le Roux stepping down from the role into a Non-Executive Director role on the same day.

Sean Duffy was appointed Chief Financial Officer 16 March 2022. On the same day Evan Spencer was appointed as a Non-Executive Director.

Resignation of Director

Richard Gray and Phillip Jackson resigned as a Non-Executive Directors on 16 March 2022.

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.

Directors' Report

(continued)

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 2022

Directors' Remuneration

No salaries, commissions, bonuses or superannuation were paid or payable to Directors during the year except for Phillip Day and Sean Duffy, 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) 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.

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 2022 amounted to £53,750.

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 \$146,492 has been recognised as an expense during the year in respect of these options.

Sean Duffy (Chief Financial Officer) is remunerated in terms of a contract of employment dated 16 March 2022 which provides for a fixed salary of £155,000 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.

On 24 May 2022, Mr Duffy was granted 400,000 options to acquire shares in the Company at an exercise price of 75p 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 Duffy being an employee in good standing of the Company or an entity controlled by the Company on that day and expire on 24 May 2027.

An amount of \$4,955 has been recognised as an expense during the year in respect of these options.

Non-Executive Directors

- i) Through his service company, Barston Corporation Pty Ltd, Spe 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 2022 (2021 - \$39,996).
- ii) Mr le Roux made available to SGZ Cononish Limited a secured loan facility in May 2018, with the extension of the facility during March 2021. The cumulative amount drawn down under the facility to an amount of £8.5 million at 30 June 2022. Details of the secured loan facility are set out in Note 17.

Directors' Report

(continued)

- iii) 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 was settled by the issuing of ordinary shares on 27 September 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 2022 the amount owing by the consolidated entity in respect of drawdowns made on that secured loan was \$16,146,988 (2021 - \$15,412,129).

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 was settled by the issuing of ordinary shares on 27 September 2021

Shareholder approval of Directors' remuneration

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			Share-based payments	Total
		Fees	Consulting / Salary	Retirement Benefits		
		\$	\$	\$	\$	\$
Year ended 30 June 2021						
Peter Hetherington*		–	–	–	–	–
Nat le Roux*		–	–	–	–	–
Richard Gray ³		–	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	796,616

Directors' Report

(continued)

Director/Executive	Associated Company	Short-term benefits				Total \$
		Fees \$	Consulting / Salary \$	Retirement Benefits \$	Share-based payments \$	
Year ended 30 June 2022						
Peter Hetherington*		-	-	-	-	-
Nat le Roux*		-	-	-	-	-
Richard Gray ³		-	-	-	-	-
Phillip Day ¹		98,624	295,872	11,835	146,492	552,823
Sean Duffy ⁴		-	47,400	1,895	8,293	57,534
Chris Sangster ²		-	-	-	-	-
Phillip Jackson ³	Holihox Pty Ltd	24,200	-	-	-	24,200
Richard Barker	Barston Corp. Pty Ltd	64,143	-	-	-	64,143
William Styslinger*		-	-	-	-	-
Ian Proctor*		-	-	-	-	-
Evan Spencer ⁴		17,500	-	-	-	17,500
		204,467	343,272	13,730	154,731	716,200

* 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

³ Resigned 16 March 2022

⁴ Appointed 16 March 2022

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

Director/Executive	Associated Company	Fixed proportion		Linked to performance	
		2022 \$	2021 \$	2022 \$	2021 \$
Year ended 30 June 2022					
Peter Hetherington		100%	100%	-	-
Nat le Roux		100%	100%	-	-
Phillip Day		74%	100%	26%	-
Sean Duffy		86%	-	14%	-
Richard Gray		100%	52%	-	48%
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%	-	-
Evan Spencer		100%	-	-	-

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Directors' Report

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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
Sean Duffy	400,000	24 May 2022	23 May 2025	23 May 2027	£0.75	£0.3343

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.

Each of the options granted to Sean Duffy on 24 May 2022 entitles the holder to one ordinary unissued share at a strike price of £0.75. The options vest on 23 May 2025, provided that Mr Duffy 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 Duffy were granted under the Enterprise Management Incentive Scheme of the Company.

Options carry no dividend or voting rights.

Directors' Report

(continued)

Additional information

The earnings of the consolidated entity for the five years to 30 June 2022 are as follows:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Sales revenue	17,782,186	299,807	–	–	–
EBITDA	(2,126,205)	(2,406,611)	(1,105,783)	(3,285,036)	(1,657,616)
EBIT	(5,074,643)	(3,721,458)	(1,834,222)	(3,416,512)	(1,727,523)
(Loss) after income tax	(10,784,984)	(4,980,942)	(2,504,134)	(3,518,455)	(1,899,667)
Basic (loss) per share (cents per share)	(18.37)	(9.28)	(5.04)	(7.84)	(7.92)

Voting at the 2021 Annual General Meeting

The Remuneration Report for the year ended 30 June 2021 was adopted unanimously at the 2021 Annual General Meeting on a show of hands.

Key management personnel share holdings

Year ended 30 June 2022

	Balance 30 June 2021	Exercise of options	Subscription	At date of resignation/ appointment	Disposal of shares	Balance 30 June 2022
Peter Hetherington	4,088,961	–	528,013	–	–	4,616,974
Nat le Roux	22,618,223	–	2,094,751	–	–	24,712,974
Phillip Day	–	–	–	–	–	–
Richard Gray	105,677	–	–	105,677	–	–
Chris Sangster	–	–	–	–	–	–
Phillip Jackson	43,313	–	–	43,313	–	–
Richard Barker	–	–	–	–	–	–
William Styslinger	5,931,400	–	549,686	–	–	6,481,086
Ian Proctor	1,155,844	–	105,645	–	–	1,261,489
Evan Spencer	–	–	–	–	–	–
	33,943,418	–	3,278,095	148,990	–	37,072,523

Key management personnel option holdings

Year ended 30 June 2022

	Balance 30 June 2021	Granting of options	At resignation	Disposal of options	Balance 30 June 2022
Richard Gray	1,400,000	–	(1,400,000)	–	–
Phillip Day	840,000	–	–	–	840,000
Sean Duffy	–	400,000	–	–	400,000
	2,240,000	400,000	(1,400,000)	–	1,240,000

Directors' Report

(continued)

Aggregate amounts payable to Directors and their related entities:

	Consolidated Entity 2022 \$	Consolidated Entity 2021 \$
Accounts payable	11,000	55,030
Current borrowings	–	1,745,257
Non-current borrowings owing to Jane Styslinger		
Principal	882,846	–
Accumulated interest	19,864	–
Non-current borrowings owing to Bridge Barn Limited		
Principal	15,426,725	13,814,698
Accumulated interest	720,263	1,597,431
Total	17,060,698	17,212,416

There were no performance related payments made during the year.

