

24 February 2016

The Company Announcements Office  
Australian Securities Exchange Limited  
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SYDNEY NSW 2000

## SCOTGOLD RESOURCES LIMITED

### **Trial gold production proposed to start imminently at Scotland's only gold mine.**

#### **Highlights**

- **Company to conduct a Bulk Processing Trial ("BPT"), using a 1.5 tph pilot plant, to commence May 2016, subject to granting of planning permission.**
- **Approximately 2,400t of the stockpile containing an estimated 7,000t at a grade of 7.9g/t Au and 39g/t Ag will be processed over a six-month trial period. Early discussions indicate that the Scottish mined gold produced from the trial can be sold at a significant premium.**
- **Results and experience gained from the BPT will allow the Company to investigate whether a "phased" mine development, would achieve higher returns to shareholders and lower peak funding.**
- **Pre-Planning Application Enquiry relating to planning permission for the BPT has been submitted to Loch Lomond & The Trossachs National Park Planning Authority and a formal Planning Application to be filed shortly.**

Chief Executive Officer, Richard Gray said: ***"This is the most tangible and exciting development undertaken by the Company since incorporation. In addition to anticipated positive technical results, the trial will produce an historic "first pour" gold output, sufficient to determine whether there are grounds to review the mine development plan and moreover to establish Cononish as a low cost, low risk, near term production, gold project."***

Our Chairman, Nat le Roux also commented: “***Both I and the Board as a whole, fully support this initiative by the Company. It represents a major step in moving Cononish into production as early as possible, which is our prime focus and the key to realising value for our shareholders.***”

## Background

In August 2015 the Scotgold Resources Limited (**ASX:SGZ, AIM: SGZ**) (“the Company”) released a Bankable Feasibility Study for the Cononish Gold and Silver project, which demonstrated its technical and financial viability. Since then the Company has been (and continues to be) in discussion with various financial institutions, however no commitment has yet been reached for the full funding on acceptable terms for the project.

The fact that Cononish has an existing stockpile of ore on surface provides the Company with an opportunity to establish a pilot scale processing trial at low cost which will provide both tangible evidence that gold can be produced from Cononish and reduce the perceived technical risk of the project as it relates to the processing of ore.

## Phased development

### The Cononish Bulk Processing Trial

A stockpile of approximately 7000t of ore grading around 7.9g/t Au and 39g/t Ag is stockpiled on the mine ‘platform’ at Cononish. It is proposed to install a small scale pilot plant (portable and skid mounted) to treat around 2,400t (approximately 1,200 m<sup>3</sup>) of this material over approximately a six-month period. The material to be treated forms part of the Probable Reserves for the project (refer ASX and AIM announcements dated 25/05/2015 and 26/05/2015 respectively).

The material will be treated through the plant which will utilise gravity separation via a centrifugal device, similar to the planned full scale plant. However, the flotation circuit process will be replaced by a spiral bank to generate a sulphide rich concentrate. Thus no chemicals will be used on site as part of the BPT and the gold generated can be classified as “ethical”.

Planning application with Loch Lomond & The Trossachs National Park Planning Authority is well underway with positive discussions having been recently held and a formal Pre Application Enquiry submitted on 19 February, 2016. It is proposed that the Planning Application itself will be filed with the Authority shortly.

The objectives of the BPT are to demonstrate the marketability and profitability of Scottish gold production from Cononish. It will also give further confidence to metallurgical test-work already completed and to provide a basis for a review of the current development plan under the current Bankable Feasibility Study.

### PHASE I - Production – Lower upfront capital scaled start up to be investigated

Metallurgical recovery and unit processing costs in the BPT are not expected to achieve the planned results of the full scale gravity/float plant process in the Cononish Bankable Feasibility Study. They may, however, prove sufficiently attractive to justify investigating a lesser scale, lower upfront capital, earlier commercial production phase in advance of the full production phase as originally planned.

This can only be assessed once the initial results of the BPT are known. At that stage a revised mining plan, infrastructure development plan, capital/operating costs estimates and project returns can be determined. If a viable phased development route can be identified, it is likely to have a significantly lower peak financing requirement than the current BFS. This will be due to the cash flows from PHASE I being able to “self-fund” certain elements of capital expenditure.

It should be noted that any such revised plan would require consultation with various stakeholders, including Loch Lomond & The Trossachs National Park Planning Authority and The Crown Estate, amongst others.

### PHASE II – Full scale commercial production

In its simplest form the commencement of full scale commercial production is to align with the development plan as proposed in the current Bankable Feasibility Study.

Full scale operations will be re-scheduled in accordance with the implementation of early, albeit lesser scale, production under PHASE I.

## **BPT Financial Implications**

### Revenues:

At current spot gold prices and current exchange rates, the Company expects to recover all BPT capex, Cononish project overhead and operating costs incurred over the six-month period of the BPT. Initial discussions on the sale of Scottish gold are very encouraging and with the inclusion of a premium, the Company expects the BPT to have a significant impact in offsetting corporate overheads.

### Capex:

Pilot plant and equipment purchase, shipping, commissioning, and design work is budgeted at approximately £140,000. An agreement has also been reached with the equipment supplier to provide a credit note for the full value of the plant in the event the Company purchases the full scale plant from them, subject to certain terms and conditions.

### Financial comfort:

Cash resources at 31 December 2015 of AUS\$874,302 (GBP£446,800) are reported in the Company's recent Appendix 5B announcement made on 29 January 2016. In the unlikely event of a short term cash shortage over the period of the BPT, the Company's chairman and major shareholder has indicated his willingness to consider





doré (an impure bullion 'bar'). In addition, a less valuable concentrate of around 160 tonnes will be produced over the six month period. The concentrate will require further processing treatment. It is anticipated that around 150ozs of gold will be produced at the Cononish site and up to a further 350ozs of gold will be produced from off-site processing of the spiral concentrates.

In undertaking this bulk processing trial, it is not intended that the Cononish project is brought into commercial production but rather that the experience gained and proof of gold production will facilitate the financing of the project, which can then proceed as planned or with a revised phased approach, depending on the outcomes of the BPT and BFS review.

For further information please contact:

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#### Forward Looking Statements

*This announcement contains certain statements that may constitute "forward looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties, which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward looking statements.*

#### Competent Person Statement

*The information in this report that relates to the 2015 Ore Reserves for Cononish Gold Project (refer ASX and AIM announcements dated 25/05/2015 and 26/05/2015 respectively) is based on information compiled by Pat Willis, a Competent Person who is registered as a Professional Engineer (Pr.Eng.) with the Engineering Council for South Africa (ECSA) and a Fellow in good standing and Past President of the Southern Africa Institute of Mining and Metallurgy (FSAIMM). Mr Willis is employed by Bara Consulting Limited, an independent consulting company. Mr Willis 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Willis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Further, the Company confirms it is not aware of any new information or data that materially affects the information contained in the original announcements and that all material assumptions and technical parameters underpinning the estimate of Resources and Reserves continue to apply and have not materially changed.*