

ASX Announcement

17 February 2010

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 on issue:	102M
Options:	38.8M
Share price (4/2/2010):	A\$0.105
Market capitalisation:	\$10.8m
Cash on hand (31/12/09):	\$2.6M

Board of Directors

Chris Sangster	Chief Executive Officer
John Bentley	Non-Executive Chairman
Shane Sadleir	Non-Executive Director
Adam Davey	Non-Executive Director
Edmond Edwards	Non-Executive Director
Philip Jackson	Non-Executive Director

Major Shareholdings

Shane Sadleir	11.4%
Chris Sangster	4.4%
Saruman Holdings Pty Ltd	4.1%

Company Contacts

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Drilling confirms further anomalous gold mineralisation in breccia pipes at Beinn Udlaidh, Scotland

- **Wide intersections of highly anomalous gold values recorded in recent drilling**
- **Best interval of 6.99 g/t gold and 40.24 g/t silver**
- **High gold grades in rock chips continue**
 - **8.9 g/t gold and 5.1 g/t silver in breccia pipe**
 - **16.7 g/t gold and >200 g/t silver in quartz breccia vein;**
- **'Mineralisation potential' of larger pipes estimated by Snowden between 200,000t to 2,000,000t each**
- **Drilling to resume in Q2 2010**

Gold exploration company, Scotgold Resources Limited ("Scotgold" or the "Company") (ASX: SGZ) has confirmed the mineralisation potential of breccia pipes at its 100%-owned Beinn Udlaidh prospect in the Grampian Gold Exploration Project, Scotland.

Five of seven short, small diameter (AQ) holes completed in recent drilling have returned wide intersections of highly anomalous gold and silver values, including:

- 14 metres averaging 0.26 g/t gold and 1.49 g/t silver over in Pipe BU 1 (best 0.5 m intersection 1.50 g/t gold and 8.38 g/t silver), and
- 16 metres averaging 0.28 g/t gold and 1.30 /t silver in Pipe BU 20, (best 0.5 m intersection 6.99 g/t gold and 40.24 g/t silver).

Rock chip sampling has also returned encouraging results:

- breccia pipe BU 13 (one of the largest breccia pipes identified) assayed 8.9g/t gold and 5.1 g/t silver; and
- the far east extension of the Beinn Udlaidh breccia vein assayed 16.7g/t gold and >200g/t silver.

The mineralisation potential of the larger pipes is based on Snowden Mining Industry Consultants Limited's review of the breccia pipes at Beinn Udlaidh, which estimated the 'Mineralisation potential' of larger pipes to be between 200,000t and 2,000,000t each.

Scotgold's Chief Executive Officer, Chris Sangster said, "This represents a significant opportunity for Scotgold, and we will aim to determine the full extent of the project's mineralisation as soon as possible.

"We believe these new exploration results highlight the potential for Beinn Udlaidh to host large additional gold and silver resources within the 3,200 square kilometre Grampian Gold Project area" said Mr Sangster.

The next phase of exploration at the Beinn Udlaidh Project will involve detailed field mapping, rock chip sampling and an expanded drill program.