Approval

This report was approved by the Board on 16 December 2022 and signed on its behalf by:

Peter Hetherington

Chair of the Remuneration and Nomination Committee

End of Audited remuneration report.

Directors' Report

(continued)

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 Phillip Day was granted unlisted options over 400,000 depository interests of no par value each in the Company ("Ordinary Shares") with an exercise price of 75p per Ordinary Share and an expiry date of 31 August 2027.

The Options shall vest on 1 September 2025 subject to the above-mentioned employees being an employee in good standing of the Company or any controlled entity of the Company at that date.

There are no other 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.

Income tax services were provided to the Company by various offices in the United Kingdom of BDO LLP – 2022: \$17,882 (2021 - \$55,014). BDO Corporate Tax (WA) Pty Ltd provided income tax services to the Company – 2022: \$20,347 (2021 - \$7,001).

Auditor's Independence Declaration

The auditor's independence declaration has been received for the year ended 30 June 2022 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 16 December 2022

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Auditor's Independence Declaration

For the year ended 30 June 2022



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2022, 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.

A handwritten signature in black ink, appearing to read 'P. Murdoch', with a long horizontal flourish extending to the right.

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth

16 December 2022

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Revenue	2	17,782,186	299,807
Cost of sales	3	(14,629,107)	(299,807)
Profit (loss) from production operations		3,153,079	–
Interest income	4	7,737	8,285
Loss on settlement of loan	19	(1,359,008)	–
Other income	5	–	416,007
Administration costs		(2,020,799)	(1,093,619)
Interest expense	6	(1,597,168)	(1,259,484)
Depreciation and loss on disposal of non-current assets	7	(5,859,747)	(1,314,847)
Employee and consultant costs, excluding share-based payments		(1,806,020)	(1,095,882)
Share-based payments	21	(268,637)	(364,725)
Listing and share registry costs		(186,430)	(193,023)
Currency exchange variances		(847,991)	(57,580)
Other expenses		–	(26,074)
LOSS BEFORE INCOME TAX		(10,784,984)	(4,980,942)
Income tax benefit	8	–	–
LOSS FOR THE YEAR		(10,784,984)	(4,980,942)
Other Comprehensive Income			
<i>Items that may be reclassified to Profit or Loss</i>			
Exchange difference on translation of foreign subsidiaries		376,015	765,392
Total comprehensive result for the year		(10,408,969)	(4,215,550)
Basic and diluted (loss) per share (cents per share)	30	(18.37)	(9.28)
Loss per share for the year attributable to the members of Scotgold Resources Ltd (cents per share)		(18.37)	(9.28)

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

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Consolidated Statement of Financial Position

At 30 June 2022

	Notes	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents		168,086	2,624,342
Trade and other receivables	9	4,686,404	448,336
Inventory	10	1,295,839	187,276
Other current assets	11	1,048,210	296,657
Total Current Assets		7,198,539	3,556,611
NON-CURRENT ASSETS			
Trade and other receivables	9	1,463,125	1,579,820
Plant and equipment	12	14,515,295	16,280,930
Right-of-use assets	13	3,025,490	2,777,962
Mineral exploration and evaluation	14	3,051,622	2,990,000
Mine development asset	15	23,996,356	25,770,548
Total Non-Current Assets		46,051,888	49,399,260
TOTAL ASSETS		53,250,427	52,955,871
CURRENT LIABILITIES			
Trade and other payables	16	3,999,379	2,306,453
Other current liabilities	16	1,100,811	873,977
Borrowings	17	1,175,358	7,927,888
Total Current Liabilities		6,275,548	11,108,318
NON-CURRENT LIABILITIES			
Borrowings	17	22,266,513	11,986,714
Provisions	18	781,898	908,915
Total Non-Current Liabilities		23,048,411	12,895,629
TOTAL LIABILITIES		29,323,959	24,003,947
NET ASSETS		23,926,468	28,951,924
EQUITY			
Issued capital	19	57,755,221	52,640,345
Reserves	20	1,430,619	785,967
Accumulated losses	20	(35,259,372)	(24,474,388)
TOTAL EQUITY		23,926,468	28,951,924

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 2022

	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Share-based payment reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
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)
	52,640,345	(24,474,388)	134,769	900,806	(249,608)	28,951,924
YEAR ENDED 30 JUNE 2022						
Balances at 1 July 2021	52,640,345	(24,474,388)	134,769	900,806	(249,608)	28,951,924
Total comprehensive result for the year	–	(10,784,984)	–	–	376,015	(10,408,969)
Transactions with owners in their capacity as owners:						
Issue of shares	5,114,876	–	–	–	–	5,114,876
Share-based payments	–	–	–	268,637	–	268,637
Balances at 30 June 2022	57,755,221	(35,259,372)	134,769	1,169,443	126,407	23,926,468

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

Overview

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Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		13,544,118	–
Payment to suppliers		(18,466,016)	(1,443,368)
Interest income received		7,737	8,285
Net Cash Outflow from Operating Activities	26	(4,914,161)	(1,435,083)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		–	(428,794)
Payments for mine development activities		(935,058)	(10,249,942)
Purchase of plant and equipment		(499,582)	(803,791)
Proceeds on disposal of plant and equipment		–	400
Net Cash Outflow from Investing Activities		(1,434,640)	(11,482,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options, net of costs		–	7,661,686
Proceeds on draw-down of first tranche of unsecured loan		6,520,985	1,810,938
Proceeds on draw-down of secured loan		8,828,463	6,343,675
Payment of interest of secured loan		(206,422)	–
Repayment of drawn-down secured loan		(8,591,808)	–
Repayment of right-of-use leases		(2,775,775)	(1,297,746)
Net Cash Inflow from Financing Activities		3,775,443	14,518,553
Net increase (decrease) in cash held		(2,573,358)	1,601,343
Effect of exchange rate fluctuations on cash and cash equivalents		117,102	3,020
Cash and cash equivalents at beginning of year		2,624,342	1,019,979
Cash and cash equivalents at end of year		168,086	2,624,342

