

Good afternoon, Ladies and Gentlemen.

My name is Chris Sangster and I am the CEO of Scotgold Resources.

I would like to introduce the other representatives from Scotgold and also representatives from Dalgleish Associates, our agents for this application.

John Bentley, Chairman of Scotgold Resources and Ross McLellan, Company Secretary of Scotgold

Karen Dalgleish, Principal and Rob Latimer of Dalgleish Associates.

Dalgleish Associates are a well established specialist minerals planning consultancy based in Dunblane.

Scotgold Resources is a junior mining exploration and development company and listed on the Australian Securities Exchange in January 2008 and the Alternative Investment Market in the UK in February 2010. The company has raised in excess of £4M to date to progress its activities in Scotland

The company was formed with its sole focus on exploring for gold in Scotland with the already identified Cononish deposit as its core asset. The company's founders were involved in the previous development at Cononish which had led to a prior planning approval and this and ongoing positive interaction with the Parks authority therefore gave them considerable encouragement to pursue this opportunity.

The company's strategy on listing was to advance the Cononish project to production whilst concurrently examining the potential for other deposits based on historical exploration data.

The presence of gold in Scotland was drawn to the attention of mineral explorers in the 70's as a result of work conducted by the British Geological Survey and results from their programs indicated gold in rivers over the Dalradian suite of rocks running through the Grampians.

As a result, Ennex International in the form of their subsidiary Fynegold Exploration, commenced exploration in Scotland in 1984 and homed in on the Tyndrum area as being highly prospective.

In 1985 they located the gold bearing vein at Cononish and subsequent drilling programs were undertaken from 1987 – 1990 to define the current resource. In 1989, an exploratory adit (a horizontal tunnel) was excavated to gain access to the vein and further determine its prospectivity.

In 1990, Ennex submitted an application for planning permission to Stirling Council. The project was subsequently acquired by Caledonia Mining Corporation in 1995 and planning permission granted in 1996 with the development confirmed as commencing in 1997. The

National Park Authority was created in 2002 and its boundary included the site of a gold mine with an extant planning permission.

In 1997, events in mining finance markets made access to finance for junior companies most difficult for a number of years and this coincided with a prolonged decrease in the gold price which lasted until 2004. The price of gold during this period ranged from \$250 – 400 per oz

Scotgold acquired the project in 2007 and subsequent to a clean up of the existing site, has been working towards bringing the project to production since then in conjunction with its ongoing exploration effort at Cononish and in the Tyndrum area. It is worth noting that, at today's costs, around £7 – 10M has been invested in the Cononish project in which there has been a substantial local component.

Currently we employ directly or indirectly, 5 people local to the area and 4 others. We have provided work experience for 2 undergraduate students and have hosted 5 MSc students to facilitate their dissertations. A fully funded doctoral research program was recently awarded by the Natural Environment Research Council in respect of examining the gold occurrences and their nature in the Tyndrum area.

The proposal for Cononish is characterised by a small underground mine on the SE shoulder of Beinn Chuirn and associated infrastructure including the processing plant and waste disposal facilities, the Tailings Management Facility.

The vein to be mined is about 6 feet wide and cuts vertically through the hillside. Rock is broken underground by drilling and blasting in successive horizontal slices through the vein and is collected and transported to the processing plant by small diesel powered trucks.

The processing plant is contained within an acoustically clad building and substantially shielded by an earth embankment to reduce the visual impact of the building and other surface activities.

Gold is contained as small particles in the rock and the processing involves crushing and grinding of gold bearing rock. Some gold is released at this stage and can be recovered by gravity separation with the balance recovered by a process called flotation. This process recovers gold which is trapped in other mineral particles into a 'sulphide concentrate' and requires further treatment to release the gold. Concentrate produced will be sent to Europe as no suitable facility remains in the UK to treat it.

No cyanide or mercury will be used in the processing of the material.

About 25% of the gold will be extracted on site as bullion. This quantity, amounting to some 5000 oz/year will thus be identifiable as 'Scottish Gold' and should attract a premium due to its scarcity and uniqueness should it be manufactured locally into jewellery.

The material remaining after processing is required to be stored in the Tailings Management Facility. This is an engineered facility, comprising an earthfill wall, successively build up in

lifts to increase storage capacity behind which, discarded material from the processing operation is pumped, with solids settling out and the water recycled back to the processing plant. The facility is progressively restored through its life and its flat surface landscaped on closure to reproduce similar topographical features to those existing at present.

