

Rare Scottish gold set to shine

Tuesday, 30 June 2009

WHILE Scotland may not be the most obvious destination to explore for mineral resources, Scotgold Resources is forging ahead with its plan to establish the country's only operating mineral mine and the first modern day gold mining operation. Kristie Batten reports

While Scotland has a strong history of coal mining, apart from a brief gold rush in the mid-1800s, the country has never been known as a gold mining destination.

"There is the occasional panning done in the rivers of Scotland for wedding rings and small items of jewellery," Scotgold non-executive director Shane Sadleir told *MiningNewsPremium.net*.

"But I suppose this would be the first time for gold in Scotland to be mined on a commercial scale."

Scotgold is currently putting the finishing touches on a joint venture agreement which will see it bring its Cononish gold project into production next year.

The project is located on farmland in the Grampian Highlands of mid-western Scotland, near the town of Tyndrum, a historical lead mining area and the site of Scotgold's local offices.

While there are no other gold mines in Scotland, Cononish is hosted by the Dalradian gold province, which also hosts two major gold projects in Ireland, including Ireland's only operating gold mine, Cavanacaw.

Cavanacaw, owned by Toronto-listed Galantas Gold Corporation, produced 1511 ounces of gold, 4786oz of silver and 42.2 tonnes of lead in the March quarter.

The Cononish project was discovered in 1984 by Ennex International, which completed around 15,700m of diamond drilling and 1280m of underground development, as part of feasibility studies.

Toronto-listed Caledonia Mining Corporation purchased the project in 1995 and received planning approval before putting it on care and maintenance due to low gold prices.

Current Scotgold chief executive officer Chris Sangster was general manager of the project when Caledonia owned it.

After being aware of the project for at least 10 years, Scotgold was formed to acquire the project, and did so in May 2007.

The company listed on the Australian Securities Exchange in January 2008 after its initial public offering raised \$A4.9 million.

Sangster is Scottish and lives close to the project, leaving company co-founder and Sadleir as the Australian face of the company.

Since listing on the ASX, the company has completed an initial JORC-compliant resource, as well as a scoping study.

Cononish has a resource base of 154,000oz of gold and 589,000oz of silver, but the company hopes to expand this to 160,000-320,000oz of gold.

The current resource estimate includes a high-grade measured component of 53,000 tonnes grading 17.9 grams per tonne gold for 31,000oz of gold and 128,000oz of silver.

Resource extension drilling is ongoing with regional targets to be drill tested.

The scoping study suggested a production rate of 20,000oz of gold and 80,000oz of silver over a 6.5-year mine life.

The project has estimated pre-production expenditure of \$A25.27 million with operating costs of \$US368 per ounce.

The study assumed a gold price of \$US720 per ounce, which is much lower than the current gold price of around \$US935/oz.

Based on previous research, the company has evidence it may be able to receive a premium price for the gold produced from Cononish, based on the rarity of Scottish gold.

"We understand, and from previous research done by previous owners, that we may be able to get a premium on the spot gold price for Scottish gold by selling the gold possibly wholesale into the jewellery market," Sadleir said.

"It wouldn't be a huge amount that we can move, particularly in the initial stages, but we would hope that we could get some small premium to particularly the gravity gold that we will be producing."

Galantas set up its own jewellery company to market the gold produced from Cavanacaw, due to the equal rarity of Irish gold.

Scotgold aims to complete a bankable feasibility study in the first quarter of 2010 and has the benefit of local support.

"The project went through a lot of community consultation when all the environmental impact assessment was done in the early 90s and I believe that there's very strong support for the project," Sadleir said.

The proposed mine would be a major employer in the region, as Tyndrum has a population of only a few hundred.

"Once we get the mine up into production, we're talking about employing maybe 60 people, which, by the levels of employment in the area would be quite significant," Sadleir said.

Sadleir told *MNP* that a third party is completing due diligence on the project.

A joint venture would see Scotgold remain the majority owner and mine manager, but would leave the company debt-free and funded into production.

The company expects to make an announcement on the joint venture in 4-6 weeks.