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 30 June 2022

Note 1 – Statement of Significant Accounting Policies

Basis of Preparation

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

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

The company is a listed public company, incorporated in Australia and operating in Australia and Scotland. The entity's principal activity is 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 sheet date, the consolidated entity had current assets of \$7,198,539 (2021 - \$3,556,611), including available cash and cash equivalents of \$168,086 (2021 - \$2,624,342), and current liabilities of \$6,275,548 (2021 - \$11,108,318).

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.

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 2022, the consolidated entity had cash balances of \$168,086 (2021 - \$2,624,342) and for the financial year then ending, incurred net cash outflows from operating and investing activities of \$4,119,381 (2021 - \$12,917,210).

The consolidated entity had net current assets of \$922,991 at 30 June 2022 (2021 - current net liability of \$7,551,707). The movement to a net current asset position of the consolidated entity was largely due to the refinancing of the first and second tranche of the secured loan facility. The earliest repayment of the secured loan is now scheduled for July 2023, by which point, significant positive cash flow should be generated.

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.

Commercial production was achieved on 30 June 2022.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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:

- The Group has achieved commercial production, with regular shipments now being achieved;
- The latest repayments of the Bridge Barn Limited loan have been budgeted to be repaid with operating cash flows during the next 12 months and with a further drawdown being available from Fern Wealth;
- 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 any short term working capital requirements as the mine ramps up to full production.

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 16 December 2022.

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.

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2022, 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.

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 2022. They have not been adopted in preparing the financial statements for the year ended 30 June 2022.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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.

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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 2021-5 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 transactions 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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.

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

(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.

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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 2022. 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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 capitalised 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 was achieved on 30 June 2022. During the year ended 30 June 2022, a portion of the mine development asset in an amount of \$2,247,870 (2021 - \$286,700) 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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.

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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.

As at 30 June 2022, no financial liabilities are held for trading or have been designated upon initial recognition as at fair value through profit or loss.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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 was achieved on 30 June 2022.

During the year ended 30 June 2022, a portion of the mine development asset in an amount of \$14,478,514 (2021 - \$286,700) 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.

(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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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 to a separate component of equity, being recognised in the foreign currency translation reserve via other comprehensive income.

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.

(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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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 2022 was \$795,798 (2021 - \$908,915).

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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 commercial production

The board consider that the entity has reached commercial production when it has achieved three consecutive months of positive operating cash flows. Once this point is reached, all production costs are recognised in profit or loss account in the period in which they arise and the mine development asset is amortised over the remaining life of mine.

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.

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 2022, the gross asset base of the consolidated entity directly attributable to the Cononish mine amounted to \$49,530,755 (2021 - \$47,623,151). The Directors have not identified any impairment indicators necessitating impairment of the carrying value of that asset base at 30 June 2022.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 1 – Statement of Significant Accounting Policies (continued)

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 2022;
- The gold price remains buoyant and global economic conditions remain conducive to increasing rates of inflation and thereby sustained strong gold price levels; and
- Commercial production has been achieved by 30 June 2022, producing sustainable levels of production with over 30 gold concentrate shipments having been made to 30 June 2022.

At 30 June 2022, the consolidated entity had capitalised mineral exploration and evaluation expenditure of \$3,052,000 (2021 - \$2,990,000).

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.

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

Note 2 – Revenue

Revenue comprises sales of gold concentrate only.

Revenue is earned entirely within the Cononish mine in the United Kingdom and as outlined in Note 1, recognised when the gold concentrate receives its 'received for shipment' (RFS) bill of lading.

Note 3 – Cost of Sales

	2022 \$	2021 \$
Cost of sales		
Smelting, refining, transport, marketing and assay costs	345,531	13,107
Production costs	14,283,576	286,700
Total cost of sales	14,629,107	299,807

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Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 4 – Interest Income

	2022 \$	2021 \$
Interest income		
Interest received on non-current receivables	7,737	8,171
Interest received on bank deposits	–	114
Total interest income	7,737	8,285

Note 5 – Other Income

	2022 \$	2021 \$
Other income		
Regional Selective Assistance grant payments from Scottish Enterprise	–	413,966
Sale of scrap metal	–	2,041
Total other income	–	416,007

The loss on settlement of loan of \$1,359,008 (2021: \$nil) is outlined in note 19.

Note 6 – Interest Expense

	2022 \$	2021 \$
Interest expense		
Secured loan	1,415,251	1,038,714
Right-of-use lease liability	295,033	213,635
Unwinding of discount on provision for restoration and decommissioning	(113,116)	7,135
Total interest expense	1,597,168	1,259,484

Note 7 – Depreciation and Loss on Disposal of Non-Current Assets

	2022 \$	2021 \$
Depreciation of non-current assets		
Mine development asset	2,247,870	–
Plant and equipment	1,605,064	185,162
Motor vehicles	5,529	8,250
Office furniture and equipment	47,148	14,841
Right-of-use assets	1,954,136	1,106,594
Total depreciation of non-current assets	5,859,747	1,314,847
Total depreciation and loss on disposal of non-current assets	5,859,747	1,314,847

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 8 – Income Tax

The prima facie tax benefit at 27.5% (2021– 27.5%) on loss from ordinary activities is reconciled to the income tax benefit in the financial statements as follows:

	2022 \$	2021 \$
Loss from ordinary activities	(10,784,984)	(4,980,942)
Prima facie income tax benefit at 27.5% (2021 – 27.5%)	2,965,870	1,369,759
Difference in tax rate between jurisdictions	(729,950)	(342,409)
Net taxable temporary timing differences	128,565	600,184
Net deductible temporary timing differences	29,007	(3,806)
Tax effect of permanent differences		
Share issue costs amortised	29,008	29,008
Other non-deductible expenses	(78,346)	(108,017)
Increase in assessable losses	2,344,154	1,544,719
Deferred tax asset not brought to account	2,344,154	(1,544,719)
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 2022 to offset the effect of taxable temporary differences in future. From 2023 the rate of taxation in the United Kingdom will increase to 25%.