Preproduction construction consists of establishment of the underground mine, construction of the processing plant, earthworks associated with the TMF and the diversion of the Eas Anie burn. Surface construction work is anticipated to be of 4/5 months duration.

The operation will produce around 20,000 ozs of gold and 80,000 ozs of silver annually from the treatment of 72000 tons of material. With the currently defined resource, production operations are expected to last about 8 years. From an independent study completed last year, the project requires around £12.5M in capital expenditure.

At current gold prices (£760 /oz), the project will generate around £110M in gross revenue over its duration and will create 52 full time jobs in a rural community whose current active skills base is largely centred on the seasonal tourist trade. The majority of these jobs can be filled by locally available skills. There are obviously also indirect employment opportunities created by the goods and services required by the operation which have wider implications than the Tyndrum area.

Scotgold believe there are other benefits of a sustainable nature of significant importance to the Community and the National Park. Historic mining activity, the rich geological endowment of the area (geodiversity) and its location on major tourist route in Scotland make Tyndrum an exceptional location for the establishment of some form of mining heritage and geological interpretive centre which would deliver sustainable benefits to the area during operations and post closure. As previously mentioned there is also potential to develop a small manufacturing jewellery industry, based on the branding of ' Scottish Gold'. The success of the Welsh Gold model in the 1990's demonstrates the appeal of a regional gold brand and Scotgold would be prepared to facilitate the development of such an enterprise.

The CEO of the Parks is quoted recently as saying 'the Park has to start from a stance that we are open for business'. The article further notes that the Parks have sought to steer the most contentious applications from confrontation by pre planning engagement between the applicant and the Parks. The CEO is further quoted as saying 'now we have a national park local plan, we have the confidence to have the conversation in a positive way,. So we can say something is not acceptable, but suggest alternatives'

Prior to the acquisition of the Cononish project in 2007, the Company met with the Parks Authority on a number of occasions to discuss its plans and subsequently a number of times prior to the application to update the authority regarding progress and its intentions. Both parties established a collaborative approach to the application and have generally maintained an active dialogue throughout the process, and similarly with a number of the statutory consultees (as evidenced by SEPA's recent withdrawal of their objection.)

Given this degree of continued interaction over a sustained period and the recently introduced Pre Application Consultation process of public meetings at which strangely, the Authority were not represented, it is surprising that there is now such divergence on matters of fundamental principle as well as a wide range of more detailed issues.

Whilst there are a large number of detailed issues within the Board report on which Scotgold have substantially different views, and Karen will pick up on a couple of the more important ones after I have finished, it is unfortunate that Scotgold have had little further opportunity to discuss these with the Authority subsequent to the submission of the further information submitted in early June.

I would like to consider to the six points made in final conclusion of the report. These were distilled into four key points in the press release made by the Parks as the basis for recommending refusal being

- Concerns over significant long term landscape, visual and recreation impacts
- The uncertainty of the predicted economic benefits due to fluctuating gold prices
- The proposal goes against the aims of the National Park designation. The National Parks (Scotland) Act 2000 states that where there is conflict between the first conservation aim and the other three aims, it must give greater weight to conservation.
- The impacts are considered to be significant both during the proposed 10 year life of the mine and for the long term after restoration

In respect of concerns regarding the long term landscape, visual and recreational impacts. These centre largely on the landform of the TMF and its restoration.

There is an assumption in the report that those who use the Cononish Glen will be put off by the TMF and the development in general. Scotgold do not agree with this assessment and anecdotal evidence and the results from a snapshot survey would indicate strongly to the

contrary and that in fact most people would be interested in such a development and it would not detract from their experience. Scotgold acknowledges that some may feel their experience is lessened by the presence of the development, but would argue that the impact, such as it is, is transitory both in the short and long term.

Scotgold do not believe the final restored landform of the Tailings Management Facility to be an 'alien' form in the landscape and many similar features are to be found within the area. The techniques for restoration that will be used are proven and as such the landform will be accommodated within the general nature of the glen during operations, and subsequently post closure on full restoration. Scotgold do not believe the landform will 'dominate' the glen as stated, but will in fact, form an integral part as the operation progresses.

The report is highly dismissive of the economic benefits of the project as being 'uncertain due to fluctuating gold prices' and similarly questions the use of appropriate multipliers to derive economic benefits.

