

14 November 2012

ASX Announcement

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 4,200km² of central Scotland.

Fast Facts

Shares in issue:	197M
Share price:	A\$0.061
Market capitalisation:	A\$12.0M

Board of Directors

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

Major Shareholdings

Shane Sadleir	7.4%
Secure Nominees	7.0%
Chris Sangster	3.3%

Company Contacts

Scotland

Chris Sangster	Chief Executive Officer
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Australia

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CONONISH RESOURCE UPDATE

Highlights

- **Infill drilling has increased Measured and Indicated Resources to 82,600 ozs Au from 55,000 ozs Au**
- **Total Resource at Cononish (including Measured, Indicated and Inferred Resources) now reported at 169,200ozs Au and 631,300ozs Ag**

Scotgold Resources Limited ("Scotgold Resources" or the "Company") (**ASX:SGZ** **AIM:SGZ**) is pleased to announce an update to the Resource Estimate at its 100% owned Cononish Gold and Silver project in Scotland.

The update results from the in-fill drilling program carried out by Scotgold during 2009 – 2012, aimed at converting Inferred Resources to Indicated Resources in that part of the resource that will be mined in the early years of the mine life, thereby enhancing the debt capacity of the project.

The resource update, reported in accordance with The JORC 2004 Code, was compiled by Dr Simon Dominy of Snowden Mining Industry Consultants Pty Ltd (Snowden).

Measured and Indicated Resources have increased to **82,600 ozs Au from 55,000ozs Au - an increase of 27,600 ozs Au (50%)** - all in the Indicated category from the corresponding Inferred Resource blocks.

The total resource including Measured, Indicated and Inferred categories now stands at **169,200ozs Au and 631,300ozs Ag in 460,000t** (see below for breakdown) – a slight increase from 163,000 ozs Au and 596,000 ozs Ag in 437,000t estimated in 2009.

CEO Chris Sangster commented ‘The aim of the infill drilling program has been achieved with a significant increase in Indicated resources. The results have substantiated the grades in previously classified Inferred category blocks **with an increase in tonnage of 15.9% and 16.5% in contained ozs in the blocks concerned.**’

Cononish Revised Mineral Resource Estimate

Table 1 and Table 2 below show the revised Mineral Resource estimate compiled by Snowden. Figure 1 shows the updated resource categorization.

Table 1: Cononish Main Vein Gold Mineral Resources (reported at a 3.5 g/t Au cut-off).

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz. Grade rounded to the nearest 0.1 g/t Au. The Inferred Resource grade is reported with a grade range to indicate the likely upside due to the information effect.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Gold	Gold
Measured	53,100	14.1	24,000
Indicated	142,900	12.7	58,600
Total Meas. and Ind.	196,000	13.1	82,600
Inferred	264,600	10.2 (10 – 15)	86,600

Scotgold Note: Incorporating the grade range, the Inferred Mineral Resource is estimated to lie between 85,000 oz Au and 127,000 oz Au. It should be noted that any upside may not exist or it may only be present in a portion of the resource.

Table 2: Cononish Main Vein Silver Mineral Resources (reported at a 3.5 g/t Au cut-off).

