

**AMC Consultants (UK) Limited**

Registered in England and Wales  
Company No 3688365

Level 7, Nicholsons House  
Nicholsons Walk, Maidenhead  
BERKSHIRE SL6 1LD  
UNITED KINGDOM

**T** +44 1628 778 256  
**F** +44 1628 638 956  
**E** [amcuk@amc-consultants.co.uk](mailto:amcuk@amc-consultants.co.uk)



**CONONISH SCOPING STUDY  
SUMMARY REPORT  
SCOTGOLD RESOURCES LTD**

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**ADELAIDE** | **BRISBANE** | **MELBOURNE** | **PERTH** | **UNITED KINGDOM** | **VANCOUVER**  
**+61 8 8201 1800** | **+61 7 3839 0099** | **+61 3 8601 3300** | **+61 8 6330 1100** | **+44 1628 778 256** | **+1 604 669 0044**

[www.amc-consultants.co.uk](http://www.amc-consultants.co.uk)

Registered office: 8 Wimpole Street, London, W1G 9SW United Kingdom

## SUMMARY REPORT

### Introduction

As requested by Scotgold Resources Ltd ("Scotgold"), AMC Consultants (UK) Limited ("AMC") has completed a scoping study for Scotgold's Cononish underground mining project located near Tyndrum in Stirlingshire, Scotland.

This summary report presents the key findings of the study, results of an economic evaluation and recommendations to be considered by Scotgold management for development of the project.

A full Scoping Study report will be released in due course (by 20 February 2009) to document, in more detail, the engineering concepts and cost estimates that were used as the basis for the study.

The assessment was based on the resource estimate developed by Snowden Mining Industry Consultants (Snowden) in 2008. This estimate has been reported by Snowden according to the JORC code. This assessment also relies upon studies and technical reviews completed on Cononish by previous owners.

This study represents the first attempt to consolidate and update project data using contemporary study methods and mine design software.

### Overview

AMC has assessed Cononish underground mine potential and confirm the following key design aspects:

- Mining production rate can be sustained at 72 ktpa over a period of 6½ years with potential to increase to 100 ktpa from current resource base and capacity in mining fleet. Mining schedules and cost estimates have been revised to use a Long Hole Open stoping (LHOS) method for the majority of the resource.
- Milling consists of a combination gravity and flotation concentrator that has been reconfigured and re-estimated to handle the 72 ktpa delivered to the mill. The use of cyanide on site is not permitted.
- The Tailings Management Facility design has been updated and re-estimated to handle full plant throughput. An option to place at least some of the tailings underground in mined out stopes and hence reduce the requirement for surface storage is recognised, but has not been investigated through this study.

### Resource Estimate

The most recently published resource estimate, completed in June 2008 by Snowden, estimated resources using a 3.5 g/t Au cut-off as shown below:

Classification	Tonnes (t)	Grade		Ounces	
		Au	Ag	Au	Ag
Measured	53,000	17.9	75.0	31,000	128,000
Indicated	63,000	10.1	42.2	20,000	85,000
Inferred	285,000	11.2 (11 – 16)*	41.0	103,000	376,000
Total	401,000	11.9	45.7	154,000	589,000

\* Due to the potential for upside from the information effect Snowden reported a range of grades for the Inferred Resources.

AMC has reviewed the resource estimation method used by Snowden that applied a polygonal two dimensional method. AMC concludes that the method of estimation of the Cononish resource is adequate for the style of mineralisation and scoping level of the current study.

AMC believes that further value can be extracted from the available information on the deposit and has made recommendations to improve the confidence in the estimate and to extract more value from the data for mine planning purposes.

AMC used the Snowden resource estimate and the raw data to construct a three dimensional block model for the purposes of mine design and scheduling in this study. This model reconciled well with the polygonal estimate developed by Snowden for the June 2008 estimate.

### Mining Inventory

Based on the three dimensional modelling of the Snowden resource and after the consideration of issues of access and the inclusion of dilution and ore loss consideration, a mining schedule was developed. This schedule delivered 454,000t of mill feed at a head grade of 10.2 g/t Gold and 40.4 g/t Silver from January 2011. It is estimated that 140k ounces of gold and 540k ounces of silver will be produced over a 6½ year project life.

This study does not include additional resources that may be identified from the further interpretation of the drilling completed to date.

