

Scotgold Resources Limited (“the Company” or “the Group”)

Corporate Governance Statement

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

The Board considers the corporate governance code published by the Quoted Companies Alliance Corporate Governance Code 2018 (“the QCA Code”) is the most suitable code for the Company and has adopted the principles set out in the QCA Code and applies these principles wherever possible, and where appropriate to its size and available resources.

The Non-Executive Chairman, Nat le Roux, has overall responsibility for the Corporate Governance of the Company. This Corporate Governance Statement was approved by the Board on 28 September 2018.

It has not been possible to incorporate all of the annual report and accounts disclosures required by the QCA code in the Company’s annual report and accounts for the year ended 30 June 2018 but the Company intends to include all of these disclosures in the Company’s annual report and accounts for the financial year ending 30 June 2019.

The QCA Code sets out ten principles which should be applied. The principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance. Where reference is made to the Annual Report, it is a reference to the latest annual report which can be viewed at:

www.scotgoldresources.com

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 and is set out in the latest Annual Report on pages 5-15.

The Company is primarily focused on the development of its high grade Cononish Gold and Silver Project in the Scottish Highlands, together with the exploration of highly prospective tenements in the Grampian region of Scotland (the Grampian Gold Project).

As the Group transitions itself through exploration, development and mine production, the board of directors will focus keenly on this established financial and operational strategy.

The nature of the natural resources’ industry is such that the board will require regular and frequent updates from management as the Group develops.



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

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

Shareholders are also welcome to contact the Company via email at info@scotgold.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, which is updated on a regular basis and which includes the latest corporate presentation on the Group. Contact details are also provided on the website.

The Company makes regular investment body presentations at which feedback on the Company's performance and investor expectations are solicited at post event functions.

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

As the Company emerges as a development-cum-production enterprise, the board has considered very seriously its Corporate Social Responsibility (CSR). A CSR committee has been established, charged with the task of developing a relevant and meaningful policy which will serve both the Company and the remote community in which the Company operates.

The Board takes regular account of the significance of social, environmental and ethical matters affecting the business of the Group and of the regional community in which it operates. To date it has been difficult for the Company to develop its objectives in this area, for the lack of resources and cash-flow. The Company expects that its Corporate and Social Responsibility contributions will grow along with the success of the Company. In the meantime, the Company has promoted a positive engagement with the local community and communicates frequently with regulatory authorities and stakeholders related to its project. The Company seeks to protect the interests of its stakeholders through ethical and transparent communication and actions.

The Company has entered into a donations agreement with the Strathfillan Community Development Trust ("SCDT") pursuant to which the Company will work with SCDT to provide additional facilities and opportunities for the community served by SCDT and provide funding in respect of the same of up to £350,000. The Donations Agreement is



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contingent upon the commencement of the development of the Cononish Project as defined under the Planning conditions and Decision letter.

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

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible whilst recognising that the nature of its business opportunities carries an inherently high level of risk. The principal financial risks and uncertainties facing the Group at this stage in its development and in the foreseeable future are detailed in its 2018 Annual Report.

In addition to the financial risks, the business sector (exploration and mining) in which the Company operates bears inherent risks, in all areas of exploration, development, environmental, and health and safety.

Of principal concern to the board of directors are the risks to Health and Safety. Existing policies will be enhanced and strengthened as the Company develops. Policies will be applied equally to employees, consultants and contractors. Responsibility for the effectiveness of Health and Safety policies is with the recently established CSR Committee. All risk areas are monitored and mitigated where economically feasible.

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

Dependence on key personnel

Scotgold's future 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. Scotgold's future also 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. In addition, the inability to continue to attract qualified personnel could have a material adverse effect on Scotgold's business.

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. Further the Company cannot guarantee that renewals of valid tenements will be granted on a timely basis, or at all. The Company has yet to receive regulatory and environmental approval to convert its exploration licences into production concessions. 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.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Mine Development

The future development of the Cononish mining operation is dependent on a number of factors including, but not limited to, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement of hazardous weather conditions and fires, explosions or accidents. No assurance can be given that the Company will achieve commercial viability through the development or mining of its projects and treatment of ore.

Operations

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and / or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

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. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

Operating cost risks

Operating costs are based on estimates by the Directors having reference to similar operations and the Company's financial modelling. Actual costs may be higher or lower. 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.