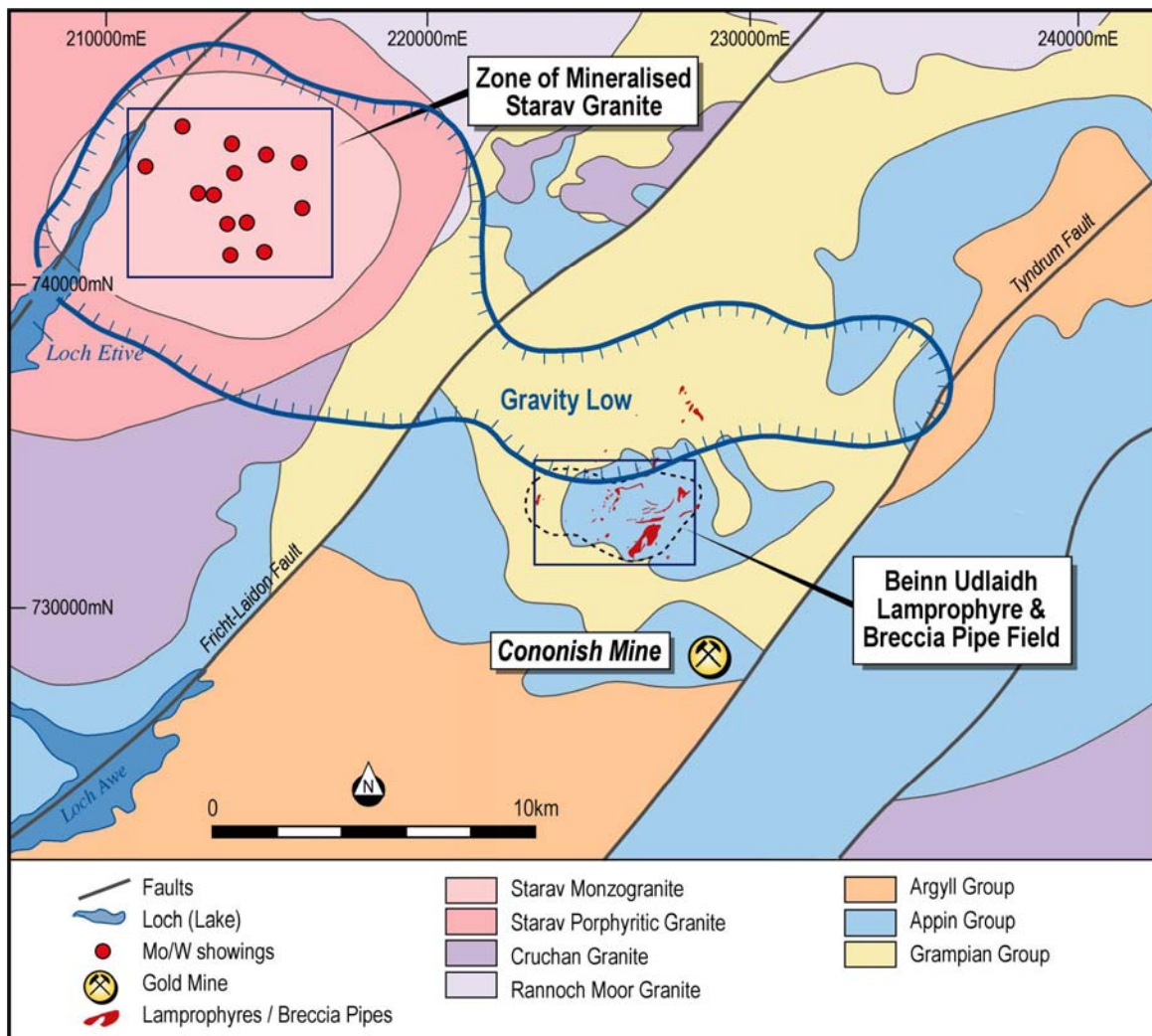


Figure 1: Regional Geology of Beinn Udlaidh pipe field

Background:

Scotgold first announced the identification of significant breccia-hosted gold-silver mineralisation at Beinn Udlaidh in association with a lamprophyre field on 29 September 2009.

Beinn Udlaidh is located five kilometres north northwest of its 100%-owned high grade Cononish Gold and Silver Project (see figure 1).

Breccia-hosted, precious metal deposits occur throughout the world and are known to host very large resources. Examples in Australia are Kidston (4.5 M oz gold), Mt Leyshon (3.5 M oz gold) and Mt Wright (1 M oz gold) all of which are located in North Queensland. Examples in North America are Golden Sunlight in Wyoming (3.8 M oz gold) and Cripple Creek in Colorado (21 M oz gold) which are associated with lamprophyre fields.

The breccia bodies and the breccia vein at Beinn Udlaidh are spatially associated with lamprophyric intrusions which are also commonly observed in many world class goldfields e.g. Yilgarn Block, W.A.; Carlin Trend, Nevada; Superior Province, Canada.

The breccia pipe discovery resulted from a review of historic exploration data and follow-up field reconnaissance by Scotgold and the drilling of a single, 12 metre-deep diamond drill hole into one of nineteen breccia pipes the Company has so far identified in the Beinn Udlaidh area. The entire length of drill hole BEBULB 1 was mineralized (>0.1 g/t gold) averaging 12 metres @ 1.45 g/t gold and 8.9 g/t silver.