### Mining and Geotechnical

Access to the mine will be via the existing adit on 400L that will be stripped to accommodate mobile equipment. The equipment selected is specialised for application in a narrow vein mining environment.

Although previous studies had proposed shrinkage or Alimak methods to minimise dilution, AMC recommends that the predominant mining method to extract this inventory is modified to LHOS.

LHOS is preferred for the bulk of the resource as it offers a safe non-entry mining method that will control the level of dilution whilst allowing the application of mechanised methods with higher levels of productivity that would be possible with shrinkage stopes or Alimak based methods.

Observations made in the existing underground development indicate that the Cononish rockmass is extremely competent and that ground support will be minimal due to narrow mining spans created by the proposed mining layout.

Although tailings have been proposed as a backfill method for disposal in mined out stopes, there is no regional support requirement for the LHOS method. The placement of tailings underground should be considered through a trade off study evaluating it as an alternative to placing tailings on surface with clear environmental benefits of a reduced tailings facility.

### Tenure

Scotgold has secured land and access rights for the duration of the project and closure activities, and a planning review has been completed to update environmental and community aspects with Local and EU legislative changes since previous studies in 1996.

The Environmental Impact Assessment and Management Plan will be updated and estimates of the compliance requirements have been allowed for in the cost estimates used in this study.

### Project Schedules

The mining and milling schedules for the life of the operation (2010–2017) are shown below:

SUMMARY	YR	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
	UNITS									
<b>Mining Summary</b>										
Waste tonnes mined	t	59,598	32,501	28,836	14,601	14,008	1,088	0	0	150,632
Ore tonnes mined	t	20,861	71,634	72,441	72,608	72,808	72,823	70,823	0	453,998
Ore tonnes Au grade	g/t	11.02	12.28	12.07	10.78	8.40	7.27	9.96	0.00	10.16
Ore tonnes Ag grade	g/t	44.19	51.13	53.20	47.27	28.61	21.76	39.38	0.00	40.37
Total tonnes mined	t	80,460	104,134	101,277	87,209	86,816	73,912	70,823	0	604,630
<b>Milling Summary</b>										
Tonnes milled	t	0	72,000	72,000	72,000	72,000	72,000	72,000	30,998	462,998
Au grade	g/t	0.00	11.97	11.92	11.63	8.96	7.49	9.17	8.54	10.08
Ag grade	g/t	0.00	49.19	51.51	52.38	32.83	23.29	34.13	35.40	40.21
Au recovered	oz	0	25,778	25,671	25,042	19,279	16,126	19,745	7,915	139,557
Ag recovered	oz	0	102,477	107,309	109,124	68,400	48,514	71,112	31,755	538,691

### Cost Estimates

Preproduction Capital cost is estimated at £12.3M with a further sustaining and deferred capital cost of £1.9M over the life of the project. This deferred capital includes the working capital requirements.

The total operating costs are estimated to be an average of approximately £230 per equivalent ounce of gold (after credits for silver) after commissioning of the new and upgraded facilities.

## Project Evaluation

Based on AMC's proposed project development described in the study, AMC has evaluated Gold price scenarios as follows:

- 1 Gold price - 720 \$/oz; Silver 12.0/ \$oz, \$/£ exchange rate 1.60 – Long Term Price (equivalent to £450 per ounce)
- 2 Gold price - 944 \$/oz; Silver 13.3/ \$oz, \$/£ exchange rate 1.42 – Spot prices at 12 February 2009. (equivalent to £662 /oz)

KPI	Unit	Long term Au	Current Au
Total Pre Production Costs	GBP	12.3M	12,3M
NPV	GBP	6.6M	25.6M
IRR	%	28%	74%
Breakeven Gold price	(\$/oz)	597	522

The breakeven gold price is defined as the price that would deliver an NPV of 0 for a 10% discount rate.

