

Scotgold turns serious

Scotgold Resources Ltd is on the verge of signing a deal that could see it move from quirky investment story to serious gold producer in just 12 months.

The Perth-based company has signed a heads of agreement with a group of North American investors that will see it free-carried into production at its Cononish gold project 90km north-east of Glasgow, Scotland.

Scotgold completed a scoping study on the Cononish resource – 454,000t @ 10.2 g/t gold and 40.4 g/t silver – in February and has since been assessing its funding options for a BFS and development of the project.

If the latest offer is completed, executive director Shane Sadleir said all Scotgold's funding requirements would be complete.

"It will enable us to bring Cononish into production without being saddled with debt or diluting the share register," Sadleir told **Gold Mining Journal**. "Once the agreement is locked in it will allow us to accelerate the project and start looking at development in the second quarter of 2010."

Before then, Scotgold expects to be able to make an updated resource estimate. The original re-

source was built using historical data the company had acquired and a new resource would include Scotgold's own drilling data for the first time.

The potential for increases is good. In its report for the initial resource, consultant Snowden said it was likely there was up to 320,000oz to be found at Cononish.

Scotgold purchased its own drill rig in April 2008 and although delays followed, the company had drilled four holes into Cononish by the end of September 2008.

"Those holes were drilled deeper than previous work. Two hit mineralisation and the other two didn't report mineralisation but did hit the structure, which adds to our confidence in the geological model."

The February scoping study identified long hole open stoping on retreat as the most amenable mining method, using the existing 1.4km adit first put in by British company Ennex in the 1990s.

The study recommended a production rate of 72,000 tpa producing 20,000 ozpa with a fleet capability of 100,000 tpa allowing for potential increase of the mining rate should additional resources be discovered.

Since the release of the scoping study, Scotgold has been working on improving the metallurgical recoveries of 93% for the

gold – 25% of which was likely to be recovered by gravity.

"That met work has been completed and we think we can get 30% out through gravity. The remainder will be shipped out in a lead sulphide concentrate. There are facilities in Europe but there is also one site in Glasgow which has a licence to use cyanide. We are still investigating that option."

If it goes ahead, the JV agreement will see the new partner make payments to Scotgold which it believes will be sufficient to take Cononish into production. Costs in excess of the amount set will then be shared in proportion to each partner's interest.

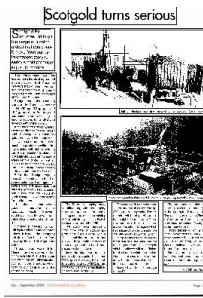
Scotgold will be the manager of the JV.

The company will also continue to assess its other targets in the Grampian Ranges region. The deal covers only the 78sq km defined as the Cononish project and does not include Scotgold's other main targets.

Those targets – Tom a Chro and Invercorachan being the most advanced – will not be included in the 78sq km JV but Sadleir believes they will still benefit from the deal.

"The investment will give us the cash we need to continue exploration on our other targets," he said.

– Dominic Piper



Drilling in the harsh Scottish winter conditions on Scotgold's Cononish project



The company purchased its own drill rig and is now pushing towards a resource update