

ASX Announcement

31 January 2012

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 3,200km² of central Scotland.

Fast Facts

Shares in issue:	194M
Share price:	A\$0.065
Market capitalisation:	A\$12.6M
Last quarter Cash in hand:	\$1.4M

Board of Directors

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

Major Shareholdings

Kenglo One	9.18%
Shane Sadleir	7.64%
Chris Sangster	3.25%

Company Contacts

Scotland

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DECEMBER 2011 QUARTERLY REPORT

Cononish Gold and Silver Project

- Unanimous decision by Parks Authority to grant planning permission subject to conditions and legal agreements
- Agreement on conditions and legal agreements substantially complete
- Subject to completion, Decision notice to be issued in mid February
- Crown Lease to be issued in mid May
- Update of project study underway by AMC Consultants

Grampian Gold Project – River Vein

Results for the first two NQ diamond drill holes into River Vein Prospect confirm the continuity of mineralization at depth including:

- **RV01:**
 - **9.7g/t Au, 13.3g/t Ag, 0.6% Pb, 2.1% Zn** over 40cms (intersection width) - 60 metres below surface
 - **3.5g/t Au, >200g/t Ag, 1.4%Pb, 100ppm Mo and 34g/t Te** over 52 cms (intersection width) - 78 metres below surface
- **RV02:**
 - **4.39g/t Au, >200g/t Ag, 1.8% Pb, 167ppm Mo, 43g/t Te** over 40cms (intersection width) – 70 metres below surface

Mapping shows wider extent of molybdenum-bearing fractures, with rock chips assaying up to 2.72% Mo.

Further rock chip sampling of the gold vein at surface confirms the high grade mineralization in this structure, with assays up to 74.58g/t Au and 20.6g/t Ag.

Cononish Gold and Silver Project

Planning

On 13th October 2011, the Director of Planning and Rural Development issued a report to the National Parks Board (the 'Board') recommending approval of the application for planning permission at the Cononish Gold and Silver project subject to agreeing a number of outstanding conditions and the conclusion of legal agreements.

The recommendation for approval was upheld unanimously by the Board at a special board meeting on 24 / 25 October 2011.

Since the recommendation, Scotgold has engaged with the Parks Authority to finalise these conditions and legal agreements. Negotiations are nearing completion and subject to the satisfactory conclusion of these, a Decision Notice regarding the development is expected to be issued in mid February. On issue of the Decision Notice, and the expiry of the requisite judicial review period of three months, the Crown Estate will issue a mining lease; this is expected to be in May 2012.

Study Update

Scotgold have commissioned Australian Mining Consultants UK Ltd ("AMC") to complete the Cononish Gold and Silver Project Development Study. It is intended that AMC review and update the mining development and production schedule and mining capital and operating costs (with a target +/-15% accuracy), based on the updated resource at Cononish.

AMC will also oversee the compilation of the overall Project Development Study with contributions from the Company, its processing, tailings and environmental consultants as a key component of its development decision and basis for examining funding arrangements.

Final inputs to the study regarding planning commitments are substantially complete and the study is expected to be completed by mid March.

Exploration Update

The Company continues to actively conduct exploration activities on its substantial land position outside the National Park.

Grampian Gold Project

Regional fieldwork including ongoing stream sediment sampling continued over the Inverliever, Cononish – Glen Orchy and Glen Lyon licence areas. A total of 573 sample results have now been received and interpretation is on-going.

Reprocessing of British Geological Survey aeromagnetic and gravity data over areas of the Grampian Gold project area is nearing completion and results are awaited.

The planned airborne magnetic survey continues to be delayed as clearance from civil aviation authorities to fly the proposed configuration remains as yet ungranted. Alternative arrangements for an airborne survey are being considered.

