Scotgold Resources Limited

Registered number: SC309525

Balance Sheet

as at 30 June 2016

	Notes		2016		2015
			£		£
Fixed assets					
Intangible assets	4		8,239,221		7,798,429
Tangible assets	5		149,029		28,896
			8,388,250		7,827,325
Current assets					
Inventory		15,000		-	
Debtors	6	91,737		67,843	
Cash at bank and in hand		358,626		232,993	
		465,363		300,836	
Creditors: amounts falling due within one year	7	(78,507)		(109,036)	
Net current assets			386,856		191,800
Total assets less current liabilities			8,775,106		8,019,125
Creditors: amounts falling due after more than one year	8		(10,049,981)		(9,051,933)
Net liabilities			(1,274,875)		(1,032,808)
Capital and reserves					
Called up share capital			303		303
Share premium			565,453		565,453
Profit and loss account			(1,840,631)		(1,598,564)
Shareholders' funds			(1,274,875)		(1,032,808)

The directors are satisfied that the company is entitled to exemption from the requirement to obtain an audit under section 477 of the Companies Act 2006.

The members have not required the company to obtain an audit in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The accounts have been prepared and delivered in accordance with the special provisions applicable to companies subject to the small companies regime. The profit and loss account has not been delivered to the Registrar of Companies.

Christopher Sangster
Director
Approved by the board on 24 March 2017

Scotgold Resources Limited

Notes to the Accounts

for the year ended 30 June 2016

1 Accounting policies

Going Concern

The directors are of the opinion that the company can continue to meet its obligations as they fall due for the foreseeable future due to the continued support of its parent company. The parent company itself is reliant upon raising funds from borrowings and share issues and the directors are confident that the parent company will be successful in these endeavours. As a consequence the directors have prepared the financial statements on a going concern basis.

The group has prepared detailed forecasts and projections for the period beyond 12 months from the date of approval of these accounts. These projections show the group (and hence company) should be able to operate within the level of its current cash reserves. The company and its fellow group companies will continue to be reliant on each other.

The parent company has undertaken to provide additional capital to its wholly owned subsidiaries to fund their operations going forward as required. It has also undertaken to underwrite the costs of services incurred by its wholly owned subsidiaries in the conduct of their business.

Having considered fully the above, the directors have a reasonable expectation that the group (and hence company) has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Scotgold Resources Limited, a company incorporated in Australia, and is included in the consolidated accounts of that company.

Intangible fixed assets

Under current industry practice, exploration expenditure is capitalised if it meets certain criteria in accordance with International Financial Reporting Standards. As there is no equivalent standard under United Kingdom Generally Accepted Accounting Practice, the company has applied the provisions of International Financial Reporting Standard 6 'Exploration for and Evaluation of Mineral Resources' as best practice.

Exploration expenditure is capitalised until the results of the related projects are known. If a project is successful, the related expenditures will be amortised over the life of the estimated ore reserves on the unit of production basis. Provision for loss is made where a project is abandoned or considered to be of no further interest to the company.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Motor vehicles	25% reducing balance

Plant and equipment	25% reducing balance
Fixtures & office equipment	15% reducing balance

Inventory

Inventories consist of gold and/or gold concentrates. Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first in first out method. The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised. Where the inventory is produced as part of an exploration programme, the sales proceeds are offset against the costs of the exploration programme.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Foreign currency translation

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to profit or loss.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term

and its useful life. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

2 Employees

The average number of employees (including directors) during the year was 7 (2015: 2)

	2016	2015
	£	£
Salaries	182,196	147,255
Employers National Insurance	16,509	15,059
	198,705	162,314
Recognised as follows:		
Intangible fixed asset	96,749	142,090
Administrative expenses	102,000	20,224
	198,749	162,314

3 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

Factors affecting the tax charge for the period:

	2016	2015
	£	£
Loss on ordinary activities before taxation	(242,067)	(206,268)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2015: 20.75%)	(48,413)	(42,802)
Effects of:		
Non deductible expenses	-	1,062
Depreciation in excess of capital allowances	1,447	1,996
Other short term timing differences	46,966	39,744
	-	-

No tax charge arises as a result of the tax losses incurred and brought forward. As at 30 June 2016 the company has pre-trading losses to carry forward of approximately £1,630,000 (2015: £1,400,000) and pre-trading capital losses of approximately £170,000 (2015: £170,000).