The Board of Scotgold Resources have significant experience within extractive industries and are best placed to judge the economic merits of the proposal. The economic study conducted by independent consultants in mid 2009 indicated a viable project at a 'floor' gold price of £450 per oz (\$720/oz). At higher prices, the project provided exceptional returns with significant free cashflows generated post the repayment of project capital.

The current price is around £760 /oz (or \$1200 per ounce) – in excess of 60% above that considered in the study, with a period of continued moderate strengthening expected over the next few years due to uncertainties in the global financial position.

Hedging and option calls (essentially price protection mechanisms) have become considerably more sophisticated during the prolonged period of low gold prices in the late 90's and early 2000's and Scotgold has the opportunity to 'lock in' the gold price at the time of the development. This would safeguard repayment of the capital required to put the operation into production.

Most long term forecasters see the floor gold price in the £500 – 550 /oz range in the longer term, and based on an estimated operating cost in the £250 to £300/ oz range, the operation would continue to generate significant positive cashflows to ensure a robust and on going operation and the benefits outlined sustained.

In respect of local fulltime employment creation, the report questions whether these will indeed be local jobs. Generally, the skills required for operating the mine, other than perhaps for drilling and blasting and some technical skills, are those that are commonly found in the area relating to agriculture, forestry and construction, in a slightly different environment however. Scotgold estimates that 13 from the 52 jobs may not be filled by skills available in the area. Scotgold provided an indication of the potential catchment area

however, the majority of those interested so far are from within the Parks areas of Tyndrum, Crianlarich, Killin, Lochearnhead and Calendar.

The report is also dismissive of the indirect and induced benefits generated at a local and national scale. The levels of indirect job creation are well documented throughout the industry worldwide though vary considerably with location and scale of project. Scotgold have used the Office for National Statistics figures for our sector, the minerals sector of the construction industry and believe these to be the appropriate multipliers to derive economic benefits.

Scotgold question the Parks assertion that tourist spend in the area would be damaged and in fact believe it will be significantly enhanced as a result of interest in Scotland's only gold mine and the potential opportunities mentioned earlier in respect of a possible heritage centre and jewellery manufacturing business.

There are wider national implications for a successful minerals operation within the Scottish context. Minerals operations are recognised as significant potential drivers for growth in national economies, and the renewed importance of such operations has been recently recognised and embraced by the EU in considering future minerals policies in order to stimulate this important primary industry.

It is well recognised by the BGS, that Scotland is highly prospective but under explored for minerals. Combined with its very low political and sovereign risk, this makes Scotland a most attractive potential opportunity for investment in minerals activities and a successful operation at Cononish would provide a significant stimulus to putting Scotland on the map in this respect and truly demonstrate Scotland is 'open for business'.

In the current economic climate, Scotgold believe the creation of 52 full time jobs to be of significant impact and benefit in the rural, regional and national context.

Cononish represents Scotland's only industry defined gold / silver resource and though the Authority points to some of Scotgold's other potential opportunities in the area (and Scotgold believes strongly in the technical merit of these other occurrences), there is by no means any guarantee that they may be of economic importance or indeed open to exploitation. They may never amount to the unique opportunity that Cononish currently represents, that of Scotland's first commercial gold mine.

Scotgold believe that the proposal is in concordance with the aims of the Park and with this alignment, in accordance with the majority of the policies quoted in the report rather than being at odds.

Scotgold believes the proposal has the potential to significantly enhance the cultural heritage of the Park through the association of mining in the Tyndrum area and its geological endowment and will not in any way impact in the natural heritage of the area and is thus not at odds with the primary aim of the Park.

In relation to the second aim of the Park, the proposal promotes the use of a natural resource and hence contribution to the economy and presents opportunities as indicated above for an on going sustainable benefit that few other mineral developments have.

The third aim of the park is to promote understanding and enjoyment of the special qualities of the area by the public. The Parks acknowledge that the proposal may promote public understanding and enjoyment of the mining and geological heritage though dismisses this against the users of the Cononish Glen. Scotgold have indicated that around 60,000 people may visit a mining heritage centre at Tyndrum and as noted before, Scotgold believe that the majority of current users may in fact be interested by the development and it may in fact promote wider use of the glen.

In respect of the fourth aim, the Park has questioned the level of contribution and I have outlined Scotgold's view of the demonstrated level of benefits and how they may be safeguarded in prevailing economic circumstances.

It is thus Scotgold's view that the proposal is in concordance with the aims of the Park and if there is no conflict, the Sanford Principle does not apply.

