



SCOTGOLD  
RESOURCES LIMITED

ABN : 42 127 042 773

## **HALF YEAR REPORT 2008**

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# DIRECTORS' REPORT



## DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity consisting of Scotgold Resources Limited and its controlled entities ("Scotgold") for the half year period ended 31 December 2008.

## DIRECTORS

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

		In office from	In office to
Chris Sangster	Managing Director	17/10/2007	present
Phillip Jackson	Non Executive Director	14/08/2007	present
Edmond Edwards	Non Executive Director	27/01/2009	present
John Bentley	Chairman	17/02/2009	present
Ron Thom	Director Exploration	14/08/2007	20/01/2009

## Review of Operations

## HISTORY

Scotgold Resources exploration project is located in the Grampian Highlands of mid-western Scotland. The Cononish gold and silver deposit forms the core economic basis of the Company's Grampian Project. The deposit is located on Cononish Farm within the north-western extremity of the Loch Lomond and Trossachs National Park and lies about 90km northwest of Glasgow.

Within Scotland, the large tectonic block known as the Grampian Highlands, bounded by the Great Glen Fault to the northwest and the Highland Boundary Fault to the southeast, is highly prospective for gold and base metals. This terrane, which consists mostly of metasediments and volcanics of Dalradian age, is a direct continuation of the Dalradian gold province of Northern Ireland which hosts the Curraghinalt and Cavanacaw gold deposits.

Within the SW Grampian Highlands is the Tyndrum Mineral Field, a historic mining area which contains several vein-hosted deposits of base metals, including lead, copper and zinc. The best known of these is the historic Tyndrum group of lead mines, which were discovered in 1741 and intermittently produced lead for more than a century. Less commonly some veins also contain gold and by far the most important example to date is the Cononish vein-hosted gold and silver deposit situated about 4km SSW of Tyndrum.

Previous exploration has also identified the Tyndrum-Glen Fyne Fault - one of the major fault structures of the Grampian domain - as a zone of significant potential for lode-hosted gold mineralisation in the general Tyndrum area. Additionally there is also scope for new precious metal and base metal discoveries through the identification of geological settings which, elsewhere in the world, host significant metalliferous deposits. The British Geological Survey (BGS), which has completed geochemical surveys over the entire area held by Scotgold, has repeatedly expressed the view that there are significant metalliferous deposits yet to be discovered in the Dalradian of Scotland.

## DIRECTORS' REPORT

The Cononish gold and silver vein is hosted by a meta-sedimentary sequence of pelites, psammites and calcareous rocks of the Appin and Argyll groups belonging to the Dalradian Supergroup. The gold and silver occurs within a steeply-dipping quartz vein which is up to 8.3m wide and has an average width of about 2m. It has a known vertical dimension of about 500m and it can be traced along strike for more than 1km.

The Cononish gold and silver deposit was delineated by diamond drilling carried out between 1985 and 1988 and an underground development program was commenced in 1990. A total of 1280m of underground adit development was also completed, of which 590m was driven on the vein.

In November 2007 Scotgold's applications for exploration licences for gold and silver between Craignure in the southwest and Pitlochry in the northeast were granted. The granted exploration licences cover an area of about 2,200 km<sup>2</sup> and include much of the prospective Dalradian Supergroup.

### RESOURCE

In January 2008 Snowden Mining Industry Consultants ("Snowden") commenced a review of the geological setting, previous geological mapping, previous assay data and QA/QC protocols, existing drill core, and previous resource estimates of the Cononish gold-silver deposit, as part of a study leading to a resource estimate which is JORC compliant. The resource estimate, which is detailed below was delivered as a final report in June 2008.

**The resource estimate consists of Measured, Indicated and Inferred Mineral Resource categories totalling between 152,000 ounces of Gold and 198,000 ounces of Gold and 589,000 ounces of Silver at a 3.5 grams per tonne Gold cut-off.**

#### Cononish Main Vein Mineral Resources

Classification	Tonnes	Grade (g/t)		Ounces (Oz)	
		Gold	Silver	Gold	Silver
Measured	53,000	17.9	75.0	31,000	128,000
Indicated	63,000	10.1	42.2	20,000	85,000
Inferred	285,000	11.2 [11-16]	41.0	103,000	376,000

*Tonnages and contained ounces rounded to the nearest 1,000 t or 1,000 oz. Grade rounded to the nearest 0.1 g/t Au or g/t Ag.*

**Snowden notes: "...there is strong potential to prove up further resources close to mine (within a few kilometres). This is likely to be in the region of 160,000 to 320,000 ounces of gold."**

A copy of the full Snowden report may be viewed on the company website.