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

	2022 \$	2021 \$
Revenue losses after permanent differences	4,698,127	4,979,511
Capital raising costs yet to be claimed	412,846	412,846
	5,110,973	5,392,357

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2022 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:

- 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;
- The Company and its controlled entities continue to comply with the conditions for deductibility imposed by tax legislation; and
- 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 9 – Trade and Other Receivables

	2022 \$	2021 \$
Current		
Trade debtors	4,008,959	20,011
GST / VAT receivable	436,108	414,455
Other receivables	241,337	13,870
	4,686,404	448,336
Non-current		
Rehabilitation, restoration and land management Bond deposits	1,463,125	1,524,561
Performance Bond deposit	–	55,259
	1,463,125	1,579,820

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 (\$949,798) in respect of obligations to undertake restoration, decommissioning and environmental aftercare and monitoring on cessation of operations at the Cononish mine; and
- £268,693 (\$474,429) 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 \$40,377 (2021 - \$38,989).

Note 10 – Inventory

	2022 \$	2021 \$
Inventory of gold concentrate	628,399	120,796
Inventory of mining consumables	667,440	66,480
	1,295,839	187,276

Note 11 – Other Current Assets

	2022 \$	2021 \$
Prepayments	1,048,210	296,657
	1,048,210	296,657

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 12 – Plant and Equipment

	2022 \$	2021 \$
Cost	16,634,431	16,825,605
Accumulated Depreciation	(2,119,136)	(544,675)
	14,515,295	16,280,930

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 15)	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

Movement for the year ended 30 June 2022

	Plant and equipment	Motor vehicles	Furniture and office equipment	Total
Cost				
Opening balance	16,686,237	58,522	80,846	16,825,605
Additions	385,540	–	114,042	499,582
Foreign exchange movement	(680,878)	(2,343)	(7,535)	(690,756)
Closing balance	16,390,899	56,179	187,353	16,634,431
Accumulated depreciation				
Opening balance	489,900	33,117	21,658	544,675
Depreciation expensed	1,605,064	5,529	47,148	1,657,741
Foreign exchange movement	(79,432)	(1,534)	(2,314)	(83,280)
Closing balance	2,015,532	37,112	66,492	2,119,136
Net carrying value				
At 30 June 2022	14,375,367	19,067	120,861	14,515,295
At 30 June 2021	16,196,337	25,405	59,188	16,280,930

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Notes to and Forming Part of the Consolidated Financial Statements

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Note 13 – Right-of-Use Assets

	2022 \$	2021 \$
Cost	6,859,368	4,601,501
Accumulated Depreciation	(3,833,878)	(1,823,539)
	3,025,490	2,777,962

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

	2022 \$	2021 \$
Cost		
Balance at beginning of year	4,601,501	2,411,627
Additions during the year	1,566,768	1,840,777
Modifications of rights during year	977,541	243,692
Foreign exchange movement	(286,442)	105,405
Balance at end of year	6,859,368	4,601,501
Accumulated Depreciation		
Balance at beginning of year	1,823,539	673,389
Depreciation expensed	1,954,136	1,106,594
Foreign exchange movement	56,203	43,556
Balance at end of year	3,833,878	1,823,539

During the year, an immaterial amount was 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.

Note 14 – Mineral Exploration and Evaluation

	2022 \$	2021 \$
Opening balance	2,990,000	2,441,728
Additional expenditure deferred during the year	185,422	467,948
Foreign exchange movement	(123,800)	80,324
Closing balance	3,051,622	2,990,000

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

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 15 – Mine Development Asset

	2022 \$	2021 \$
Opening balance	25,770,548	28,805,352
Additions	935,058	11,029,274
Share-based payment costs capitalised (see Note 21)	–	252,439
Provision for restoration and decommissioning (see Note 18)	121,030	220,447
Transfer to plant and equipment	–	(15,192,588)
Transfer to production costs	–	(404,734)
Amortisation	(2,247,870)	–
Foreign exchange movement	(582,410)	1,060,358
Closing balance	23,996,356	25,770,548

Share-based payment costs have been recognised in profit or loss in the period. Options granted to senior management to incentivise the meeting of the corporate target of gold at the Cononish mine during 2021 were capitalised to the mine development asset.

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 during 2021. No further capitalisation occurred this year due to completion of the plant, building and 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 was attained at the Cononish Mine on 30 June 2022. From 1 July 2022 onwards, the components of the balance sheet at 30 June 2022 will be amortised to production costs (inventory) and expensed on appropriate basis.

Note 16 – Trade and Other Payables

	2022 \$	2021 \$
Trade payables	3,999,379	2,306,453
Other accruals	1,100,811	873,977
	5,100,190	3,180,430

All material trade and other payables relate to development expenditure.

Trade payables are non-interest bearing and are normally settled on 30 days terms (2021 – 30 days).

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 17 – Borrowings

	2022 \$	2021 \$
Non-current		
Secured loan facility	16,146,988	11,055,263
Unsecured loan facility	4,548,865	–
Right-of-use lease liabilities	1,570,660	931,451
	22,266,513	11,986,714
	2022 \$	2021 \$
Current		
Secured loan facility	–	4,356,866
Short term unsecured loan	–	1,841,960
Right-of-use lease liabilities	1,175,358	1,729,062
	1,175,358	7,927,888
Total borrowings	23,441,871	19,914,602

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

Secured 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, other than the negotiated debt restructure with Bridge Barn Limited as outlined in the Directors report.