The fourth point raised relates to the immediate and long term impacts of the development, Scotgold believe that the mitigatory measures proposed within the application minimise the operational impacts and that the restored site, including the TMF, will not in any way detract from the landscape and experience for users of the glen and would suggest in time that it may in fact become an important heritage feature.

In respect of the prior permission granted by Stirling Council, the Parks argue that material changes to legislation warrant reconsideration, however, if the current proposal is not at odds with the aims of the Park and Scotgold maintain that it is not, in addition to the demonstrated economic benefits, the existence of the previously granted permission should indeed be given greater weight rather than put aside.

I will now pass over to Karen to discuss some of the key more detailed issues before concluding.

**LOCH LOMOND AND THE TROSSACHS NATIONAL PARK
PLANNING AND ACCESS COMMITTEE HEARING
18TH AUGUST 2010**

**PROPOSED DEVELOPMENT OF AN UNDERGROUND MINE
TO EXTRACT GOLD AND SILVER
CONONISH FARM, TYNDRUM
[PLANNING APPLICATION REF: 2010/0017/MIN/S]**

**STATEMENT ON BEHALF OF SCOTGOLD RESOURCES LTD
BY DALGLEISH ASSOCIATES LTD [AGENT]**

Landform and Restoration

- 1 The landform of the Tailings Management Facility [the TMF] is design driven and must comply with stringent Health & Safety legislation. Both the scale and form of the facility is commensurate with natural features which may be observed in Cononish Glen. Examples of these, their naturally occurring slopes and the vegetation they support have been presented to the Parks Authority.
- 2 The restoration techniques proposed are well established [Putwain 1988] and effectively conserve the naturally occurring seed bank present within the peaty topsoil/turves of the site. Such techniques are promoted by bodies such as the RSPB and indeed may be readily studied on several UK Government endorsed websites. The assessment by the Parks Authority makes reference to evidence not being provided. This is perplexing. These techniques are widely accepted and are used in reinstatement in wind farm construction and other utilities projects in

uplands. We have shown such examples to the Parks Authority.
[ILLUSTRATIONS]

- 3 Regarding peat turf and humic peat storage, the Applicant has submitted details of types and quantities of peat present on the site, and its storage, whether short or long term and its re-use. There is obvious confusion on this issue in Appendix 26, which does not reflect the submission, or discussions with Planning Officers.
- 4 Consequently we consider the Park's conclusions on restoration to be without grounds, indeed to be perverse, and challenge these in light of the evidence and examples presented by the Applicant. We refute the statement that a UK Biodiversity Action Plan [UKBAP] habitat will be lost. Furthermore in the S75 agreement, the Applicant has brought forward a scheme for the management of the site restoration, a Group involving the Applicant, the Parks Authority, SNH and the landowner, which will closely monitor progress.

Landscape and visual impact

- 5 It is evident that the landform at the location of the TMF will change. Contrary to the view expressed by the Parks Authority landscape advisor, The TMF landform is not large scale, in the context of natural features of not dissimilar form in the Cononish valley and of the surrounding very large scale mountainous landscape. I refer in particular to a naturally occurring glacial terrace, which in profile and vegetation cover closely resembles the proposed TMF. This terrace may be seen in the foreground of Ben Lui viewed from Cononish Glen. [ILLUSTRATIONS]
- 6 The TMF and all ancillary construction works are phased such that enabling works are short term, with immediate progressive restoration.

Accurate 3-D computer models of the development at every stage of its life have been used by the Applicant to assess effects on the landscape resource, with each “lift”. Photomontages have been prepared, at the request of the Parks Authority, to assist their understanding. This is the final restoration stage, as would be viewed from the crags of Craig Bhocan.

- 7 These models are also used in the visual assessment and as this is a type of development of which the Parks Authority [indeed few others in the UK!] would have no experience, at a very early stage in the application process it was suggested by the Applicant that a workshop session should be run, in order that the detail of the development could be fully explored and any points of clarification addressed through interrogation of the computer model and in dialogue. Regrettably this did not happen and is reflected in the inaccuracy of the statements in Appendix 21 to the Report, particularly with reference to views from the Cononish Glen track. It will not be possible to see site operational activities from this track, as the design provides for mitigation in the form of the landscaped mound around the process plant building, at which the small ore stockpile is located. This is not the forum at which subjective views on landscape and visual impact are to be debated but this, and other inaccuracies, are of concern to the Applicant, in that the effects of the development are being misrepresented to members of the Access and Planning Committee.