# DIRECTORS' REPORT

## SCOPING STUDY

In September 2008 Scotgold commissioned internationally recognised AMC Consultants Ltd (AMC) to conduct a Scoping Study, to assess the current gold-silver resource at Cononish under current prevailing economic conditions.

**A summary report was received in February 2009 which confirmed the economic potential of Cononish with predicted production of 139,000 ounces of gold and 534,000 ounces of silver over a six and a half year production life.**

The table below shows the results of the financial model at the Base Case (long term) gold price and recent Spot gold price.

	Unit	Long term Gold Price	Current Gold Price (12/02/2009)
Gold Price	US\$	\$720	\$944
US\$ : £ exchange rate		1.60	1.42
Gold Price £	£	£450	£662
Total Pre Production Costs	£	£12.3M	£12.3M
Net Present Value	£	£6.6M	£25.6M
Net Present Value	A\$	\$14.5M	\$56.0M
Internal Rate of Return	%	28%	74%

A summary of the AMC report may be viewed on the company website.

## EXPLORATION

### Cononish

In August 2008 Scotgold took delivery of a small diamond drilling rig, purchased from Ingetrol Ltda in Chile and commenced drilling the first exploration hole at Cononish (since 1996) in early September. The rig, which is operated from small platforms constructed on the steep hillsides, is easily transported by helicopter to each drilling platform, thereby minimising disturbance to the natural environment. Scotgold's ownership of the rig ensures constant availability of a suitable rig, and the drilling is being carried out under contract by Priority Drilling Ltd of Ireland.

The current drilling program is designed to seek additional resources in the immediate vicinity of the Cononish quartz vein, largely in accordance with recommendations made in the Snowden report. Initially, about 2000m of drilling is planned on the main vein, and about 1000m on nearby quartz veins which have been shown to contain gold. Previous geological mapping and geochemical sampling have shown a number of quartz veins and gold anomalies trending parallel to the Cononish vein and they may represent a swarm of quartz-gold veins emplaced at the same time.

## Other exploration targets near Cononish

Other promising prospects which occur within a few kilometres of Cononish are comprehensively documented in Scotgold's newly-acquired database. These prospects could provide additional mineralisation to supplement any future gold mining operation at Cononish itself. Two of these are advanced prospects.

### Tom A Chro

Exceptionally high gold and high silver values were obtained from rock chip sampling at Tom a Chro in 1985 by Fynegold Exploration Ltd. The highest gold value of 257 g/t gold was a rock chip from an in situ vein but most of the anomalous samples were boulders of uncertain provenance. The prospect is on the north-facing slope of Ben Udlaidh and some downhill migration of the boulders may have occurred. The auriferous boulders occur within an area measuring approximately 750m by 250m with the long axis oriented downslope.

As part of Scotgold Resources' review of the extensive database acquired from Fynegold, the Company located and processed the results of two soil sampling surveys carried out at Tom a Chro in 1986.

The results of the first survey indicate that the bedrock is anomalous in the immediate vicinity of the surface boulders and these highly-anomalous boulders may therefore relate to the underlying rocks.

The second soil survey was made by taking samples near the surface and was part of a regional soil sampling program along single geographic contours ('contour sampling'), in this case the 250m contour.

Gold values above an arbitrary cut-off of 50ppb delineate two elongate anomalous zones extending over hundreds of metres in the vicinity of Tom a Chro. These results must be interpreted with caution, particularly the shape and extent of the anomalies, as there is limited information outside the sampled contour.

The height-contour anomalies overlap the deep soil auger anomalies but have a considerably longer strike length. Together the two sets of soil data suggest a 2km-long mineralised structure trending NE-SW, parallel to the mineralised vein which hosts the Cononish deposit located about 7 km to the south.

This information considerably upgrades the importance of Tom a Chro.

The prospect is ready for drill testing subject to securing land access and planning permission.

### Beinn Udlaidh

This prospect consists of an auriferous quartz vein sub-parallel to the Cononish Vein and intersects stratigraphically younger rocks to those that host Cononish. Initial trenching yielded 10.27 g/t gold and 241 g/t silver over 2.3m within a hematitically-altered gossanous quartz vein. Eleven holes were drilled in 1988 with a best result of 4m @ 1.1 g/t gold and 58.4 g/t silver at a depth of 35m. The low grades were ascribed to extensive and deep weathering of the rock accompanied by hematisation of the quartz. The ENE trend of the vein at Beinn Udlaidh, its pink coloration and the widespread gold anomalies from surface sampling and from drilling suggest that further drilling should be carried out at this locality.