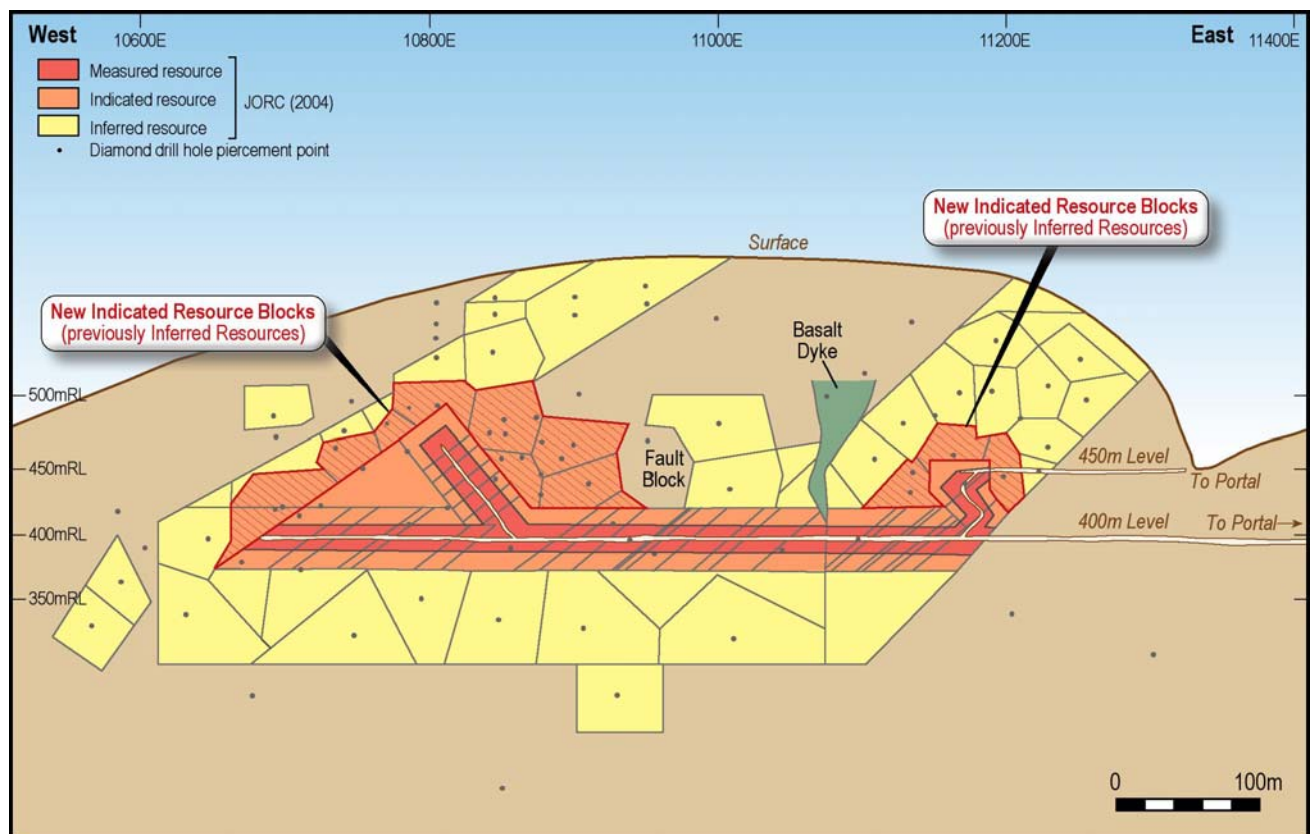
Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Silver	Silver
Measured	53,100	61.2	104,500
Indicated	142,900	49.9	229,500

Total Meas. and Ind.	264,600	53.0	334,000
Inferred	264,600	34.9	297,300

The updated resource report will be posted on Scotgold's website in due course.

Figure 1: Updated Mineral Resource categorisation



Cononish Project Development Study

The updated Mineral Resource statement will form the basis for the revised mining plan and updated **Cononish Project Development Study** to be completed under the auspices of Australian Mining Consultants UK Ltd (AMC). The Company will then be in a position to determine the optimum debt capacity of the project.

It is anticipated that this work will be complete in early 2013 and subject to concluding financing arrangements, the Company envisages a project go-ahead decision in April 2013 with a start of construction in June 2013 with first gold production early in 2014.

For further information please contact:

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Competent Person's Statement:

The Information in this report that relates to Mineral Resources is based on resource estimates compiled by EurGeol Dr S C Dominy FAusIMM (CP), FGS (CGeol), FIMMM (CEng), FAIG (RPGeo), Executive Consultant with Snowden based in the Ballarat, Australia Office. Dr. Dominy has sufficient experience that is relevant to the style of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves. Dr Dominy consents to the inclusion in the report of the matters based on this 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.

Background

About Scotgold

Scotgold Resources Ltd is a mining, exploration and development company listed on the Australian Securities Exchange (ASX) and the AIM market of the London Stock Exchange (AIM). The Company's principal asset is the wholly owned Cononish gold and silver project situated near Tyndrum in the Scottish Grampians.

The current Mineral Resource (updated November 2012) for the project, reported in accordance with The 2004 JORC Code, stands at 169,200 ozs Au and 631,300 ozs Ag in the Measured, Indicated and Inferred categories (estimated using a 3.5g/t cut off) (**see Table 3 below** for breakdown).

