

## ASX Announcement

29 October 2010

**ASX Code: SGZ**

### Company Overview

Scotgold Resources Limited 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.

### Fast Facts

Shares on issue:	117M
Share price:	A\$0.055
Market capitalisation:	\$6.4m
Last quarter Cash on hand:	\$0.6M

### Board of Directors

Chris Sangster	Chief Executive Officer
John Bentley	Non-Executive Chairman
Shane Sadleir	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

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## September 2010 Quarterly Activities Report

### GRAMPIAN GOLD PROJECT UPDATE

- BEINN UDLAIDH VEIN
  - High gold and silver results in AQ drilling, including:
    - 11.1 g/t Au, 167 g/t Ag over 1m
    - 2.39 g/t Au, 139.6 g/t Ag over 3.2m
  - High gold and silver results in rock chips, including:
    - 6.53 g/t Au and > 200 g/t Ag and 5.21 g/t Au and > 200 g/t Ag
- RIVER VEIN AREA
  - Outcrop sampling in the River Orchy returns high gold and silver values, including:
    - 383.8 g/t Au and 90.7 g/t Ag, 321.5 g/t Au and 102.4 g/t Ag and 197.3 g/t Au and 69.8 g/t Ag in a quartz vein (the 'River Vein'), and
    - 171.8 g/t Au and 49.3 g/t Ag, 59.0 g/t Au and 9.8 g/t Ag and 1.9 g/t Au from other veins approximately one and two km upstream

### CONONISH GOLD & SILVER PROJECT

- Options to appeal and / or reapply being considered

## GRAMPIAN GOLD PROJECT EXPLORATION UPDATE

### BEINN UDLAIDH

Scotgold considers the veins systems at Beinn Udlaidh to be valid exploration targets. Over the period under review, an extensive mapping and rock chip sampling program in the Beinn Udlaidh area has now identified a number of high grade, narrow vein systems, in addition to a significant strike extension to the Beinn Udlaidh Vein.

It is noted that 85% of the area currently under license to Scotgold (including the Beinn Udlaidh prospects) is located outside the National Park.