4 Intangible fixed assets

	2016	2015

Mineral Exploration Costs	£	£
Balance brought forward at 1 July 2015	7,798,429	7,333,252
Net loss from Bulk Processing Trial, capitalised	44,584	-
Expenditure during the year, capitalised	396,208	465,177
	8,239,221	7,798,429

Included within deferred exploration expenditure is £871,384 relating to the cost of investment in Fynegold Exploration Limited, a dormant company incorporated in Scotland acquired for historic exploration and drilling data. The company holds 100% of the ordinary share capital of Fynegold Exploration Limited.

5 Tangible fixed assets

	Plant and machinery etc	Motor vehicles	Total
	£	£	£
Cost			
At 1 July 2015	122,660	40,035	162,695
Additions	131,697	-	131,697
At 30 June 2016	254,357	40,035	294,392
Depreciation			
At 1 July 2015	100,811	32,988	133,799
Charge for the year	9,798	1,766	11,564
At 30 June 2016	110,609	34,754	145,363
Net book value			
At 30 June 2016	143,748	5,281	149,029
At 30 June 2015	21,849	7,047	28,896

6 Debtors

	2016	2015
	£	£
VAT refund due	30,008	5,860
Other debtors	61,729	61,983
	91,737	67,843

Included in other debtors is an exploration licence bond of £50,000 (2015: £50,000) due after more than one year.

7 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	59,429	100,696
Other taxes and social security costs	6,747	4,340

Other creditors	12,331	4,000
	78,507	109,036

8 Creditors: amounts falling due after one year	2016	2015
	£	£
Holding Company Loan	10,049,981	9,051,933

The company will continue to rely upon the continued support of the parent company for a period of at least twelve months from the date of approval of these financial statements. As a result of this support £10,049,981 (2015: £9,051,933) has been classified as falling due after more than one year.

9 Directors' Emoluments	2016	2015
	£	£
Salary Emoluments	100,000	155,933
Consulting Emoluments	78,462	77,500
Employers National Insurance	12,681	16,802
Pension	833	-
	191,976	250,235

10 Contingent liabilities

Under the terms of an agreement between the company and its parent, interest is due on the loan from the parent company and management charges are due in respect of expenses incurred by the parent in the provision of services to the company. The interest and management charges will only become payable if the company achieves cumulative positive external cash flow.

As at 30 June 2016, interest totalling £5,339,866 (2015: £4,287,608) was due and management charges totalling £4,706,225 (2015: £4,271,945) were due. The directors are of the opinion that these amounts should not be recognised as there is significant doubt as to whether they will ultimately become payable.

11 Operating lease commitments

The company has entered into a lease with The Crown Estate for the mine at Cononish together with the right to search for and sell gold and silver from the mine for an initial annual rent of £150,000. The lease is for a term of ten years from the date of Planning Completion, as defined in the lease agreement. As at 30 June 2016, the lease term had not yet started.

12 Related party transactions

The company has taken advantage of the exemption in FRS102 from the requirement to disclose transactions with the parent company on the grounds that it is a wholly owned subsidiary.

13 Controlling party

The immediate and ultimate parent company is Scotgold Resources Limited, a company incorporated in Australia. Group financial statements are available from the parent company's website www.scotgoldresources.com.au.

14 Events after the balance sheet date

Subsequent to the year end, the parent company, Scotgold Resources Limited, a company incorporated in Australia, secured a loan of £1,000,000. The secured loan has been provided by the Chairman of the board and major shareholder of the parent company. The secured loan was approved by the independent directors of the parent company on 14 March 2017. The details and terms of the loan ("the Secured Loan") were announced on 15 March 2017.

On the same date as the announcement of the Secured Loan, the parent company also announced the decision to proceed to the phased approach of the development of the Cononish mine, subject to funding.

As announced by the parent company on 8 February 2017 the application made to the Loch Lomond and Trossachs National Park Planning Authority ("LLTNPPA") to extend BPT (Bulk Processing Trial) operations to the end of March 2018, was granted on 7th February 2017.

15 Other information

Scotgold Resources Limited is a private company limited by shares and incorporated in Scotland. Its registered office is:

Upper Tyndrum Station

Tyndrum

Stirlingshire

Scotland

FK20 8RY

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