River Vein Prospect:

Further detailed mapping and rock chip sampling carried out during 2011 has revealed a significant number of additional molybdenum-bearing fractures (refer to Figure 1). In one area the coarse-grained quartz and feldspar vein shows a dense concentration of molybdenite crystals. Rock chip samples taken from this zone returned in excess of 1% Mo, with RV105 assaying **2.72% Mo and RV109 1.42% Mo**.

Three rock chip samples further confirmed the high grade gold mineralization on the River Vein, the best result being RV101 (**74.58g/t Au, 20.6g/t Ag, 0.55% Pb, >1.0% Zn**).

Recent results are shown in Table 1 below and sample location is shown in Figure 1.

River Vein Additional Rock Chip Samples								
Number	Easting	Northing	Au g/t	Ag g/t	Mo %	Pb%	Zn %	Comment
RV100	225138	733967	0.05	2.67	0.04%	0.03%	0.00%	Mo fracture
RV101	225151	733955	74.58	20.60	0.00%	0.55%	>1.0%	Au vein
RV102	225139	733958	25.27	11.70	0.00%	0.54%	>1.0%	Au vein
RV103	225133	733959	0.06	1.14	0.01%	0.01%	0.00%	Mo fracture
RV104	225123	733945	0.22	17.45	0.01%	0.08%	0.00%	Mo fracture
RV105	225117	734025	0.02	3.64	2.72%	0.02%	0.00%	Mo fracture
RV106	225106	733974	0.03	0.63	0.00%	0.00%	0.01%	Mo fracture
RV107	225106	733975	3.24	51.70	0.00%	0.16%	0.07%	Au vein
RV108	225117	734025	0.02	3.15	1.93%	0.02%	0.00%	Repeat RV105
RV109	225116	734032	0.02	3.26	1.42%	0.01%	0.00%	Mo fracture
RV110	225115	734041	0.11	8.50	0.07%	0.01%	0.00%	Mo fracture
RV111	225119	734043	0.02	0.69	0.01%	0.00%	0.00%	Mo fracture

Table 1 – River Vein Area A additional rock chip samples

In order to further quantify the extent and grade of both the gold vein and molybdenite fractures, a program of four diamond drill holes was laid out. Drill statistics are shown in Appendix 1.

A total of 800m drilling was completed and significant results from the initial two holes are shown in Table 2 below. The best results were:

RV01: **9.7g/t Au, 13.3g/t Ag, 0.6% Pb, 2.1% Zn** over 40cms (intersection width) - 70 metres below surface; **and 3.5g/t Au, >200g/t Ag, 1.4%Pb, 100ppm Mo and 34g/t Te** over 52 cms (intersection width) - 88 metres below surface

RV02: **4.39g/t Au, >200g/t Ag, 1.8% Pb, 167ppm Mo, 43g/t Te** over 40cms (intersection width) – 87 metres below surface