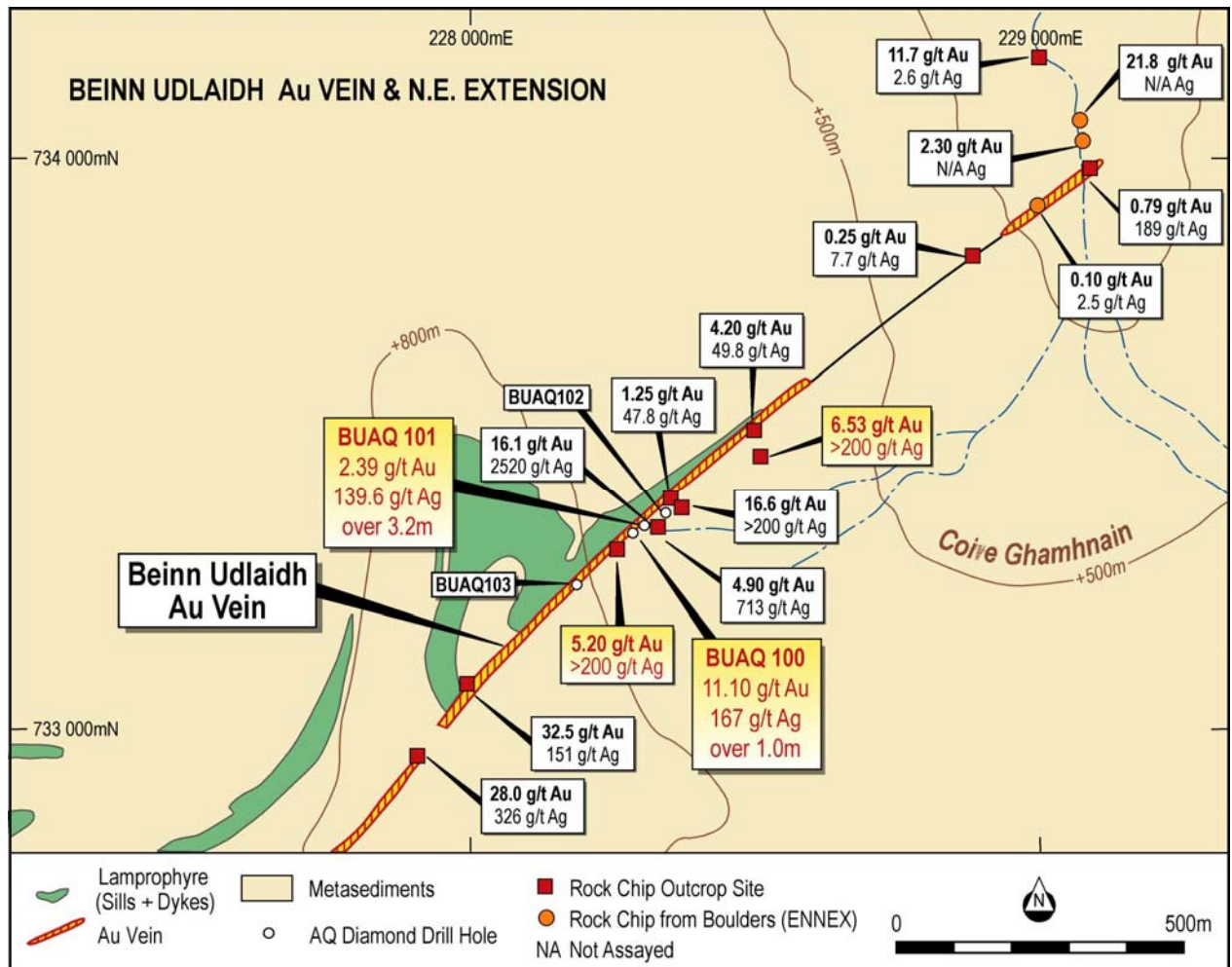
#### Beinn Udlaidh vein

A rock chip sample taken by previous explorers from the Beinn Udlaidh vein to the north east of the drilled section of the vein returned 16.1 g/t gold and 2520 g/t silver.

As part of Scotgold's initial reconnaissance of the Beinn Udlaidh breccia vein, a confirmatory sample of **16.6 g/t gold, >200g/t silver and 449 g/t arsenic** was returned as previously announced. Previous narrow diameter AQ drilling into the vein returned highly prospective values (see ASX release 29th September 2009) over the previously identified portion of the vein.

Further rock chip sampling and mapping on the vein structure has extended its strike extent to around 1900m with encouraging gold and silver grades as shown in Figure1. Selected rock chip sample values are shown in Appendix B.

Figure 1



Following rock chip sampling, four further AQ holes were drilled into various potential outcrop locations. Best drill intercepts on the vein include:

- BUAQ100 - 11.1 g/t Au, 167g/t Ag over 1.0m
- BUAQ101 - 2.39 g/t Au, 139.6g/t Ag over 3.2m

Two other holes (BUAQ102 and 103) did not intersect significant mineralisation and appear to have been collared in the hanging wall of the vein. Assay values for significant intersections are provided in Table 1 and drill statistics are shown in Appendix A.

Table 1

Hole	From (m)	To (m)	Downhole intersection (m)	Au g/t	Ag g/t	Comment/log
BUAQ100	0.00	0.50	0.50	19.40	>200	wh to gy qtz sulphide vein
	0.50	1.00	0.50	2.74	147.3	wh to gy qtz sulphide vein
	1.00	4.00	3.00	0.87	30.3	weathered lamprophyre and core loss
	4.00	4.50	0.50	0.07	5.4	gy pelitic psammite
BUAQ101	0.00	0.35	0.35	7.11	>200	gy qtz sulph vein; minor gal, cpy and abdt py
	0.35	0.76	0.41	3.82	>200	gy qtz sulph vein; minor gal, cpy and abdt py
	0.76	1.36	0.60	0.17	6.8	brecciated qtz vein and lamprophyre
	1.36	1.86	0.50	1.02	81.2	brecciated qtz vein and lamprophyre
	1.86	2.74	0.88	1.99	173.8	lamprophyre
	2.74	3.20	0.46	2.66	>200	brecciated qtz vein and lamprophyre
	3.20	4.10	0.90	0.01	6.3	lamprophyre

*Significant drill intersections for AQ drilling at Beinn Udlaidh NE Vein extension*

