

## ASX Announcement

2 JUNE 2010

**ASX/AIM Code: SGZ**

### Company Overview

Scotgold Resources Limited ("Scotgold" or the "Company") is a gold exploration and development company with projects in the Grampian region of Central Scotland. The Company's assets include the Cononish gold and silver deposit and exploration licences covering 3,200km<sup>2</sup> of central Scotland. Scotgold is quoted on both the ASX and AIM.

### Fast Facts

Shares on issue:	117M
Options:	38.8M
Share price	A\$ 0.085
Market capitalisation:	A\$10m
Cash on hand (31/03/10):	A\$2.5M

### Board of Directors

Chris Sangster	Chief Executive Officer
John Bentley	Non-Executive Chairman
Shane Sadleir	Non-Executive Director
Adam Davey	Non-Executive Director
Edmond Edwards	Non-Executive Director
Philip Jackson	Non-Executive Director

### Major Shareholdings

Shane Sadleir	9.87%
Chris Sangster	4.01%
Saruman Holdings Pty Ltd	3.87%

### Company Contacts

#### Scotland

Chris Sangster Chief Executive Officer  
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## CONONISH GOLD AND SILVER PROJECT PROGRESS UPDATE

As part of the on-going development of the Cononish Gold and Silver Project towards production, the Company is pleased to announce the following progress.

### HIGHLIGHTS

- **AMC commissioned to update Scoping Study**
  - Study to be completed in August
  - Project development options to be finalized during third quarter
- **Revised date for Planning Permission Decision**
  - Recent transposition of EU legislation requires public advertisement
  - New decision date anticipated mid to late August.
- **Definitive plant costing study commenced by Gekko**
  - Final testwork commenced on optimized flowsheet to confirm predicted recoveries
- **Feasibility level tailings design completed by AMEC**

Chris Sangster, Scotgold CEO, comments: 'We are pleased to enter this final phase of project development in respect of the Cononish Gold and Silver project. Completion of the updated study will be a significant milestone towards becoming a gold producer and will enable the Company to progress to a development decision in the third quarter of 2010.

There has been a significant sustained increase in the gold price since the 2009 scoping study was completed (at a Base Case price of £450 / oz). At current prices in excess of £800 / oz, based on the 2009 study, we believe the Cononish Project would deliver robust returns with payback achieved in 12 months and free cashflows in excess of £60M over the currently anticipated project life of 7 years.

The revised decision date for the planning permission is not expected to significantly impact on potential development timescales for the project and the Company remains on track (subject to permitting and financing) for first gold production in late 2011'.

## **CONONISH PROJECT UPDATE**

### **Mining and Scoping Study Review**

Scotgold has recently commissioned Australian Mining Consultants (AMC) to update critical components of the Cononish Scoping study.

The study is expected to be available in August and will enable the Company to finalise development options for the project leading to a production decision. Subject to certain project milestones including planning permission and financing for the project, Scotgold anticipates first gold production in late 2011.

AMC will review and update the mining development and production schedule and capital and operating costs (with a target +/-15% accuracy) based on recent additions to the resource at Cononish (see ASX Release 5<sup>th</sup> February 2010 – *Cononish Drilling and JORC Update*).

The study will also be updated with work completed since the 2009 study in the areas of processing (Gekko Systems Pty Ltd (“Gekko”) definitive costing study), tailings disposal (AMEC feasibility level tailings design) to similar levels of accuracy and review the financial model including gold price forecasts.

A summary from the 2009 AMC scoping study can be found on the company's website ([http://www.scotgoldresources.com/assets/pdf/asx/Scoping\\_Study\\_feb09.pdf](http://www.scotgoldresources.com/assets/pdf/asx/Scoping_Study_feb09.pdf) - *Cononish Scoping Study confirms economic viability* – 17<sup>th</sup> February 2009). The study estimated annualised production of 21,000 ozs of gold and 80,000 ozs of silver for a six and a half year production life. Returns using the then spot price of gold (£662 / oz) gave an NPV of £25.6M and an IRR of 74%. Operating costs were estimated to be £229 /oz.

### **Revised Date for Planning Permission Decision**

Scotgold lodged its application for planning permission on 25<sup>th</sup> January 2010. The application was subsequently validated and the Company signed a non-legally binding processing agreement with the Planning Authority which indicated a decision date of 7<sup>th</sup> June 2010.

In response to EU Directive 2006/21/EC regarding the management of waste from extractive industries (and subsequent to Scotgold's application), the Scottish Government adopted the Management of Extractive Waste (Scotland) Regulations 2010 and issued draft guidance documents on the application of these regulations. The guidelines require the submission of a 'Waste Management Plan' and for it to be notified publicly by the Planning Authority.

In addition, responses to the application have been received from statutory consultees, Scottish Natural Heritage and Scottish Environmental Protection Agency, who indicated 'holding' objections pending provision of further information and clarification on a number of issues. The Planning Authority has also requested clarification and further information regarding certain aspects of the application, notably in relation to the socio-economic impacts of the development.

A number of meetings have been held with the relevant bodies in order to provide such information and clarification. The Company will submit further documentation relating to all requests for further information and clarification to the Planning Authority on 7<sup>th</sup> June.

Under the Town and Country Planning Act (Scotland) 1997 and the Environmental Impact Assessment (Scotland) Regulations 1999, it is deemed that this further documentation, in addition to the Waste Management Plan, is required to be re-advertised for a period of 28 days. As such, to accommodate the period for re-advertisement, a revised processing agreement will be signed shortly with the Planning Authority with an expected decision date of mid to late August.

### **Definitive Costing Study for Processing Plant**

Following a detailed metallurgical testwork programme conducted at AMMTEC Laboratories in Perth (Australia), Scotgold has recently commissioned Gekko to complete a Definitive Costing Study (+/- 10% accuracy) for the Cononish project processing plant. The study is due to be completed by the middle of July

Scotgold has recently completed a further phase of metallurgical testwork to optimize and finalise the plant flowsheet. The testwork examined various combinations of flotation and gravity / flotation circuits to maximise gold recovery to 'free gold' (recovered on site) and overall recovery.

All testwork indicated a high amenability to the proposed flowsheet arrangements with recoveries from all testwork in excess of 90% for gold.

Discussions with Gekko and Scotgold's metallurgical consultant have now finalised the flowsheet and Gekko will proceed to complete the study on the agreed flowsheet.

The flowsheet encompasses two stage crushing, milling followed by a gravity recovery section and subsequent flotation. Concentrates from both the gravity and flotation process will be combined and reground to maximize recovery of 'free gold' and to reduce the mass of concentrate required to be transported for further processing.

A final sample will shortly be processed to confirm recoveries to be used in the AMC study.

### **AMEC study**

As part of the planning application, AMEC Earth and Environmental (AMEC) has completed a feasibility level design for the Tailings Management Facility for the Cononish project. The design provides for a facility to retain 1Mt of tailings to cater for possible future extensions to resources at Cononish and is designed in accordance with all applicable EU and UK legislation.

### **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.*