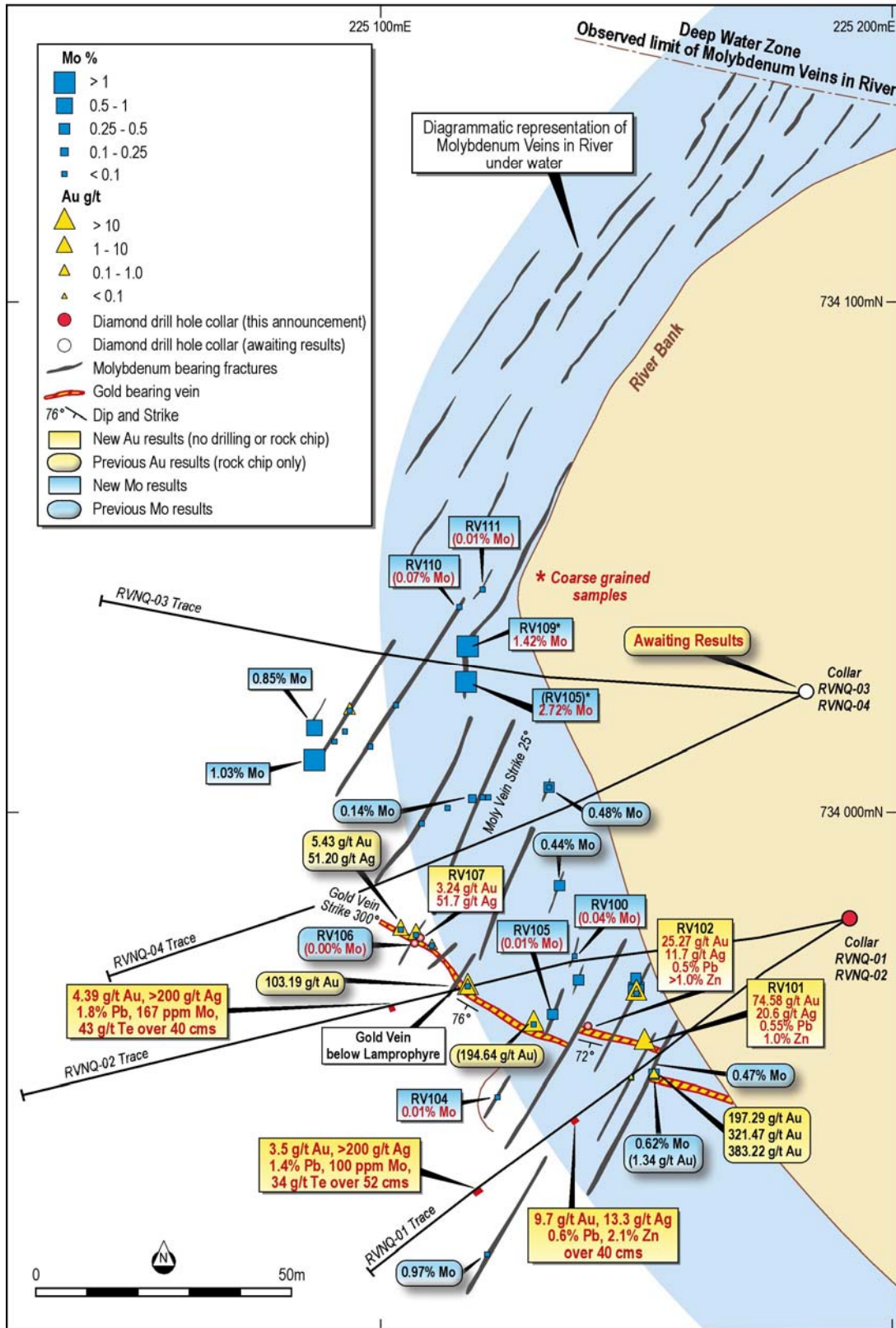


Figure 1: Map of River Vein Prospect showing latest mapping and rock chip sampling results. Drill collars and traces for diamond drill holes RVNQ-01 to 04 are also shown.

The drilling results indicate at least two possible gold and silver bearing structures. Geochemical characteristics are similar to the Cononish gold/silver vein, with high silver values and elevated levels of lead, zinc and tellurium.

The intersection widths, while narrow, demonstrate continuity of the River Vein structure sampled on surface. The host sequences are a mixture of psammites and semi-pelites which appear more favourable for vein formation and continuity in other Dalradian gold occurrences.

Four narrow molybdenum fractures with values exceeding 0.01% Mo were also intersected in the second hole, RV02. Results from RV03 and RV04 are awaited.