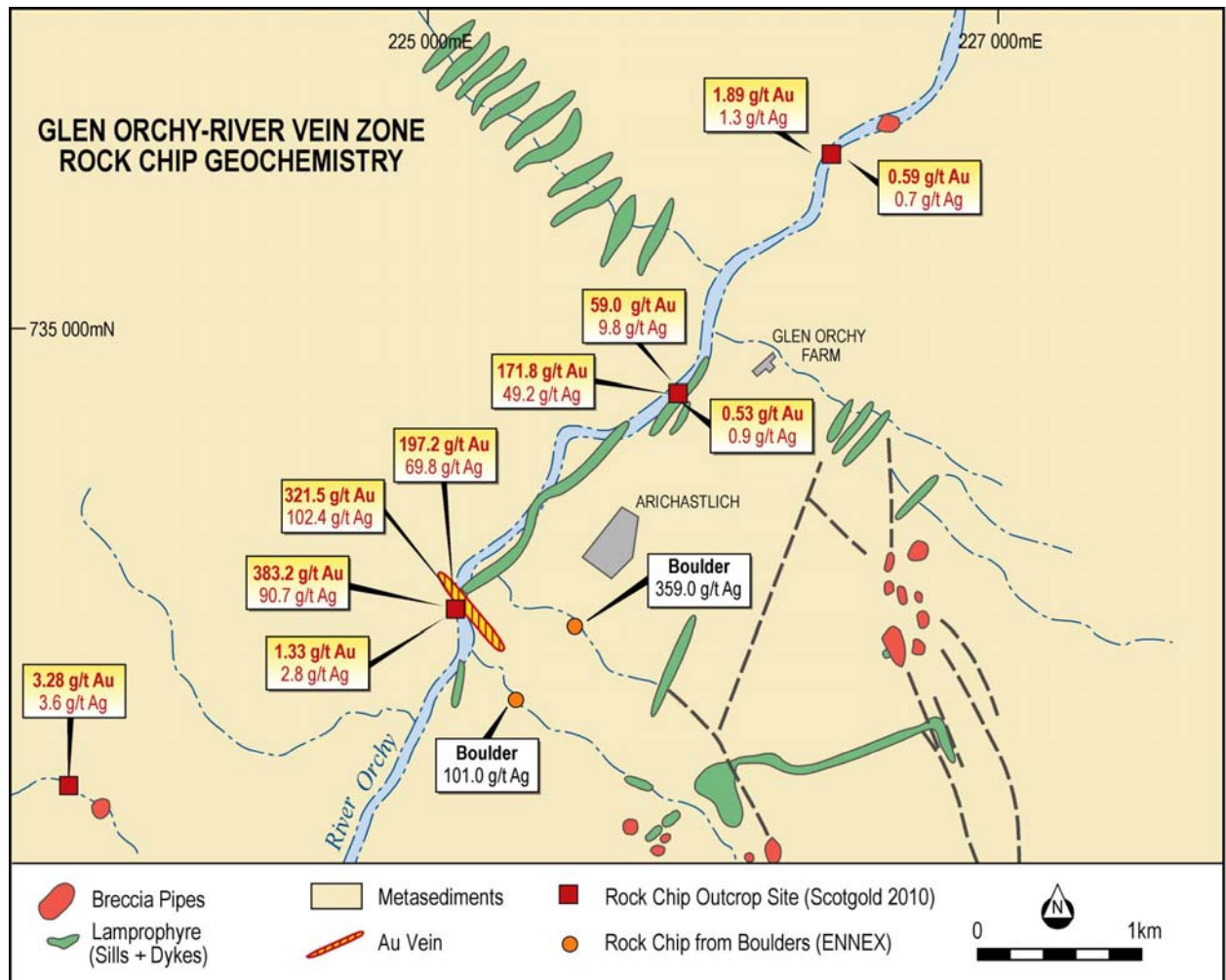
Scotgold has trenched the vein at a number of additional locations and will drill further AQ holes to test outcrop occurrences along the vein system.

**River Vein Prospect Area**

Detailed mapping and outcrop sampling in the River Orchy, following up previous explorers' rock chip sampling results at the River Vein Prospect area have returned exceptional values of **383.2 g/t Au, 321.5 g/t Au and 197.3 g/t Au** in rock chip samples (Figure 2). High grade values were also recorded on some rock chip samples at two additional new veins located upstream of the River Vein, returning **171.8 g/t Au, 59.0 g/t Au** and 1.89 g/t Au.

Previous exploration in this area by Ennex International plc in the 1980s identified high grade boulders, up to 358.9 g/t Au, and which are now thought to be linked to these veins and further work will be undertaken to discover their strike extents. Lamprophyre sills and dykes have also been mapped in close proximity to these veins by Scotgold and previous explorers.

Figure 2



*Latest rock chip sampling results from the River Vein Prospect area at Beinn Udlaidh in relation to mapping of breccia pipes, veins and lamprophyre intrusions and previous rock chip sampling*

The veins trend at 300° – 320° and are perpendicular to the normal Caledonide trend (220° – 240°). Observed vein widths are between 10cms and 65cms and exhibit typical pinch and swell characteristics. The veins occur individually and in groups.