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.

Commodity price volatility and exchange rate risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate 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 summary, the Company's revenue stream, and certain of its capital expenditure commitments will be US Dollar denominated. However, the Company's operating expenditure will be GBP pounds Sterling denominated. And finally, much of the Company's corporate overhead costs are Australian dollar denominated. The exposure to different currencies exposes the Company to foreign exchange risk.

Economic

General 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.

Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

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 intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and where available the costs can 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 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 securities can affect the ability of the Company to raise equity. Until the Company becomes cash generative there is the possibility that additional funding may be required for working capital and capital expenditure.

Principle Five: Maintain the board as a well-functioning, balanced team led by the chair.

The Board's role is to agree the Group's long-term direction and strategy and monitor achievement of its business objectives. The Board meets formally at least four times a year for these purposes and holds additional meetings when necessary to transact other business. When appropriate, the Board receives reports for consideration on all significant strategic, operational and financial matters.

The Board currently consists of seven directors, six of whom are non-executive and four of whom are regarded as independent. Phillip Jackson has been appointed senior independent director.

The Board comprises:

Nathaniel Le Roux - Non-executive Chairman

Richard Gray - Chief Executive Director

Christopher Sangster - Non-Executive director

Phillip Jackson - Non-Executive Director

Richard Barker - Non-Executive Director

William Styslinger -Non-Executive Director

Peter Hetherington -Non-Executive Director

The Board of directors consider each of Messrs. Jackson, Barker, Styslinger, and Hetherington to be Independent non-executive directors

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018, 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
Nathaniel le Roux	6	6
Richard Gray	6	6
Chris Sangster	6	6
Phillip Jackson	6	6
Richard Barker	6	6
Peter Hetherington	1	1
William Styslinger	1	1

Ltd. 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.

Christopher Sangster - Non-executive Director **BSc (Hons), ARSM, GDE**

Chris has a BSc Hons in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand. Chris has extensive experience worldwide in gold, diamond and base metal production environments. Since 1999, he has held positions of Vice President Mining Services at KCM PLC and Principal Mining Engineer for Australian Mining Consultants. In 2007, Chris co-founded Scotgold Resources and was its CEO / Managing Director until October 2014. He is a Non-executive Director of Ariana Resources and also an Associate Consultant for Bara Consulting Limited.

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

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.

Richard Barker - Non-executive director **BJuris LLB**

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.

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

Mr Hetherington was previously Chief Executive Officer of IG Group Holdings Plc ("IG"). Over the period of his leadership, IG's profits before tax increased by more than 65% to £280m with revenues in excess of £550m. Mr Hetherington graduated from Nottingham



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University with a degree in Economics, and from the London Business School with a masters in Finance. Mr Hetherington also served as an officer in the Royal Navy.

William Stysliger - Non Executive Director

BSc Engineering

Mr Stysliger 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.

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. The Executive Director's performance is reviewed once a year by the Board as a whole.

The Nomination Committee, currently consisting of the full Board meets as appropriate and is mindful of the formal process of rigorous and transparent procedures for Board appointments. 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 draft "self assessment" questionnaire and Board effectiveness process is currently before the board for its consideration and adoption.

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

The Board recognises and strives to promote a corporate culture based on strong ethical and moral values. The Group encourages its employees to understand all aspects of the Group's business and 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.

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

The Board has overall responsibility for all aspects of the business. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the non-executive directors are properly briefed on all operational and financial matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nomination Committee. The Chairman has the responsibility for overseeing the implementation of the strategy of the Board. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. Key operational and financial decisions are reserved for the Board through quarterly project reviews, annual budgets, and quarterly budget and cash-flow forecasts and on an ad hoc basis where required.

The current board of seven directors contains a majority of four independent non-executive directors. It is intended to maintain this ratio and majority of independent directors. The non-executive independent directors are responsible for bringing independent and objective judgment to Board decisions. The Board has established Audit and Corporate and Social Responsibility Committees, chaired by Phillip Jackson and Peter Hetherington, respectively.

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

This Corporate Governance statement will be reviewed 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's website is regularly updated and 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. The Annual Reports include an audited Remuneration report.

Notices of General Meetings are mailed to shareholders each year.



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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 meeting.

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.

Approved by the Board on 28 September 2018