## REGIONAL EXPLORATION TARGETS

Scotgold Resources has compiled a comprehensive database of previous exploration data covering a large region of the SW Grampian Highlands that includes soil sampling, rock chip sampling, deep overburden sampling, stream sediment sampling (including the collection of panned concentrates), and geophysical surveys including VLF-EM, gravity and aeromagnetic surveys. The database reveals many specific prospects on the basis of anomalous geochemistry, geophysics and geological setting and many of these merit follow up.

In their Cononish resource report, Snowden commented that 'there is additional strong potential to prove up resources within Scotgold's license areas, along the regional Tyndrum and Loch Tay fault zones, generally within 70km of the Cononish site.'

Two targets have been identified within Glen Fyne which lies along the southern extension of the Tyndrum Fault. In this narrow valley the Tyndrum Fault intersects Green Beds of the Southern Highland Group and Ardrishaig Phyllite of the Appin Group near their contact with a granodiorite intrusion of Caledonian age. Here the Tyndrum Fault has produced a tectonic corridor in which all of these rock types are commonly strongly sheared, altered and pyritic, and contain extensive linear zones of elevated gold values. This structural corridor within the Tyndrum Fault Zone in Glen Fyne is considered to have exceptional exploration merit.

An elongate zone of geochemical anomalism parallel to the axis of Glen Fyne was first recognised from BGS stream sediment sampling, based on Cu, Pb and Zn assays. Subsequent regional rock chip sampling in this area for gold outlined a comparable elongate zone approximately 4.5km long on the basis of gold values exceeding 200 ppb gold (0.2 g/t gold). The highest value in this survey was 1.08 g/t gold and silver values were generally low.

The key exploration targets identified are at Inverchorachan and Tom an Biorach:

### **Inverchorachan**

A previous rock chip sampling program included one 500g grab sample which assayed 277,000 ppb (277 g/t gold) and a 2kg composite chip sample which assayed 9.4 g/t gold, plus numerous other high gold assays. Subsequent rock chip and deep soil sampling programs identified an anomalous zone about 500m long and 50m wide oriented approximately northeast-southwest. Four trenches excavated within anomalous zone were highly anomalous in gold; one metre panel sampling along one trench (about 35m long) gave exceptionally consistent gold grades, with 85% of samples in the range 1 to 6 g/t gold. Detailed geological mapping and sampling indicates that several rock types here contain gold, pointing to lode-style mineralization within a wide shear zone in contrast to gold mineralization confined to a discrete quartz vein as at Cononish.

Other current investigations for this prospect include X-ray diffraction studies to examine the types of alteration associated with the mineralisation, Scanning Electron Microscope and electron microprobe studies to examine the relationship between pyrite and gold, petrography of the main rock types and an ICP scan for a range of elements to more closely define the style of the mineralisation.

Further follow up field work is planned.

## DIRECTORS' REPORT

### **Tom an Biorach**

A deep soil anomaly defined by the 25 ppb gold contour occurs as an elongate zone of gold anomalism nearly 500m long approximately co-linear with Inverchorachan. The best trench sampling results were 6m averaging 1.14 g/t gold, with the mineralization occurring within chloritic-altered quartzite and Green Beds containing abundant pyrite estimated at up to 30%. Further follow up work is planned.

### **Other Regional Targets**

Much of the terrain within the Crown Licence area consists of Dalradian metasediments, which is host to many gold showings in Scotland and two substantial gold deposits in Ireland.

Researchers have suggested that the Middle Dalradian with its extensive stratigraphic Pyritic Zone, high level igneous intrusives, widespread sericite alteration, and major structures, could be a good regional target for stratabound gold mineralisation.

In addition, the geological setting around Aberfeldy has been compared to that of the giant Hemlo gold deposit in Canada, which was discovered in 1981.

The entire Crown Licence area currently held by Scotgold has been previously sampled by the BGS as part of a nationwide program of stream sediment sampling which commenced in 1969. The samples were assayed for a wide range of elements and the data is available as regional atlases showing areas of geochemical anomalism.

The Company is currently focusing its exploration effort in areas of high immediate promise such as Cononish, but a systematic review of the literature and other databases combined with field work will be used to progressively identify other targets in the Tyndrum-Pitlochry section of the Dalradian metamorphic belt.

### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half-year ended 31 December 2008.