Planning approval for the development of an underground mine at Cononish has been granted and Australian Mining Consultants (UK) Ltd has completed a development study in April 2012

which demonstrates that the project is commercially attractive with estimated cash operating costs of around US\$575/oz.

The Company also holds Crown exploration options over some 4,200 km² covering the highly prospective Dalradian terrain across the south west Grampians.

Background to the Estimate

The Cononish mine comprises a gold-silver mineralized narrow quartz-vein system, the Cononish Vein, which has been trenched, diamond drilled and developed underground along one horizon. The vein is a steep, narrow (<6 m) vein system trending NE-SW and emplaced in late Proterozoic metasediments of the Caledonides mobile belt. It shows brittle style deformation and completely postdates metamorphism and associated Caledonian foliations. Quartz veining is associated with the Tyndrum Fault, one of a set of NE-SW trending, left lateral, faults characterizing the Scottish Highlands. Gold occurs as electrum and some minor amounts of native gold, silver occurs additionally as minor tellurides and native metal. The gold/electrum is fine-grained, generally <100 µm in size. Visible gold up to 1,000 µm to 2,000 µm in size is rare. Assay data suggests that gold and silver is spatially associated with sulphides in the quartz. The main sulphide is pyrite, but galena, chalcopyrite and sphalerite occur in small amounts. Electrum and/or gold occur with galena in fractures in the pyrite and associated with the contacts between galena and pyrite grains. Some very fine-grained (<20 µm) native gold occurs within the pyrite.

The Cononish resource is based upon diamond drill hole and adit face sample data collected in the 1980's, and more recently diamond drilling between 2009 and 2012. Most of the pre-2009 core, all core logs, face sheets, geological maps and assay certificates are held by Scotgold. Snowden was able to review all the data and found it to be of an acceptable quality for resource estimation. Vein geology was validated through underground visits to the Cononish Adit. Sampling, QAQC and sample collection methods were of an acceptable quality. All post-2009 core, samples and assay QAQC are fully documented and of a high standard.

A polygonal and weighted average based resource estimate was undertaken for both gold and silver. This was preceded by statistical analysis of the grade data. Statistical analysis indicates that the majority of the gold and silver is located within the quartz vein domain, with a lesser amount in the wallrocks. Top-cut of 70 g/t gold and 200 g/t silver were applied to all assay intervals prior to compositing for estimation. The resource was estimated using a minimum mining width of 1.2 m, giving a minimum metal accumulation cut-off of 4.2 m.g/t gold at a 3.5 g/t Au cut-off grade. It was calculated that the Cononish Vein has a payability of 85%, based on analysis of the close-spaced adit samples, and this was applied to all polygonal blocks to impart a cut-off at 3.5 g/t Au. Details of the estimate are given in the 2008 Mineral Resource report available on the Scotgold website – the estimation approach has not changed since 2008.

The Cononish Main Vein resource was classified into the Measured, Indicated and Inferred Mineral Resource classes based on the JORC 2004 Code (Tables 3 and 3). A number of polygons around the east and west raises (Figure 1) have been reclassified as Indicated based on new diamond drill holes. Together with the proximity to the raise development, Snowden believes that this reclassification is justified. It should be noted that Mineral Resources are not Ore Reserves, and thus do not have a demonstrated economic viability. A preliminary economic analysis was undertaken to show the likelihood of the Mineral Resources having 'reasonable prospects for eventual extraction'.

Table 3: Cononish Main Vein Gold Mineral Resources (reported at a 3.5 g/t Au cut-off).

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Scotgold Note: Incorporating the grade range, the Inferred Mineral Resource is estimated to lie between 85,000 oz Au and 127,000 oz Au. It should be noted that any upside may not exist or it may only be present in a portion of the resource.

Cononish Main Vein Silver Mineral Resources (reported at a 3.5 g/t Au cut-off).

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Silver	Silver
Measured	53,100	61.2	104,500
Indicated	142,900	49.9	229,500
Inferred	264,600	34.9 (35-62)	297,300

Competent Persons Statement:

The Information in this report that relates to Mineral Resources is based on resource estimates compiled by EurGeol Dr S C Dominy FAusIMM (CP), FGS (CGeol), FIMMM (CEng), FAIG (RPGeo), Executive Consultant with Snowden based in the Ballarat, Australia Office. Dr. Dominy has sufficient experience that is relevant to the style of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves. Dr Dominy consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.