- 8 The efficacy of the restoration measures has been called into question as a contributory factor to short and longer term impacts on both landscape and visual amenity. We consider that restoration techniques proposed are proven and will provide both short and long term mitigation, while accepting that during the operational life of the TMF, the surface of the facility will be visible, at a distance, from some elevated viewpoints.

Socio-economic assessment

- 9 In assessing the numbers of walkers which could be affected by the development, neither the Parks nor SNH had data for Cononish Glen or for walkers on the southern ridge of Beinn Dubhcraig and Ben Oss to Ben Lui. In their absence DAL undertook a snapshot survey of walkers at Dalrigh and also ascertained from SNH that most walkers ascending Ben Lui did so from the west. The conclusion which was drawn was that overall numbers that could in any way be affected was low.

- 10 This factor, when taken together with the scale and nature of the TMF landform in its Cononish valley context and its proposed restoration, which cannot reasonably be called into question, results in a rather different picture from that painted by the Parks and by SNH, that the amenity of walkers will be adversely impacted.

- 11 It is also a matter of concern that there appears to be no recognition that sustainable development is also measured by contribution to the economy and that the Government Office of National Statistics figures are doubted by the Parks Authority, who also cite gold price fluctuation as one of the factors in its recommendation for refusal. This is not a valid planning reason. The value of the development to the local community, the local economy and GDP has been explained.

The Development Plan

- 12 The Development Plan provides a framework for balancing the positive benefits of a scheme against any environmental impacts and in this instance, whether the National Park Aims are being met.

- 13 In considering the raft of planning policies cited in the Report, only where impacts are significant, would there be non-compliance with these. We have raised concerns with respect to the assessment of restoration and landscape/visual matters by the Parks and by SNH, which has a direct bearing on compliance with these policies.
- 14 We consider that the proposal does not conflict with the aims of the National Park. There is no loss of a priority habitat, using established restoration techniques, which sensibly mitigates landscape and visual impacts. “Conserving and enhancing the natural and cultural heritage of the area”, the overriding aim, implies a beneficiary for these outcomes, i.e. the public in general. The second aim, “promoting sustainable use of the natural resources of the area” should relate also to contribution to GDP, which is undeniable for this project. This is also relevant to the fourth aim, “to promote sustainable economic and social development of the area’s communities”, which the Parks Authority choose to query, misunderstanding the benefits of investment in terms of direct, indirect and induced effects.
- 15 As to possible negative impacts on tourism, the Applicant’s survey and the many comments received from the public do not bear out that view. We suggest that the existing exploratory gold mine workings and the potential for its commercial realisation are already part of the public’s perception of Cononish Glen and it does not deter, but may in fact encourage visitors, not only to the Glen, but indeed in the greater scheme of things.
- 16 This is a literally a golden opportunity for the third aim to be realised, namely “to promote understanding and enjoyment [including enjoyment in the form of recreation], of the special qualities of the area by the public”. SNH surveys show that walkers in the Park fall into the demographic categories A,B and C1 – professional and managerial classes, which surely begs the question that conservation policies are ostensibly not

benefitting the wider public. The developer contributions proposed by Scotgold, part of which is for a visitor facility, will enable the exposure to a wider public not just of the Earth Science Heritage, but of the ecology and cultural heritage dependent on it. The branding power of gold for this part of the National Park through simply its curiosity value has the further potential to enhance visitor numbers in Strathfillan.

Conclusion

17 The Scotgold application for the extraction of gold and silver at Cononish and the progressive and final restoration of the site is a carefully designed scheme. The Applicant has designed out or mitigated identified potential impacts such that they do not significantly affect amenity or the conservation aims of the National Park. The Parks views on restoration are unsubstantiated and consequently its assessment of landscape and visual impacts must be called into question. We request that the Board members give due and careful consideration to the points raised by the Applicant in their consideration of this application.

Conclusion.

Scotgold Resources Ltd seeks the approval of the National Park Planning and Access Committee for its application for Planning Permission for the development of an underground mine and the subsequent restoration of the site.

Scotgold has sought to enable a full understanding of all the components of the development, the statutory requirements and controls on the development and the means by which these may be achieved.

Scotgold has sought to satisfy that it is not in conflict with the Aims of the National Park and is in compliance with the Development Plan. In matters other than landscape and restoration, there are no objections to the development.

Scotgold believe the development is a significant economic opportunity for the local, regional and national context and will deliver significant and sustainable benefits.

Scotgold believe that this is a win – win application, a win for the Community and a win for the Parks and we ask that you approve the application.