## Sensitivity Analysis

The following sensitivities were carried out to test the project viability:

- Gold Price at +/- 20%
- Capital Cost +/- 20%
- Operating Cost +/- 20%

The outcomes of the sensitivities on Gold Price and Total cost are summarised below:

<b>SENSITIVITY</b>	
<b>Base Case</b>	
Total Pre-production costs (£M)	12.3
NPV (£M)	6.6
IRR	28%
Breakeven Au price (\$/oz)	\$597
Breakeven Au price (£/oz)	£373
Breakeven Au price (A\$/oz)	AUD817
<b>Spot Price</b>	
<b>Au price @ \$944/oz, Ag price @ \$13.28/oz, Exchange rate @ £1:\$1.42</b>	
<b>Au price @ £662/oz, Ag price @\$9.22/oz</b>	
Total Pre-production costs (£M)	12.3
NPV (£M)	25.6
IRR	74%
Breakeven Au price (\$/oz)	\$522
Breakeven Au price (£/oz)	£368
Breakeven Au price (A\$/oz)	AUD804
<b>Increased Gold Price</b>	
<b>Au price up by 20% (£540/oz)</b>	
Total Pre-production costs (£M)	12.3
NPV (£M)	14.4
IRR	48%
Breakeven Au price (\$/oz)	\$597
Breakeven Au price (£/oz)	£373
Breakeven Au price (A\$/oz)	AUD816
<b>Decreased Gold Price</b>	
<b>Au price down by 20% (£360/oz)</b>	
Total Pre-production costs (£M)	12.3
NPV (£M)	-1.1
IRR	7%
Breakeven Au price (\$/oz)	\$597
Breakeven Au price (£/oz)	£373
Breakeven Au price (A\$/oz)	AUD816
<b>Increased Costs</b>	
<b>Total costs up by 20%</b>	
Total Pre-production costs (£M)	14.8
NPV (£M)	0.0
IRR	10%
Breakeven Au price (\$/oz)	\$720
Breakeven Au price (£/oz)	£450
Breakeven Au price (A\$/oz)	AUD985
<b>Decreased Costs</b>	
<b>Total costs down by 20%</b>	
Total Pre-production costs (£M)	9.8
NPV (£M)	13.3
IRR	53%
Breakeven Au price (\$/oz)	\$474
Breakeven Au price (£/oz)	£296
Breakeven Au price (A\$/oz)	AUD648

Discount rate for all = 10%

The level of accuracy achieved in the study estimate of the component cost estimates (+/- 20 %) can be considered to be higher than normally achieved for a scoping study. This is as a result of the updated design approach used and reliable and current cost data obtained.

### **Conclusion**

AMC believes that Scotgold development approach for Cononish is sound and represents relatively low technical risk.

The sensitivity analysis shows that the project would breakeven at the study base case gold price of \$720/oz even if all costs were 20% higher than estimated. To this extent the project can be regarded as robust.

The project can be developed into production with a relatively short lead time of less than 18 months subject to permitting and approvals to take advantage of forecast high metal prices in the short to medium term.

### **AMC recommendations for further work**

AMC and Scotgold have identified some opportunities during the study process and recommend that that further assessments are carried out on the following:

- Completion of exploration drilling programme for the lower and strike extensions of the resource that has potential to increase mining inventory.
- Additional resource definition drilling to confirm the Inferred Resources. Snowden has commented on the potential to improve the grade in the Inferred Resource.
- Completion of a study to assess the feasibility of a small scale underground processing plant (as per Gekko concept) to reduce the capital cost and surface footprint.
- Completion of a study to assess the tailings characteristics for underground disposal and if appropriate complete a backfill study to assess the technical feasibility and costs of placing dewatered/deslimed tails in mined out stopes. This work is planned to take place once the results of the metallurgical testwork being undertaken by Gekko are available.
- Develop the scoping study into a full feasibility study for funding purposes appropriate to the scale and risk exposure of the project and build on the current engineering designs and costing estimates.
- Completion of benchmarking study to as part of this next phase of the study to improve confidence in mining schedules and costs.


### **Potential Upside**

- It is possible that the overall grade is higher by 25% (Snowden comments) Snowden also commented that the inferred resource grade could be in the range of 11 to 16 g/t Au.
- Potential for additional resources in the vicinity of Cononish within a few kilometres.
- Opportunities for reduced operating costs in respect the application of technology such as a Gekko underground processing facility and alternatives for concentrate treatment.
- Potential value added downstream through marketing advantage of marketing Scottish Gold as a brand that could attract a premium to the gold price.

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The signing of this statement confirms this report has been prepared and checked in accordance with the AMC Peer Review Process. AMC's Peer Review Policy can be viewed at [www.amc-consultants.co.uk](http://www.amc-consultants.co.uk).

#### Project Manager

  
\_\_\_\_\_  
Andy Robb

16 February 2009

#### Peer Reviewer

  
\_\_\_\_\_  
Martin Staples

16 February 2009

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