The terms of the secured loan facility at 30 June 2022 are as follows:

- i) An overall facility amount of £8,500,000, all of which had been drawn down by 30 June 2022;
- ii) Nominal interest rate is 9.9% applied to all amounts drawn down, payable quarterly in arrears;
- 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 2022:

	Balance at beginning of year \$	Drawdowns/ (Repayments) \$	Interest at effective rate \$	Foreign exchange movements \$	Balance at end of year \$	Date of repayment
Tranche 1	4,356,866	(4,369,700)	13,663	(829)	–	–
Tranche 2	4,218,766	(4,222,108)	12,954	(9,612)	–	–
Tranche 3	995,894	–	43,285	(1,382)	1,037,797	09/07/2023
Tranche 4	1,977,140	–	86,570	(3,322)	2,060,388	12/08/2023
Tranche 5	1,968,770	–	86,570	(3,642)	2,051,698	01/09/2023
Tranche 6	951,531	–	39,970	(2,489)	989,012	05/02/2024
Tranche 7	943,162	–	39,970	(2,142)	980,990	17/03/2024
Tranche 8	–	8,828,463	397,281	(198,641)	9,027,103	15/01/2025
	15,412,129	236,655	720,263	(222,059)	16,146,988	

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 17 – Borrowings (continued)

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	

The effective interest rate on the secured loan facility is 8.41% (2021 – 8.38%).

Unsecured loan from company controlled by a related party

The Group entered into an agreement with Jane Styslinger, related party to Bill Styslinger, a Director of the Group, to provide an unsecured loan facility. The terms of the unsecured loan facility at 30 June 2022 are as follows:

- i) An overall facility amount of £500,000, all of which had been drawn down by 30 June 2022;
- ii) Nominal interest rate is 9.9% applied to all amounts drawn down, payable quarterly in arrears; and
- iii) The full amount is repayable two years after the date of drawdown.

Movements on the unsecured facility loan for the year ended 30 June 2022:

	Balance at beginning of year \$	Drawdowns \$	Interest at effective rate \$	Foreign exchange movements \$	Balance at end of year \$	Date of repayment
Loan	–	882,846	19,864	–	902,710	07/04/2024

Unsecured loan facility

The Group entered into an agreement with Fern Wealth to provide an unsecured loan facility. The terms of the unsecured loan facility at 30 June 2022 are as follows:

- iv) An overall facility amount of £3,000,000, of which £2,065,000 had been drawn down by 30 June 2022;
- v) Nominal interest rate is 7.0% applied to all amounts drawn down;
- vi) Each amount or sub-tranche, as appropriate, together with accumulated interest thereon, is repayable two years after the date of drawdown of that amount or sub-tranche; and
- vii) The loan provided the rights to warrants for each participant. This is outlined in Note 19.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 17 – Borrowings (continued)

Movements on the unsecured facility loan for the year ended 30 June 2022:

	Balance at beginning of year \$	Drawdowns \$	Interest at effective rate \$	Foreign exchange movements \$	Balance at end of year \$	Date of repayment
Loan	–	3,754,545	31,495	(139,885)	3,646,155	07/04/2024

The effective interest rate on the unsecured loan facility is 7%.

Converted shareholder loan

On 6 August 2021, the Group drew down the second tranche of £1,000,000 (AUD\$1,883,594) on the short term unsecured loan facility with four directors and one material shareholder who is not a director.

On 24 September 2021, this facility was settled by Scotgold Resources Limited on behalf of SGZ Cononish Limited by the issuing by Scotgold Resources Limited of 3,301,420 shares to the Loan Providers (year ended 30 June 2021 - Nil). This loan had a settlement value of \$5.1m, resulting in a loss of settlement of \$1.4m recognised in the income statement due to the difference on share price between issue price and on settlement date.

Lease liabilities

The movements in lease liabilities are as follows:

	2022 \$	2021 \$
Balance at beginning of year	2,660,513	1,601,879
Additional rights acquired	1,801,023	1,840,777
Modifications to rights	883,049	243,692
Interest expense	295,033	213,635
Repayments	(2,775,775)	(1,297,746)
Foreign exchange movement	(117,826)	58,276
Balance at end of year	2,746,017	2,660,513
Non-current portion	1,570,659	931,451
Current portion	1,175,358	1,729,062

The effective interest rate on the lease liabilities is 9.13% (2021 – 9.13%). Right-of-use assets with an aggregate net carrying value of \$3,025,490 (2021 - \$2,777,962) are financed by the lease liabilities.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 18 – Provisions

	30 June 2022 \$	30 June 2021 \$
Provision for restoration and decommissioning	781,898	908,915

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 2022.

In arriving at the amount of the provision, an annual inflation rate of 4% has been applied to estimated future costs stated at current levels and the resultant cashflows have been discounted back to 30 June 2022 using a discount rate of 0.98%.

The movements in the provision are as follows:

	Year to 30 June 2022 \$	Year to 30 June 2021 \$
Opening balance	908,915	657,934
Unwinding of discount	(1,470)	7,135
Adjustment for mine development progress and change in rate	(119,560)	220,447
Foreign exchange movement	(5,987)	23,399
Closing balance	781,898	908,915

Note 19 – Issued Capital

	2022 No. of shares	2021 No. of shares	2022 \$	2021 \$
Ordinary shares – fully paid	59,523,291	56,221,871	57,755,221	52,640,345

(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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 19 – Issued Capital (continued)

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

During the year ended 30 June 2021:

Date	Details	Shares	Value (dollars)	\$
	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

During the year ended 30 June 2022:

Date	Details	Shares	Value (dollars)	\$
	Balance at 30 June 2021	56,221,871		52,640,345
24/09/2021	Conversion of Directors' Loan	3,301,420	1.549	5,114,876
	Balance at 30 June 2022	59,523,291		57,755,221

On 24 September 2021, loans with four Directors and one material shareholder who is not a director were settled by Scotgold Resources Limited on behalf of SGZ Cononish Limited by the issuing by Scotgold Resources Limited of 3,301,420 shares to the loan providers (year ended 30 June 2021 – nil). This loan had a settlement value of \$5.1m resulting in a loss on settlement of \$1.4m recognised in the income statement due to the difference on share price between issue price and the settlement date.

