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The Companies Announcements Office
Australian Stock Exchange Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

CONONISH GOLD MINE – FUNDING INTO PRODUCTION

The Directors of Scotgold Resources Limited (Scotgold or the Company) (**ASX: SGZ**) are pleased to announce that it has signed a heads of agreement for the funding into production of the Cononish Gold Mine Project in Scotland. The heads of agreement is subject to a formal agreement being entered into and does not bind the farminees to proceed with the proposed transaction or enter such formal agreement.

The key terms of the heads of agreement, which is subject to satisfactory completion of due diligence by the farminees and the receipt of any necessary regulatory approvals, include:

- The parties agreeing to a formal agreement that is anticipated to provide a free carry to Scotgold into production in the project.
- Payments by the farminees that Scotgold believes will be sufficient to bring the Cononish Gold Mine into production. Costs (if any) in excess of that amount are to be shared in proportion to each party's interest.
- Scotgold's Scottish subsidiary will be the operator of the proposed joint venture arrangement.
- The Cononish Gold Mine Project is defined as an area of approximately 78 square kilometers centered on the existing Cononish Mine adit entrance (refer to Figure 1).
- Scotgold has also agreed to negotiate in good faith regarding the farminees' possible participation in any further mineral discoveries that Scotgold may make on its three exploration licenses outside the Cononish Gold Mine Project.

Upon the signing of the formal agreement, Scotgold will provide further details of the terms of the agreement as required by the ASX. The formal agreement is anticipated to be concluded in approximately 8 weeks.

The formal agreement will allow for the accelerated development of the Cononish Gold Mine, following on from the positive scoping study announced in February 2009. The formal agreement will also enable Scotgold to become a significant gold producer, while remaining debt free and with no major dilution to existing shareholders, at a time of difficult access to capital markets for mining projects.

In addition, this transaction would enable the Company to vigorously pursue the considerable upside associated with existing exploration targets in the vicinity of Cononish and the central Highland belt.

Mr John Bentley
Chairman

Forward Looking Statements

This release includes certain “forward looking statements.” All statements, other than statements of historical fact, are forward looking statements that involve various risks and uncertainties. There can be no assurances that such statements will prove accurate and actual results and future events could differ materially from those anticipated in such statements.

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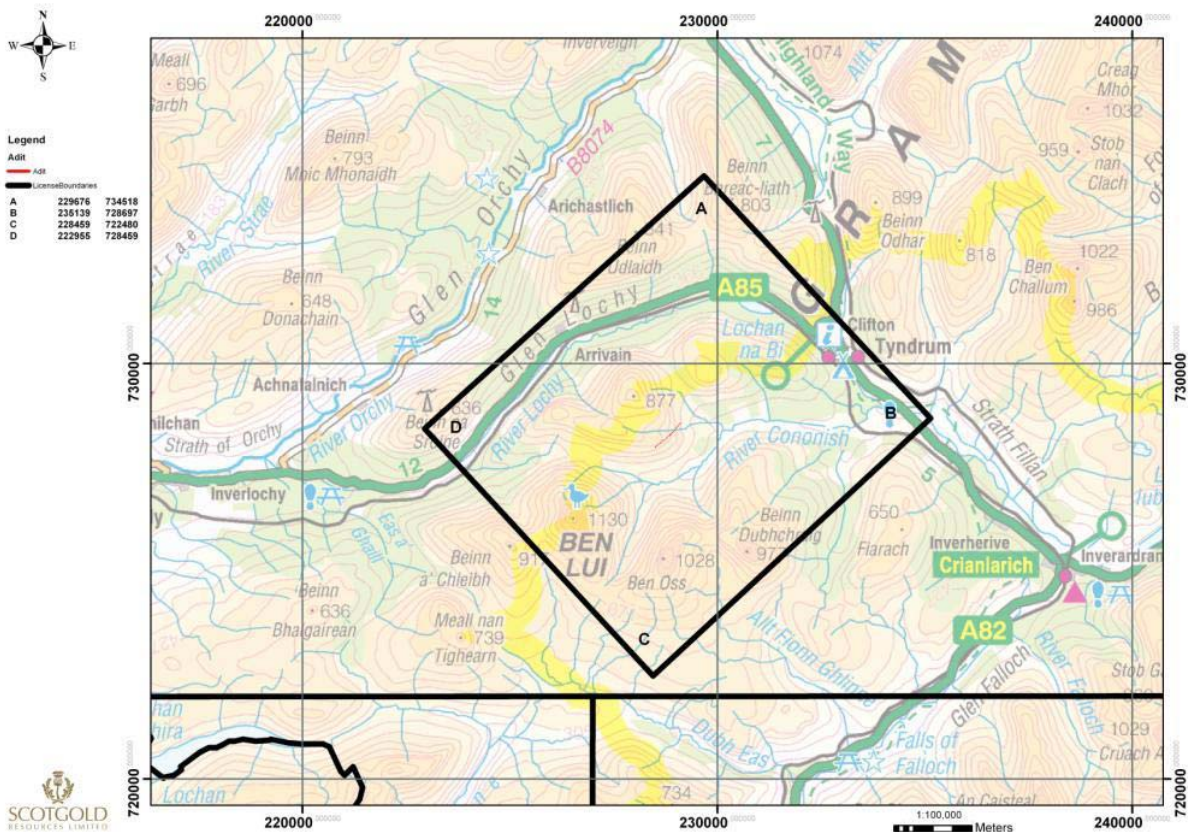


Figure 1: The Cononish Gold Mine Project of approximately 78 square kilometers centered on the existing Cononish Mine adit entrance