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## JUNE 2009 QUARTERLY REPORT

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### SCOTGOLD RESOURCES LIMITED

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### HIGHLIGHTS

#### SCOPING STUDY

- Mining Inventory (diluted) 454,000t @ 10.2g/t Au, 40.4 g/t Ag
- NPV10 of £26 M (AUS \$ 56 M) at current spot prices
- Production of 139,000 ozs Au over a six and a half year project life

#### METALLURGICAL TESTWORK

- On going testwork and definitive costing study underway

#### HISTORICAL DATABASE / EXPLORATION

- Electronic capture of historical database substantially completed
- High Incidence of high grade outcrop and boulder
- Fieldwork program commenced to verify previous work

#### PLANNING PERMISSION

- Application for extension underway

#### FUNDING

Placement completed during July raising \$807,500

## Overview

Scotgold Resources Limited (“Scotgold”, “the Company”) (ASX:SGZ) is exploring for gold and base metals in the SW Grampians area of Scotland. As its core asset the Company has 100 per cent ownership of the Cononish gold and silver project at Tyndrum, approximately 90 kilometres north of Glasgow.

The Company received the full ‘scoping study’ report which confirmed the economic viability of Cononish under current economic conditions and with the currently identified resource.

The Company continued with a metallurgical testwork program with a view to finalising plant configuration.

The Company substantially completed capture of historic exploration data confirming the prospectivity of its license areas and continued with its extensive fieldwork program aimed at verifying previous results.

The Company has recently engaged with the relevant Planning Authority regarding the application for extension to their existing planning permission for Cononish.

## SCOPING STUDY

In September 2008, the Company appointed AMC Consultants Ltd (AMC), an internationally recognised mining consultancy, to conduct a Scoping Study at the Cononish gold and silver project. The aims of the study were to examine the technical and economic feasibility of the Cononish project.

The finalised scoping study report has been received from AMC and the results confirm the economic potential of the Cononish project under prevailing economic conditions and with the currently identified resource.

The table below shows the results of the financial model at the Base Case (long term) and the then current (14/2/2009) spot gold price.

	Unit	Long term Gold Price	Current Gold Price
Gold Price	US\$	\$720	\$944
US\$ : £ exchange rate		1.60	1.42
Gold Price £	£	£450	£662
Total Pre Production Costs	£	£12.3M	£12.3M
Net Present Value @ 10%	£	£6.6M	£25.6M
Net Present Value @ 10%	A\$	\$14.5M	\$56.0M
Internal Rate of Return	%	28%	74%

AMC identified a mining inventory from the existing JORC compliant resource statement completed by Snowden Mining Industry Consultants Ltd (13th May 2008) of 454,000 t grading of 10.2g/t gold and 40.4g/t silver (diluted).

Total production from the inventory is estimated to be 139,600 ounces of gold and 538,000 ounces of silver over a six and a half year production life. The study includes a conventional gravity / flotation concentrator that would treat 72,000 tpa. About 25% of gold will be recovered by gravity

means for smelting on site to a dore bar. The balance reports to a sulphide rich concentrate which will be treated through a third party facility remote from site. The overall recovery predicted is 93% for Au and 90% for Ag. Gold and silver production average 21,000 ounces and 83,000 ounces annually respectively.

Preproduction project expenditure and capital is estimated at A\$ 26.9 million inclusive of a 15% contingency with a further net sustaining and deferred capital cost of A\$3.3 million over the life of the project including a 15% contingency allowance. Average operating costs are estimated to be equivalent to A\$501 per ounce after commissioning of the new and upgraded facilities including a 20% operating cost contingency allowance.

In consideration of possible financing for the Cononish project, on 22nd May 2009 Scotgold announced that it had signed a Heads of Agreement with a potential farminee party which, subject to their satisfactory due diligence and entering into a binding joint venture agreement, will allow for the accelerated development into production of the Cononish Gold Mine.

### **METALLURGICAL TESTWORK**

In January 2009 and in parallel with the scoping study, Scotgold commissioned Gekko Systems (Gekko) to conduct a metallurgical testwork program to confirm recoveries of gold and silver from Cononish ore and also to examine the possible use of their 'Python' system (a modular type processing plant designed to be located underground). Scotgold have identified the use of such system as having possible economic advantages over a more 'conventionally' constructed plant and its possible significant improvement in the environmental footprint of the project.

100kg of ore was taken from each of three locations at positions similar to those used for previous feasibility testwork. The testwork program replicated the processing route envisaged in the scoping study (and previous feasibility studies), namely a conventional gravity / flotation recovery for gold and silver under the configuration of the 'Python system'.