(c) Movements in options were as follows:

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 2022, 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 19 – Issued Capital (continued)

(d) Warrants in issue:

The total value of the warrants issued to the debt holders relating to Fern Wealth total \$192,748. The value of these was calculated through the Black Scholes method and includes a 20% premium on the most recent traded share price.

There are 450,000 options in issue.

Note 20 – Reserves and Accumulated Losses

	2022 \$	2021 \$
Accumulated Losses		
Balance at beginning of the year	(24,474,388)	(19,493,446)
Net loss from ordinary activities	(10,784,984)	(4,980,942)
Balance at end of the year	(35,259,372)	(24,474,388)
Foreign Currency Translation Reserve		
Balance at beginning of the year	(249,608)	(1,015,000)
Reserve arising on translation of foreign currency subsidiaries	376,015	765,392
Balance at end of the year	126,407	(249,608)
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	900,806	283,642
Issue of options for services rendered (Note 21)	268,637	617,164
Balance at end of the year	1,169,443	900,806
Total reserves	1,430,619	785,967

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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.

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 21 – Share-Based Payments (continued)

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.

On 24 May 2022, 800,000 options were granted to senior management. Each option entitles the holder to one ordinary unissued share at an exercise price of £0.75. The options vest on 24 May 2025, provided that each employee 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 24 May 2027 and carry no dividend or voting rights. All of the options granted to each employee were granted under the Enterprise Management Incentive Scheme of the Company.

At 30 June 2022, 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
24 May 2022	800,000	24 May 2027	£0.75	£0.345

The average exercise price of these unvested options as at 30 June 2022 is £0.69 (30 June 2021 - £0.65).

At 30 June 2022, 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

The average exercise price of these vested options as at 30 June 2022 is £ 0.30 (30 June 2021 - £0.368).

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	24 May 2022
Expected volatility	55%	55%	55%	55%
Risk-free rate	0.30%	0.20%	1.67%	2.17%
Life of option	5 years	3 years	5 years	5 years
Valuation date	1 July 2020	29 July 2020	10 May 2021	24 May 2022

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 21 – Share-Based Payments (continued)

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

	2022 Number	2021 Number
Balance at beginning of the year	2,890,000	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 of 29 July 2020	–	200,000
Grant of options on 10 May 2021	–	840,000
Lapsing of options in April 2021	–	(300,000)
Lapsing of options in August 2021	(225,000)	–
Lapsing of options in October 2021	(200,000)	–
Grant of options on 24 May 2022	800,000	
Balance at end of the year	3,265,000	2,890,000

The weighted average remaining contractual life of the above is 4 years and 5 months. These have a weighted average exercise price of £0.63.

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

	Options granted on						Increase in share- based payment reserve \$
	1 May 2018 \$	16 April 2019 \$	1 July 2020 \$	29 July 2020 \$	10 May 2021 \$	24 May 2022 \$	
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
Year to 30 June 2022							
Charged to profit or loss	–	–	112,236	–	146,491	9,910	268,637
Charged to mine development	–	–	–	–	–	–	–
	–	–	112,236	–	146,491	9,910	268,637
Cumulative to 30 June 2022							
Charged to profit or loss	313,697	–	409,712	–	167,191	–	890,600
Charged to mine development	–	16,494	94,212	158,227	–	–	268,933
	313,697	16,494	503,924	158,227	167,191	–	1,159,533

Details of warrants issued to fern wealth are disclosed in full on page 77.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 22 – Commitments for Expenditure

Mineral Tenement Leases

As at 30 June 2022, 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
Later than 2 years but not later than 5 years	–	597,279
Later than 5 years	–	207,109
	119,727	1,043,842

The licence payments to be made at 30 June 2021 were 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

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 22 – Commitments for Expenditure (continued)

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

	As at 30 June	
	2022 \$	2021 \$
Not later than one year	9,759	36,983
Later than 1 year but not later than 2 years	9,351	9,659
Later than 2 years but not later than 5 years	9,916	13,464
Later than 5 years	115,450	122,195
	144,476	182,301

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	
	2022 \$	2021 \$
Not later than one year	37,621	37,182
Later than 1 year but not later than 2 years	38,373	37,925
Later than 2 years but not later than 5 years	119,786	118,388
Later than 5 years	609,770	655,756
	805,550	849,251

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:

	2022 \$
Not later than one year	70,370
Later than 1 year but not later than 2 years	71,777
Later than 2 years but not later than 5 years	224,061
Later than 5 years	1,140,575
	1,506,783

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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 2022:

	As at 30 June	
	2022 \$	2021 \$
Not later than one year	378,533	138,147
Later than 1 year but not later than 2 years	946,877	870,917
Later than 2 years but not later than 5 years	2,454,167	2,611,109
Later than 5 years	2,515,258	2,988,386
	6,294,835	6,608,559

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:

	2022 \$
Not later than one year	44,142
Later than 1 year but not later than 2 years	88,285
Later than 2 years but not later than 5 years	264,855
Later than 5 years	176,570
	573,852

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Notes to and Forming Part of the Consolidated Financial Statements

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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 was achieved during the year to 30 June 2022;
- (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).

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 2022, 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 2022.

Note 24 – Investment in Controlled Entities

	Registered Number	Country of Incorporation	Interest Held 2022	Interest Held 2021
Parent				
Scotgold Resources Limited	42 127 042 773	Australia	100%	100%
Subsidiary				
SGZ Grampian Limited	SC 309525	Scotland	100%	100%
SGZ France SAS	804 686 582	France	100%	100%
Scotgold Resources Portugal Lda	513 303 057	Portugal	100%	100%
SGZ Cononish Limited	SC 569264	Scotland	100%	100%
Fynegold Exploration Limited	SC 084497	Scotland	100%	100%

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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.