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

.....  
EDMOND EDWARDS  
Director

Dated at Perth this 12 day of March 2009

### **Auditor's Independence Declaration**

As lead auditor for the review of the financial report of Scotgold Resources Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Scotgold Resources Limited.



**Perth, Western Australia  
12 March 2009**

**N G NEILL  
Partner, HLB Mann Judd**

**CONDENSED INCOME STATEMENT**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008



	31 December 2008 \$	Period to 31 December 2007 \$
Interest Revenue	(77,692)	(13,736)
Administration costs	26,733	1,980
Financial	22,253	28,925
Employee and consultant costs	60,151	259,000
Listing and share registry costs	38,948	65
Office and communication costs	61,758	24,022
Other expenses	35,525	2,350
Depreciation	38,295	0
	<u>205,971</u>	<u>302,606</u>
Exchange loss	19,751	0
LOSS BEFORE INCOME TAX EXPENSE	<u>225,722</u>	<u>302,606</u>
Income tax expense	-	-
NET LOSS AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF SCOTGOLD RESOURCES LIMITED	<u>225,722</u>	<u>302,606</u>
Basic loss per share (cents per share)	0.36	0.86

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

**CONDENSED BALANCE SHEET**  
AS AT 31 DECEMBER 2008



	Note	31 December 2008 \$	30 June 2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,853,865	3,510,774
Trade and other receivables		159,818	68,888
Other current assets		14,796	13,938
<b>Total Current Assets</b>		<b>2,028,479</b>	<b>3,593,600</b>
<b>NON CURRENT ASSETS</b>			
Trade and other receivables		102,041	104,167
Plant and equipment		257,537	282,117
Mineral exploration and evaluation	2	5,423,865	3,850,163
<b>Total Non Current assets</b>		<b>5,783,443</b>	<b>4,236,447</b>
<b>TOTAL ASSETS</b>		<b>7,811,922</b>	<b>7,830,047</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		250,878	292,801
Other current liabilities		30,482	46,020
Interest bearing liabilities		11,793	11,597
<b>Total Current Liabilities</b>		<b>293,153</b>	<b>350,418</b>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities		14,915	21,357
<b>Total Non Current Liabilities</b>		<b>14,915</b>	<b>21,357</b>
<b>TOTAL LIABILITIES</b>		<b>308,068</b>	<b>371,775</b>
<b>NET ASSETS</b>		<b>7,503,854</b>	<b>7,458,272</b>
<b>EQUITY</b>			
Issued capital	3	7,705,197	7,731,885
Reserves		628,992	331,000
Accumulated losses		(830,335)	(604,613)
<b>TOTAL EQUITY</b>		<b>7,503,854</b>	<b>7,458,272</b>

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

**CONDENSED STATEMENT OF  
CHANGES IN EQUITY**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008



AND CONTROLLED ENTITIES

	Contributed Equity	Accumulated Losses	Option Reserve	Total Equity
<b>Period to 31 December 2007</b>	\$	\$	\$	\$
Issue of shares at date of registration	1	-	-	1
Balances on acquisition of Scotgold Scotland	1,414,390	103,625	-	1,518,015
Conversion of convertible note	1,208,880	-	-	1,208,880
Issued to seed capital investors	576,000	-	-	576,000
Share issue expenses	(99,756)	-	-	(99,756)
Issue of options to Directors and management	-	-	259,000	259,000
Currency Translation	-	(84,480)	-	(84,480)
Loss for the period	-	(302,606)	-	(302,606)
As at December 2007	<u>3,099,515</u>	<u>(283,461)</u>	<u>259,000</u>	<u>3,075,054</u>
<b>Half-year to 31 December 2008</b>				
Balance at 1 July 2008	7,731,885	(604,613)	331,000	7,458,272
Issue of options	-	-	297,992	297,992
Share issue expenses	(26,688)	-	-	(26,688)
Loss for the period	-	(225,722)	-	(225,722)
As at 31 December 2008	<u>7,705,197</u>	<u>(830,335)</u>	<u>628,992</u>	<u>7,503,854</u>