Scotgold have recently received results from initial testwork. Overall performance confirms the recoveries used in the scoping study. Further testwork is to be commissioned at Gekko to optimise grind size and flotation reagent selection with a view to maximising production of gravity concentrates suitably for doré production and overall recoveries. Further details regarding the testwork will be released shortly.

The testwork at present confirms the potential application of the Python system to Cononish ore and Scotgold have commissioned an independent review of this and previous testwork to assess the optimal plant configuration and Gekko have also been commissioned to produce a 'definitive costing study' (+/- 10%) of their proposed plant configuration which will be completed in the next two months.

In conjunction with the on-going metallurgical testwork, Scotgold have appointed Cantab Consulting Ltd to oversee feasibility design of the associated tailings management facility for the Cononish project.

## **HISTORIC DATABASE / FIELDWORK**

Scotgold acquired the Cononish Gold and Silver Project and the greater Grampian Gold Project area in 2007/2008. The Company also obtained a large volume of paper-based historic exploration data generated by previous exploration companies (mainly Ennex) and this data has now been captured electronically into a Geographic Information System (GIS) database.

The Scotgold GIS database includes a broad range of exploration data consisting of rock and soil sample geochemistry, induced polarization (IP), very low frequency (VLF), magnetic and gravity geophysical data, digital geology, mineral occurrences and other data which can be viewed in conjunction with topographic and cartographic information (contours, towns, roads, property boundaries etc).

The data comprises

- 3,189 rock chip samples (boulder and outcrop)
- 11,459 soil samples (surface and deep overburden)
- 1,923 stream sediment samples
- 2,184 geophysical data points

Rock and soil samples were generally analysed for gold, silver, copper, lead, zinc and arsenic. Stream sediment samples include a suite of 25 elements assessed by direct reading emission spectrometer.

Most of the historic data is centred around the town of Tyndrum and it extends over an area of 7 km by 37 km, along the Tyndrum Glen Fyne Fault. The figure below shows a compilation of the regional outcrop and boulder data plotted along with major structural features within Scotgold's Cononish Glen Orchy and Inverliever licence area.

A distinction is made between rock chips derived from outcrop and those from boulders which may be some distance from their source. Glacial deposits are known to occur in the area, which have the potential to transport boulders over large distances.

Scotgold's preliminary analysis of the historic data indicates that there are many high grade outcrop and boulder samples within the Company's license areas, as shown in the table below:

Grade Category	Number of outcrop samples	Number of boulder samples
Samples greater than 100 g/t gold	3	10
Samples greater than 10 g/t gold	35	79
Samples greater than 1 g/t gold	95	166

The frequency of high grade outcrops and boulders and their alignment with regional structural features are similar to that at Scotgold's Cononish Project which currently contains JORC compliant resources totalling 401,000 t grading 11.9 g/t gold and 45.7 g/t silver (154,000 oz gold and 589,000 oz silver).

This pattern appears to be repeated over an extensive area covering some 7 km by 37 km and supports Scotgold's contention that its Grampian Gold Project has the potential to host other significant gold deposits.

Scotgold has now embarked on a comprehensive follow up program to validate this data and to further extend the coverage over other parts of the Grampian Gold Project, including an extensive rock chip and mapping program in the field. Results from this work are expected shortly.

In addition, Scotgold is reviewing existing geophysical data (both regional and local). The Company is also in discussion with various geophysical consultants regarding the re-interpretation of existing data and the application of appropriate, more modern techniques that could be applied to assist exploration efforts within the licence areas.

The outcome of this work is expected to deliver a number of high priority targets for Scotgold to focus its continuing exploration program, including further use of the Company's recently acquired man-portable diamond drill rig.

### **PLANNING**

In April 2007, the Company submitted an application for extension to the existing planning permission for development of the Cononish project. Subsequent discussions with the Planning Authority resulted in the deferment of determination of the application until further detail regarding possible improvements to the development had been identified.

During the current quarter Scotgold submitted a 'scoping document' for the Planning Authority's opinion regarding any additional Environmental Assessment which may be required. It is noted that a full Environmental Assessment was carried out previously in relation to the existing permission and Scotgold have continued over the past two years to update baseline data. Subsequent to receipt of the Planning Authority's opinion, Scotgold expect to be in a position to submit the full revised application for determination before year end.

Chris Sangster  
Managing Director  
31 July 2009

### **Competent Persons Statement:**

The information in this report that relates to Exploration Results is based on information compiled by Mr David Catterall, Pr Sci Nat, who is a member of the South African Council for Natural Scientific Professions. Mr Catterall is employed as a consultant to Scotgold Resources Ltd. Mr Catterall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Catterall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

### **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.

### Cononish Deposit