River Vein drilling - Au vein									
	From	To	Width	Au g/t	Agg/t	Mo %	Pb%	Zn %	Comment
RV01	99.95	100.35	0.4	9.72	13.33	0.00%	0.58%	2.15%	River Vein?
	125.75	126.27	0.52	3.26	>200	0.01%	1.37%	0.00%	Au Vein
	164.75	165.30	0.55	0.38	2.13	0.00%	0.01%	0.00%	Au vein?
RV02	14.90	15.17	0.27	0.03	3.55	0.02%	0.04%	0.00%	Mo fracture
	39.10	39.35	0.25	0.93	0.55	0%	0.01%	0.00%	Au Vein
	124.50	124.90	0.40	4.39	>200	0.02%	1.82%	0.01%	River Vein?
	163.40	163.60	0.20	0.01	<0.5	0.01%	0.00%	0.00%	Mo fracture
	179.20	179.70	0.50	0.04	<0.5	0.02%	0.00%	0.00%	Mo fracture
	203.70	204.05	0.35	0.01	<0.5	0.02%	0.00%	0.00%	Mo fracture

Note – widths are intersection widths

Table 2 – Results from RV01 and RV02

FURTHER WORK

The results are highly encouraging and future exploration is likely to include further mapping of the high grade gold and molybdenum mineralization in the area to determine the orientation of any possible extensions under the adjoining glacial till cover, possible geophysics, shallow AQ drilling, and further deeper NQ drilling.

For further information please contact:

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Competent Person's 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 1

DH number	Xco	Yco	Alt	Dip	Azimuth	Size	EOH
RVNQ01	225193	733983	110	-45	238	NQ	173.56
RVNQ02	225193	733983	110	-45	261	NQ	224.08
RVNQ03	225184	734025	108	-45	275	NQ	198.34
RVNQ04	225184	734025	108	-45	246	NQ	204.92

Background

1 Scotgold Resources

- Scotgold Resources is a mining exploration and development company listed on the Australian Securities Exchange in January 2008 and the AIM market of the London Stock Exchange in the UK in February 2010.
- The Company was formed with its sole focus on exploring for gold and silver in Scotland, with the already identified Cononish Gold and Silver Project as its core asset. Once in production, the Project will be Scotland's first commercial gold mine.
- Scotgold acquired the Cononish Gold and Silver Project in 2007 and has been working towards bringing the project to production in conjunction with its ongoing exploration efforts at Cononish and in the south west Grampians.
- In January 2010 Scotgold lodged a planning application to revise and extend planning permission for the mine as the extant permission had lapsed. The application was narrowly refused by the Loch Lomond and the Trossachs Board in August 2010, despite overwhelming community support, and the Company lodged an appeal with Scottish Ministers in November 2010.
- Following positive discussions with the Park's Authority regarding the main issues and concerns raised in the refusal (landscape and visual impact), Scotgold submitted a

Proposal of Application Notice in December 2010 indicating their intention to reapply. Following further discussions with the Park's Authority in early 2011, the Company decided to withdraw its appeal in April 2011 and focus its efforts on the revised proposals in the new application.

- In April 2011 Scotgold announced that it had accepted an offer of a Regional Selective Assistance (RSA) grant from economic development agency, Scottish Enterprise, of up to £600,000 for the establishment of mine facilities and job creation, conditional on the firm obtaining planning permission.
- In July 2011 Scotgold submitted its reapplication for planning permission, which was granted in October 2011

2. Cononish Gold and Silver Project

- The Cononish Gold and Silver project consists of the establishment of a small underground mining operation with associated processing facilities and infrastructure. In production, it is estimated the mine would produce around 20,000ozs of gold and 80,000 ozs of silver annually.
- A scoping study on the Cononish Project completed by Australian Mining Consultants Ltd (AMC) in mid 2009 indicated positive returns using a gold price of US\$ 720 / oz (GBP£450 /oz). At the current gold price of around US\$ 1800 / oz (GBP £1100 / oz), the Project has the potential to generate significant cashflows for the Company. Based on this 2009 study, at a gold price of US\$ 1270 / oz (GBP£800 / oz), the Project would generate around US\$ 87 million (GBP £55 million) free cashflow over its lifetime. Scotgold is in the process of updating this study prior to a production decision, subject to the finalization of planning permission.