Scotgold considered this initial result to be extremely encouraging, given the high grade rock and boulders samples discovered nearby (up to 359 g/t gold and 2,520 g/t silver), the limited drilling and the number of other breccia bodies in the area which had no drill testing or sampling and embarked on program to test a number of the identified breccia pipes with short AQ surface drill holes.

Beinn Udlaidh AQ drilling results

Since September 2009 Scotgold has drilled seven short AQ holes into six of the nineteen breccia pipes identified to date (see Figure 2). Assay results are shown in Table 1, and drill statistics are shown in Appendix A. The initial 'discovery hole' BEBULB1 into pipe BU1 is also included in Table 1 for reference.

It should be noted that these are narrow (2.7 cm diameter) short holes which have been drilled into potentially large mineralised bodies. As such, they are testing limited portions of large structures which are often known to show zonation in mineralisation in both horizontal and vertical extents.

Scotgold considers the high number of anomalous values (>0.1g/t Au) in five of the most recent holes within the short (in relation to pipe size) interval sampled to be highly encouraging.

	Pipe BU 01		Pipe BU 20		Pipe BU 15		Pipe BU 05		Pipe BU 16		Pipe BU11		Pipe BU 11		Pipe BU 01	
	BUAQ10		BUAQ11		BUAQ15		BU AQ 05		BU AQ 13		BU AQ 11-2		BU AQ 11-1		Ben UL B	
	Au g/t	Ag g/t	Au g/t	Ag g/t	Au g/t	Ag g/t	Au g/t	Ag g/t	Au g/t	Ag g/t	Au g/t	Ag g/t	Au g/t	Ag g/t	Au g/t	Ag g/t
Whole intersection	0.21	1.31	0.28	1.30	0.12	0.34	0.13	0.22	0.09	3.47	0.07	0.08	0.02	0.05	1.45	8.91
Over (m)	17		16		16.5		16		16		15.5		15.5		12	
Selected	0.26	1.59	0.52	2.60	0.20	0.64	0.21	0.45	0.20	10.49	0.28	0.32	0.07	0.25	1.45	8.91
Over (m)	14		8		7.5		8		5		3		3		12	
Best	1.50	8.38	6.99	40.24	0.55	1.24	1.03	<0.5	1.28	49.75	1.06	1.90	0.15	0.50	12.31	78.66
Over (m)	0.5		0.5		0.5		0.5		0.5		0.5		0.5		0.5	
Samples	34		32		33		32		32		31		31		24	
No samples > 0.1 g/t Au	23		5		11		13		5		4		2		20	
%age anomalous (+0.1g/t Au)	68%		16%		33%		41%		16%		13%		6%		83%	
No samples > 1.0 g/t Au	1		1		0		1		1		1		0		7	
Comment	Last 3m in lamprophyre						Hole collared in psammite						Predominantly lamprophyre		'Discovery Hole'	

Table 1: Summary and analysis of recent AQ drilling results at Beinn Udlaidh

Rock chip sampling program:

(Refer to Appendix B for details.)

Beinn Udlaidh Pipe Field Pipe BU 13

Pipe BU 13 is one of the largest pipes identified within the field as yet. As part of the ongoing reconnaissance of the Beinn Udlaidh pipe field, a composite rock chip outcrop sample was taken from pipe BU13.

The result returned **8.8g/t Au and 5.6g/t Ag** and is considered highly encouraging.

Beinn Udlaidh Breccia Vein

A rock chip sample by previous explorers from the Beinn Udlaidh breccia vein returned 16.1 g/t gold and 2520 g/t silver. As part of Scotgold’s ongoing reconnaissance of the Beinn Udlaidh breccia vein a rock chip outcrop sample was taken from a vein exposure in the ‘Far East’ extension.