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

Year ended 30 June 2022	Scotland Production \$	Scotland Exploration \$	Australia \$	Other \$	Total \$
Segment revenue	17,782,186	–	–	–	17,782,186
Segment loss	(8,551,655)	(35,985)	(2,197,344)	–	(10,784,984)
Segment current assets	6,999,511	91,226	106,739	1,063	7,198,539
Segment non-current assets	42,727,597	3,051,622	272,669	–	46,051,888
Segment current liabilities	(5,855,231)	(182,854)	(227,795)	(9,668)	(6,275,548)
Segment non-current liabilities	(23,044,179)	(4,232)	–	–	(23,048,411)
Included in segment result and segment assets:					
Interest expense	1,597,168	–	–	–	1,597,168
Depreciation	5,859,747	–	–	–	5,859,747

All income is derived from one customer.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 26 – Notes to the Statement of Cash Flows

(a) Reconciliation of loss after income tax to net operating cash flows

	2022 \$	2021 \$
Loss from ordinary activities	(10,784,984)	(4,980,942)
Depreciation	5,859,747	1,314,847
Interest expense	1,597,168	1,259,484
Share-based payments	268,637	364,725
Loss on loan renegotiation	1,359,008	–
Transfer from mine development asset to production overheads	–	404,734
Foreign exchange movements	847,992	
	(852,432)	(1,637,152)
Movement in assets and liabilities		
Receivables	(4,238,068)	(15,039)
Other current assets	(634,858)	5,026
Payables	1,919,760	212,082
Inventories	(1,108,563)	–
Net cash used in operating activities	(4,914,161)	(1,435,083)

(b) Non-cash investing and financing activities

	2022 \$	2021 \$
Acquisition of right-of-use assets		
Modification of existing leases (see Note 17)	883,049	243,692
New leases (see Note 17)	1,801,023	1,840,777
Accrued interest where capitalised to loans	771,622	–
Shares issued to settle shareholder loan	5,114,876	–
	8,570,570	2,084,469

(c) Net debt reconciliation

	2022 \$	2021 \$
Cash and cash equivalents	168,086	2,624,342
Borrowings	(20,695,853)	(17,254,089)
Lease liabilities	(2,746,018)	(2,660,513)
Net debt	(23,273,785)	(17,290,260)

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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 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)
Cash flows	(6,757,640)	2,775,775	(3,981,865)	(2,573,358)	(6,555,223)
Accrual of interest	(771,622)	–	(771,622)	–	(771,622)
Modification of existing leases	–	(883,049)	(883,049)	–	(883,049)
New leases	–	(1,801,023)	(1,801,023)	–	(1,801,023)
Settlement of loan through shares	3,755,868	–	3,755,868	–	3,755,868
Foreign exchange movements	331,630	(177,208)	154,422	117,102	(271,524)
Net debt as at 30 June 2022	(20,695,853)	(2,746,018)	(23,441,871)	168,086	23,273,785

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
Phillip Day	Chief Executive Officer and Managing Director	01/04/2021	present
Richard Gray	Non-Executive Director	10/10/2014	16/03/2022
Phillip Jackson	Non-Executive Director	14/08/2007	16/03/2022
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
Sean Duffy	Chief Financial Officer	16/03/2022	present
Evan Spencer	Non-Executive Director	16/03/2022	present

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(continued)

Note 27 – Key Management Personnel (continued)

Richard Gray and Phillip Jackson resigned 16 March 2022.

Sean Duffy was appointed Chief Financial Officer 16 March 2022. On the same day Evan Spencer was appointed Non-Executive Director.

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	
	2022 \$	2021 \$
Short-term employee benefits	547,739	516,366
Post-employment benefits	13,730	9,737
Share-based payments	154,731	270,513
	716,200	796,616

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

	Consolidated Entity	
	2022 \$	2021 \$
Accounts payable	11,000	55,030

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) 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.
- ii) A company controlled by Nat le Roux provided loan funds to the consolidated entity on commercial terms throughout the year. A related party to William Styslinger provided loan funds to the consolidated entity on commercial terms during the year. The details of the loan funds provided are shown in Note 17.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 28 – Related Party Information (continued)

- iii) 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 full repaid at 30 June 2022. 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.
- iv) The Company and SGZ Grampian Limited have 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 2022 amounted to \$98,620. 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	
	2022 \$	2021 \$
Accounts payable	11,000	55,030
Short term unsecured loan	–	1,745,257
Non-current borrowings owing to Jane Styslinger (Note 17)		
Principal	882,846	–
Accumulated interest	19,864	–
Non-current borrowings owing to Bridge Barn Limited (Note 17)		
Principal	15,426,725	13,814,698
Accumulated interest	720,263	1,597,431
	17,060,698	17,212,416

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Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 29 – Remuneration of Auditors

The remuneration paid for the year ended 30 June 2022 includes \$17,882 (2021 - \$55,014) paid to BDO LLP in the United Kingdom in respect of tax advisory services.

	Consolidated	
	2022 \$	2021 \$
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.	55,000	57,063
Other services – provision of tax services	20,347	7,001
BDO UK LLP Other services- provision of tax services	17,882	55,014
	93,229	119,078

Note 30 – Loss Per Share

	Consolidated	
	2022 \$	2021 \$
Earnings used in calculation of loss per share	(10,784,984)	(4,980,942)
	Number 58,718,287	Number 53,680,730

There are 3,425,000 potential ordinary shares as at 30 June 2022 (30 June 2021 – 2,920,000). 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 31 – Financial Instruments (continued)

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 2022 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.

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

	Weighted Average Effective Interest Rate		2022 \$	2021 \$
	2022	2021		
Financial Assets				
Cash at Bank	0.01%	0.01%	168,086	2,624,342
Trade and other receivables	–	–	4,250,296	33,881
Non-current Bond obligation deposits	0.40%	0.40%	1,463,125	1,579,820
Total Financial Assets			5,881,507	4,238,043
Financial Liabilities				
Trade and other payables	–	–	3,999,379	2,306,453
Short term unsecured loan	–	–	–	1,841,960
Right-of-use lease liabilities	9.13%	9.13%	2,746,018	2,660,513
Unsecured loan facility	7%	7%	4,548,865	–
Secured loan facility	8.38%	8.38%	16,146,988	15,412,129
Total Financial Liabilities			27,441,250	22,221,055

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

Foreign Currency Risk

The 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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

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:

	Liabilities 2022 \$	Assets 2022 \$	Liabilities 2021 \$	Assets 2021 \$
Currency				
£ Sterling	29,323,959	1,872,548	23,832,909	4,551,946
€ Euro	–	–	88,649	1,812
USD US Dollars	–	4,008,959	4,594	32,982
	29,323,959	5,881,507	23,926,152	4,586,740

Foreign currency

A 10% depreciation in the Australian Dollar : Pound Sterling exchange rate would result in an increase in net monetary liabilities of \$3,389,492 (2021 - \$2,142,574). 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 2022 the consolidated entity had an amount of £nil (30 June 2021- Nil) available to be drawn down on the secured loan facility from Bridge Barn Limited. All repayments are due within 1-5 years. The expected cash flow for these repayments is £10.8million.