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

**CONDENSED CASH FLOW STATEMENT**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008



	6 months to 31 December 2008 \$	period to 31 December 2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payment to suppliers	(389,678)	(83,117)
Interest income received	75,740	13,746
Interest and other finance costs paid	(1,144)	-
<b>Net Cash Outflow From Operating Activities</b>	<u>(315,082)</u>	<u>(69,371)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration expenditure	(1,474,452)	(597,347)
Payment for other fixed assets	(129,006)	(6,982)
Cash acquired in business combination	-	241,615
<b>Net Cash Outflow From Investing Activities</b>	<u>(1,603,458)</u>	<u>(362,714)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	297,992	732,250
Share and option issue transaction costs	(26,689)	(54,092)
Hire purchase repayments	(6,246)	-
<b>Net Cash Inflow From Financing Activities</b>	<u>265,057</u>	<u>678,158</u>
Net increase in cash held	(1,653,483)	246,073
Cash and cash equivalents at the beginning of the period	3,510,774	-
Effect of exchange rate fluctuations on cash and cash equivalents	(3,426)	(4,601)
Cash and cash equivalents at the end of the period	<u>1,853,865</u>	<u>241,472</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD HALF-YEAR ENDED 31 DECEMBER 2008



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## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Scotgold Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

### Basis of preparation

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

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

### Significant accounting judgements and key estimates

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

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2008.

### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2008, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

It has been determined by the Group 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 Group accounting policies.

### Comparative figures

Some comparative figures have been re-stated for consistency.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD HALF-YEAR ENDED 31 DECEMBER 2008



**NOTE 2 - DEFERRED EXPLORATION AND EVALUATION**

	Consolidated	
	Half year to 31 December 2008 \$	Year to 30 June 2008 \$
Balance at beginning of period	3,850,163	-
Fair value at acquisition	-	2,515,330
Expenditure during the period	1,573,702	1,334,833
Total deferred exploration and evaluation expenditure	<u>5,423,865</u>	<u>3,850,163</u>

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

**NOTE 3 - ISSUED CAPITAL**

	Consolidated	
	31 December 2008 \$	30 June 2008 \$
<b>Ordinary Shares</b>		
Issued and fully paid	<u>7,705,197</u>	<u>7,731,885</u>

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

	Number	\$
At July 1 2008	63,415,852	7,731,885
Transaction costs arising on option issues	-	(26,688)
At 31 December 2008	<u>63,415,852</u>	<u>7,705,197</u>

**Movements in options were as follows:**

	Number	\$
At July 1 2008	9,000,000	331,000
Non renounceable Rights issue	29,799,204	297,992
At 31 December 2008	<u>38,799,204</u>	<u>628,992</u>

Options are exercisable at \$0.30 on or before 30 April 2010.

**NOTE 4 - CONTINGENT LIABILITIES**

Scotgold Resources Limited and its controlled entities have no known material contingent liabilities as at 31 December 2008.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD HALF-YEAR ENDED 31 DECEMBER 2008



**NOTE 5 - SEGMENT INFORMATION**

**Geographical segments**

The groups primary segment reporting format is geographical segments as the Groups risks and rates of return are effected predominantly by the location of the operation.

	Australia 2008 \$	Scotland 2008 \$
<b>Half-year ended 31 December 2008</b>		
Operating Loss before exchange variations	<u>152,616</u>	<u>53,355</u>
Expenditure on Exploration and Evaluation	<u>-</u>	<u>1,573,702</u>
Assets at 31 December 2008	<u>2,021,800</u>	<u>5,790,122</u>
Liabilities at 31 December 2008	<u>142,358</u>	<u>165,710</u>
Net Cash Inflows/(Outflows)	<u>(35,019)</u>	<u>(1,618,464)</u>
<b>Period ended 31 December 2007</b>		
Operating Loss before exchange variations	<u>274,824</u>	<u>27,783</u>
Expenditure on Exploration and Evaluation	<u>-</u>	<u>2,935,938</u>
Assets at 31 December 2007	<u>201,842</u>	<u>3,124,946</u>
Liabilities at 31 December 2007	<u>79,201</u>	<u>172,533</u>
Net Cash Inflows/(Outflows)	<u>1,638,981</u>	<u>(1,555,741)</u>

**NOTE 6 – EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the end of financial period, no significant events have occurred.

## DIRECTORS' DECLARATION



The Directors of the company declare that:

- 1) The financial statements and notes thereto, as set out on 10 to 16:
  - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year then ended.
- 2) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts and when they become due and payable.

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

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EDMOND EDWARDS

Dated at Perth this 12 day of March 2009

**INDEPENDENT AUDITOR'S REVIEW REPORT****To the members of  
SCOTGOLD RESOURCES LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Scotgold Resources Limited and the entities it controlled during the half-year ended 31 December 2008 ("consolidated entity").

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Scotgold Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**N G NEILL**  
**Partner**

**Perth, Western Australia**  
**12 March 2009**