The sample returned **16.6 g/t gold, >200g/t silver and 449 g/t arsenic**, confirming the **Beinn Udlaidh breccia vein as a high priority target for follow up.**

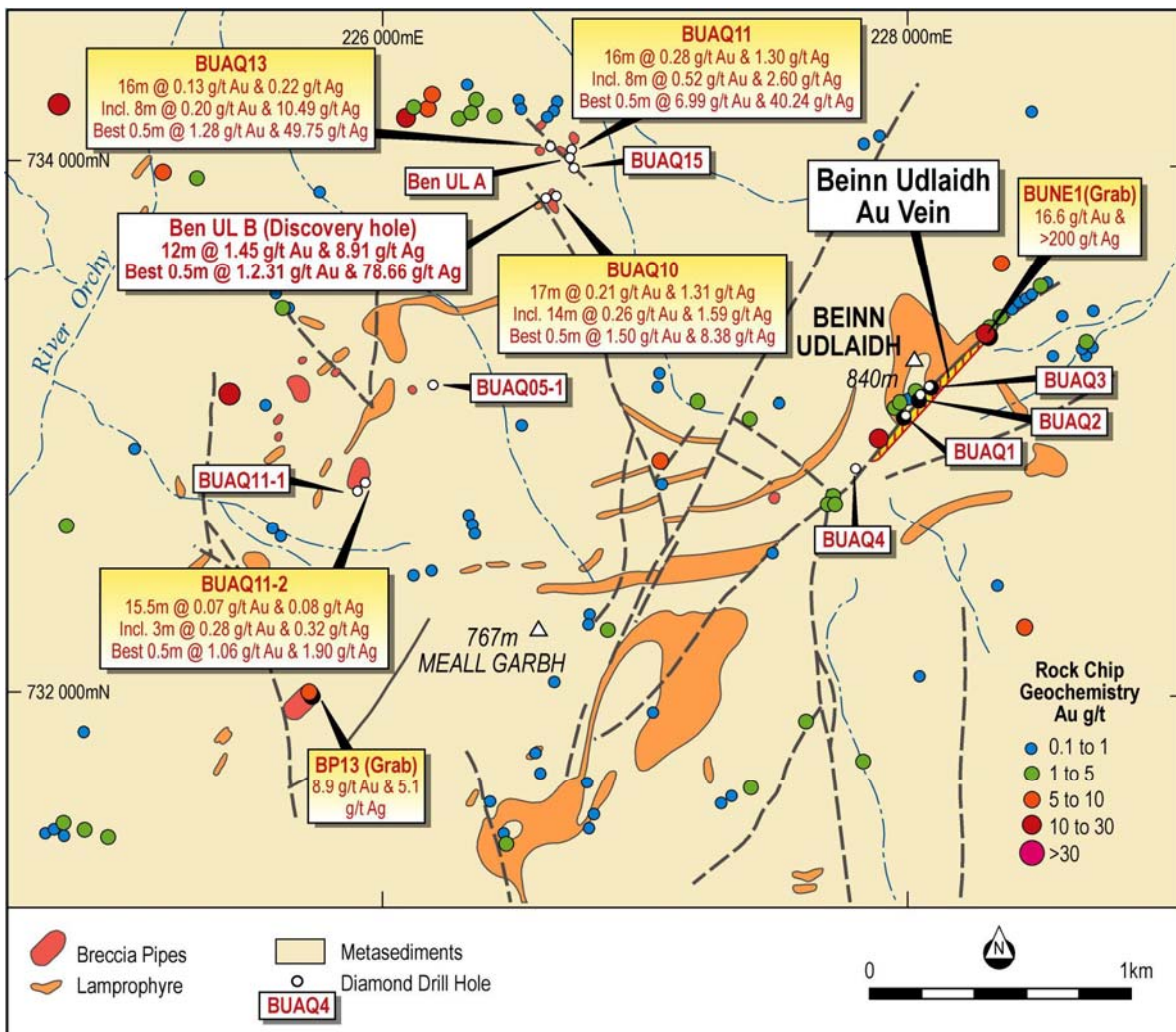


Figure 2: Latest drilling and rock chip sampling results at Beinn Udlaidh in relation to mapping of breccia pipes, veins and lamprophyre intrusions and previous rock chip sampling

Beinn Udlaidh Breccia Systems Geological Review – Snowden

Snowden Mining Industry Consultants Limited (“Snowden”) was engaged by Scotgold to undertake a review of gold breccia mineralisation recently identified at Beinn Udlaidh within their Grampian Gold Project

The following is a summary from the Beinn Udlaidh Breccia Systems Geological Review