Selected values are shown in Appendix B.

Since 2009 Scotgold has been collaborating in a research project with Dr Robert Chapman of the University of Leeds, studying mineralogical signatures in placer gold grains from various localities in the rivers around Tyndrum. In 2009 sampling was extended to new areas of interest including the Glen Orchy area.

Dr Chapman has informed Scotgold that the grains of gold collected and studied from River Orchy tributaries showed two clear contributing signatures, both distinctive to the region by virtue of their anomalous bismuth signature and possibly not from an explosion breccia source. More sampling is required to further ascertain the nature of the local gold signature.

## **Regional**

Rock chip sampling and AQ drilling continue at prospects in the Auch area and regionally and results are expected shortly.

## **CONONISH GOLD AND SILVER PROJECT**

On 11th August, the Company received a copy of the report from the Executive Director of Planning and Rural Development at the Loch Lomond and the Trossachs National Park to the National Parks Board recommending refusal of its application to build an underground mine to develop the Cononish gold and silver project.

On 18th August, at the meeting of the National Parks Board (the 'Board') at the Tyndrum Village Hall, the recommendation for refusal was upheld by the Board by a narrow majority of 12 to 10. The principal reasons for refusal were the landscape and visual impact of the Tailings Management Facility (TMF).

The Company was most surprised and disappointed at the decision given the apparent spirit in which previous discussions over the past three years had been held. Scotgold believes its application has considerable environmental advantages over the previously permitted application, and significant merit in the local, regional and national economic context.

The Company is considering its options to progress the project which include appealing to the Scottish Ministers and submitting an amended application. Any appeal would need to be made within three months of the decision date of 18th August.

## **RIGHTS ISSUE**

On 17th August, the Company announced a non renounceable rights issue to raise Aus\$ 1M, the closing date of which is 3rd November 2010.

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Managing Director

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## 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.*

## Appendix A: Statistics of AQ diamond drilling at Beinn Udlaidh Vein North East Extension

Hole ID	Pipe	Easting	Northing	Depth(m)	Elevation(m)	Azimuth	Inclination
BUAQ100-0	BU VEIN	228298	733354	4.5	740	320°	-45°
BUAQ100-1	BU VEIN	228293	733349	4.1	737	320°	-45°
BUAQ100-2	BU VEIN	228347	733381	9.5	721	300°	-45°
BUAQ100-3	BU VEIN	228191	733254	7.5	811	309°	-45°

## Appendix B: Selected recent rock chip sample results from Beinn Udlaidh

Location	Type	Sample	Easting	Northing	Au ppb	Ag pp m	As ppm	Mo ppm	Pb ppm	Zn ppm
Beinn Udlaidh Vein NE extension	Outcrop	BUV11	228522	733500	6.53	>200	105	2	2428	455
Beinn Udlaidh Vein NE extension	Outcrop	BU100	228298	733354	5.21	>200	402	9	519	97
Beinn Udlaidh Vein NE extension	Outcrop	BUV05	228457	733470	0.91	128.6	278	12	402	1607
Beinn Udlaidh Vein NE extension	Outcrop	BUV08	228491	733492	0.78	39.9	76	2	22	44
Beinn Udlaidh Veins	Outcrop	BU10	227398	732795	0.61	4.5	70	41	162	20
River Veins	Outcrop	GO34-3	225150	733965	383.21	91	665	2	8257	9262
River Veins	Outcrop	GO34-2	225150	733965	321.47	102	288	32	>20000	32748
River Veins	Outcrop	GO34-1	225150	733965	197.29	70	315	4	>20000	31428
River Veins	Outcrop	GO31-2	225920	734659	171.77	49	230	6	4115	741
River Veins	Outcrop	GO31-1	225920	734659	59.01	10	101	3	517	178
River Veins	Outcrop	GO40-1	223746	733365	3.28	4	10	0	4284	102
River Veins	Outcrop	GO28-1	226464	735581	1.89	1	35	2	89	20
River Veins	Outcrop	GO34-4	225150	733965	1.33	3	0	6206	230	34
River Veins	Outcrop	GO35-1	224411	732541	0.70	1	8	7	122	73
River Veins	Outcrop	GO28-2	226464	735581	0.59	1	23	1	48	30
River Veins	Outcrop	GO31-3	225920	734659	0.53	1	32	0	27	88