A further £935k was available to be drawn down from the arrangement with Fern Wealth. All repayments are due between 1-5 years from the balance sheet date. The expected cash flow for these repayments is £3.4million.

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.

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.

Notes to and Forming Part of the Consolidated Financial Statements

(continued)

Note 31 – Financial Instruments (continued)

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 Phillip Day was granted unlisted options over 400,000 depositary interests of no par value each in the Company ("Ordinary Shares") with an exercise price of 75p per Ordinary Share and an expiry date of 31 August 2027.

The Options shall vest on 1 September 2025 subject to the above-mentioned employees being an employee in good standing of the Company or any controlled entity of the Company at that date.

There are no other 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.

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Note 33 – Parent Entity Disclosures

	2022 \$	2021 \$
Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	3,451	36,848
Trade and other receivables	372,222	74,339
Total Current Assets	375,673	111,187
NON-CURRENT ASSETS		
Plant and equipment	3,736	272,669
Investment in and loans to subsidiaries	22,694,201	28,668,919
Total Non-Current assets	22,697,937	28,941,588
TOTAL ASSETS	23,073,610	29,052,775
CURRENT LIABILITIES		
Trade and other payables	227,795	100,851
Total Current Liabilities	227,795	100,851
TOTAL LIABILITIES	227,795	100,851
NET ASSETS	22,845,814	28,951,924
EQUITY		
Issued capital	60,473,705	56,717,836
Reserves	1,137,572	1,035,575
Accumulated losses	(38,765,463)	(28,801,487)
TOTAL EQUITY	22,845,814	28,951,924
Financial Performance		
Loss for the year attributable to the parent	9,963,976	4,215,550
Total comprehensive loss	9,963,976	4,215,550

The parent entity has no other contingent liabilities or commitments for acquisition of plant and equipment.

The parent entity and its subsidiary, SGZ Cononish Limited are party to a loan agreement with Fern Wealth, as described in note 17, whereby the parent entity has provided a guarantee to the lender.

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 2022 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 2022.

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, 16 December 2022

Independent Auditor's Report



Tel: +61 8 6382 4600
 Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
 5 Spring Street
 Perth WA 6000
 PO Box 700 West Perth WA 6872
 Australia

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 2022, 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 2022 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.

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.

Independent Auditor's Report

(continued)



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 development asset

Key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>Mine Properties are recorded by the Group in accordance with AASB 116 <i>Property, Plant and Equipment</i>. The standard prescribes that expenditure shall be recognised as an asset if, and only if:</p> <p>a) It is probable that future economic benefits associated with the item will flow to the entity; and</p> <p>b) The cost of the item can be measured reliably.</p> <p>The Group uses judgement and estimates in the identification and allocation of costs between operating expenditure and capital expenditure and in the method and selection of appropriate amortisation rates.</p> <p>Additionally, the Group is required to assess for indicators of impairment every reporting period in line with AASB 136 <i>Impairment of assets</i>.</p> <p>As a result of the significance of these judgements, we considered that the carrying amount of the mine development was a key audit matter.</p>	<p>Our audit procedures included, but were not limited to considering whether any facts or circumstances existed to suggest impairment testing was required, which included:</p> <ul style="list-style-type: none"> 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; 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

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Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 2 of the financial report and Note 1(p) for the accounting policy.</p> <p>For the year ended 30 June 2022 the Group recognised revenue of \$17,782,186 (2021: \$299,807).</p> <p>Revenue recognition was identified as a key audit matter due to the significance of revenue to the financial report and the complex nature of a significant offtake arrangement, which includes provisional invoicing arrangements.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Understanding and documenting the processes and controls used by the Group in recording revenue; • Assessing the revenue recognition policy for compliance with AASB 15 <i>Revenue from contracts with Customers</i>; • Obtaining a direct confirmation of revenue recognised from the third party offtake partner and agreeing this to the Group's records; • Performing cut off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period; • Reviewing the terms and conditions of the executed offtake agreement and ensuring that the accounting treatment has been correctly applied; and • Assessing the adequacy of the Group's disclosures within the financial report.

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 2022, 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.

Independent Auditor's Report

(continued)



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 at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 37 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Scotgold Resources Limited, for the year ended 30 June 2022, 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

Phillip Murdoch
Director

Perth, 16 December 2022

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Shareholder Details

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.

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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 (Non-Executive Director until 3 November 2021)
Phillip Day	Managing Director and CEO
Sean Duffy	Chief Financial Officer (appointed 16 March 2022)
Richard Gray	Non-Executive Director (resigned 16 March 2022)
Phillip Jackson	Non-Executive Director (resigned 16 March 2022)
Richard Barker	Company Secretary / Non-Executive Director
Nathaniel le Roux	Non-Executive Director (Non-Executive Chairman until 3 November 2021)
William Styslinger	Non-Executive Director
Ian Proctor	Non-Executive Director
Evan Spencer	Non-Executive Director (appointed 16 March 2022)
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

Company Information

(continued)

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	Shore and Corporate Limited Cassini House, 57 St James's Street, London, SW1A 1LD	
Broker	Shore Capital Stockbrokers Limited Cassini House, 57 St James's Street, London, SW1A 1LD	
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	

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Scotgold Resources Limited

SCOTLAND

Upper Tyndrum Station,
Tyndrum, Stirlingshire,
SCOTLAND, FK20 8RY

Phone: +44 1 838 400 306/+44 1 838 400 374