- “The breccia pipe field reported from Beinn Udlaidh by Scotgold is confirmed.
- The breccia dyke in the Beinn Udlaidh prospect is however considered to be a gold-bearing quartz vein from the system that includes the gold-bearing Cononish vein.
- The Beinn Udlaidh breccia pipes show the typical features of the late Caledonian breccia pipes that are associated with small late Caledonian intrusive pipes in the Scottish Highlands. The Beinn Udlaidh pipes lie within a conspicuous belt of minor intrusions and breccia pipes that extends NW-SE across the Grampian Highlands. The mineralisation belongs to the gold-lamprophyre association.
- Breccias are composed of 0.1 m to 2.0 m, angular blocks of country rock. The blocks form a clast-supported framework and the breccia had little interstitial porosity. Irregular lamprophyre sheets (probably calc-alkaline lamprophyre) are emplaced within the breccia pipes. Clasts in the breccia and associated internal intrusions of lamprophyric igneous rocks show hydrothermal alteration associated with cementation of the breccia. The mineral assemblage includes quartz, a carbonate mineral and pyrite.
- The regional NW-SE trending breccia and intrusion swarm has not been previously investigated for gold or silver. Scotgold have sampled six pipes at Beinn Udlaidh, recording a best intersection of 12 m (BU01 pipe) averaging 1.45 g/t Au and 8.9 g/t Ag (lowest grade intersection on the BU11 pipe at 0.07 g/t Au over 3 m).
- The gold and silver bearing, NE-SW Beinn Udlaidh breccia dyke differs from the pipe breccias, being largely of quartz. Isolated wall rock clasts occur in the quartz. Breccias are locally present but show wall rock clasts floating in a quartz matrix, not the clast supported texture of the pipe breccias. The nearby Cononish Au-Ag bearing quartz vein locally shows similar breccias and has a similar NE-SW strike to the Beinn Udlaidh structure. The Beinn Udlaidh structure is interpreted as part of the auriferous quartz vein system in the Tyndrum District and a separate event from the breccia pipes.
- The mineralised potential of the breccia pipes ranges from between 2,000 t to 20,000 t for small pipes, and 200,000 t and 2,000,000 t for larger pipes. Pipe diameters range from about 10 m to 100 m, with outcrop defined depths of 10 m, and theoretical depths to 100 m or possibly 300 m. Pipe geometric complexities at depth may reduce these theoretical tonnage figures by up to 70%.” (Snowden Note from full text: It must be noted that these figures are not Mineral Resource or Ore Reserve estimates. They are merely hypothetical indications of likely tonnage ranges for mineralized pipes (not necessarily economic). There is no guarantee that such tonnages will be either realized or economic. Further study including diamond drilling and trenching is required).

Conclusions

The ongoing results at the Beinn Udlaidh breccia pipefield and breccia vein continue to confirm the potential for the Beinn Udlaidh area to host significant gold /silver resources.

Scotgold concurs with the recommendations of the 'Snowden' report that considerable further study and evaluation is warranted.

An extensive follow up program is planned subsequent to the current drilling programs at Cononish.

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Competent Persons 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.

The Information in this report that relates to the Beinn Udlaidh Breccia Systems – Geological Review was compiled by EurGeol Dr S C Dominy FAusIMM (CP), FGS (CGeol), MIMMM (CEng), MAIG, General Manager (UK) and Executive Consultant with Snowden based in the London, England 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.

**Appendix A:
Drill Statistics**

Hole ID	Pipe	Easting	Northing	Depth(m)	Elevation(m)	Azimuth	Inclination
BU AQ 10	BU 1	226647	733868	17	402	233°	-45°
BU AQ 11	BU 20	226708	734040	16	369	270°	-50°
BU AQ 15	BU 15	226724	733968	16.5	380	302°	-50°
BU AQ 5	BU 5	226184	733152	16	452	84°	-50°
BU AQ 13	BU 16	226641	734055	16	355	112°	-50°
BU AQ 11-1	BU 11	225904	732757	15.5	502	70°	-45°
BU AQ 11-2	BU 11	225927	732789	15.5	506	260°	-50°

Appendix B:

Selected rock chip sample results

Location	Type	Sample No	Easting	Northing	Gold g/t	Silver g/t	As ppm
Beinn Udlaidh Vein	Outcrop	BUNE1	228360	733398	16.6	>200	449
Beinn Udlaidh Pipe 13	Outcrop	BP13	225743	731970	8.9	5.1	32