



# SCOTGOLD

RESOURCES LIMITED

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## MARCH 2009 QUARTERLY REPORT

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### SCOTGOLD RESOURCES LIMITED

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### HIGHLIGHTS

#### SCOPING STUDY

- Economic viability of Cononish confirmed
- NPV(10%) of £26 M (AUS \$56 M) at current spot prices
- Production of 139,000 ounces Au over a six and a half year project life

#### METALLURGICAL TESTWORK

- Testwork has been conducted and results are expected shortly

#### EXPLORATION

- Electronic capture of historical database substantially completed
- Fieldwork program commenced to verify previous work

## OVERVIEW

Scotgold Resources Limited (“Scotgold”, “the Company”) is exploring for gold and base metals in the SW Grampians area of Scotland. As its core asset the Company has 100 per cent ownership of the Cononish gold and silver project at Tyndrum, approximately 150 kilometres north of Glasgow.

The Company commissioned a ‘scoping study’ to determine the viability of mining the currently delineated Cononish deposit under prevailing economic conditions. Completion of this study represented an important milestone towards progressing the Cononish project towards production and the Company is currently considering recommendations from the study.

The Company commissioned metallurgical testwork in order to confirm recoveries used in the scoping study and also to investigate the possible application of Gekko Systems ‘Python System’.

The Company recommenced a program of geological fieldwork aimed at verifying previous exploration results on numerous prospects in its extensive 2200km<sup>2</sup> license areas.

## SCOPING STUDY

In September 2008, the Company appointed AMC Consultants Ltd (AMC), an internationally recognised mining consultancy, to conduct a Scoping Study at the Cononish gold and silver project. The aims of the study were to examine the technical and economic feasibility of the Cononish project under current economic conditions.

The summary report was announced on 17 February 2009 and is available from the website.

### Financials

The table below shows the results of the financial model at the Base Case (long term) and current (14/2/2009) spot gold price.

	Unit	Long term Gold Price	Current Gold Price
Gold Price	US\$	\$720	\$944
US\$ : £ exchange rate		1.60	1.42
Gold Price £	£	£450	£662
Total Pre Production Costs	£	£12.3M	£12.3M
<b>Net Present Value @10%</b>	<b>£</b>	<b>£6.6M</b>	<b>£25.6M</b>
<b>Net Present Value @10%</b>	<b>A\$</b>	<b>\$14.5M</b>	<b>\$56.0M</b>
<b>Internal Rate of Return</b>	<b>%</b>	<b>28%</b>	<b>74%</b>

The results of the study confirm the economic potential of the Cononish project.

Scotgold are considering the implications of AMC's recommendations in order to assess financing requirements in line with further progressing the project towards a development decision

### **Mining Inventory and Production**

AMC identified a mining inventory from the existing JORC compliant resource statement completed by Snowden Mining Industry Consultants Ltd (13<sup>th</sup> May 2008) of 454,000 t grading of 10.2g/t gold and 40.4g/t silver (diluted). Long hole open stoping on retreat is the recommended mining method for most of the resource, this method uses specialised narrow vein mechanised equipment as opposed to more manual techniques previously considered. A mining production rate of 72,000 tpa is envisaged with a fleet capability of 100,000 tpa allowing for potential increase of the mining rate should additional resources be discovered.

Total production from the inventory is estimated to be 139,600 ounces of gold and 538,000 ounces of silver over a six and a half year production life. A conventional gravity / flotation concentrator will treat 72,000 tpa. About 25% of gold will be recovered by gravity means for smelting on site to a dore bar. The balance reports to a sulphide rich concentrate which will be treated through a third party facility remote from site. The overall recovery predicted is 93% for Au and 90% for Ag. Gold and silver production average 21,000 ounces and 83,000 ounces annually respectively.

### **Project Capital and Operating Costs**

Preproduction project expenditure and capital is estimated at A\$ 26.9 million inclusive of a 15% contingency with a further net sustaining and deferred capital cost of A\$3.3 million over the life of the project including a 15% contingency allowance. Average operating costs are estimated to be equivalent to A\$501 per ounce after commissioning of the new and upgraded facilities including a 20% operating cost contingency allowance

## **METALLURGICAL TESTWORK**

In January and in parallel with the scoping study, Scotgold commissioned Gekko Systems to conduct a metallurgical testwork program to confirm recoveries of gold and silver from Cononish ore and also to examine the possible use of their 'Python' system (a modular type processing plant designed to be located underground). Scotgold have identified the use of such system as having possible economic advantages over a more 'conventionally constructed plant and its possible significant improvement in the environmental footprint of the project.

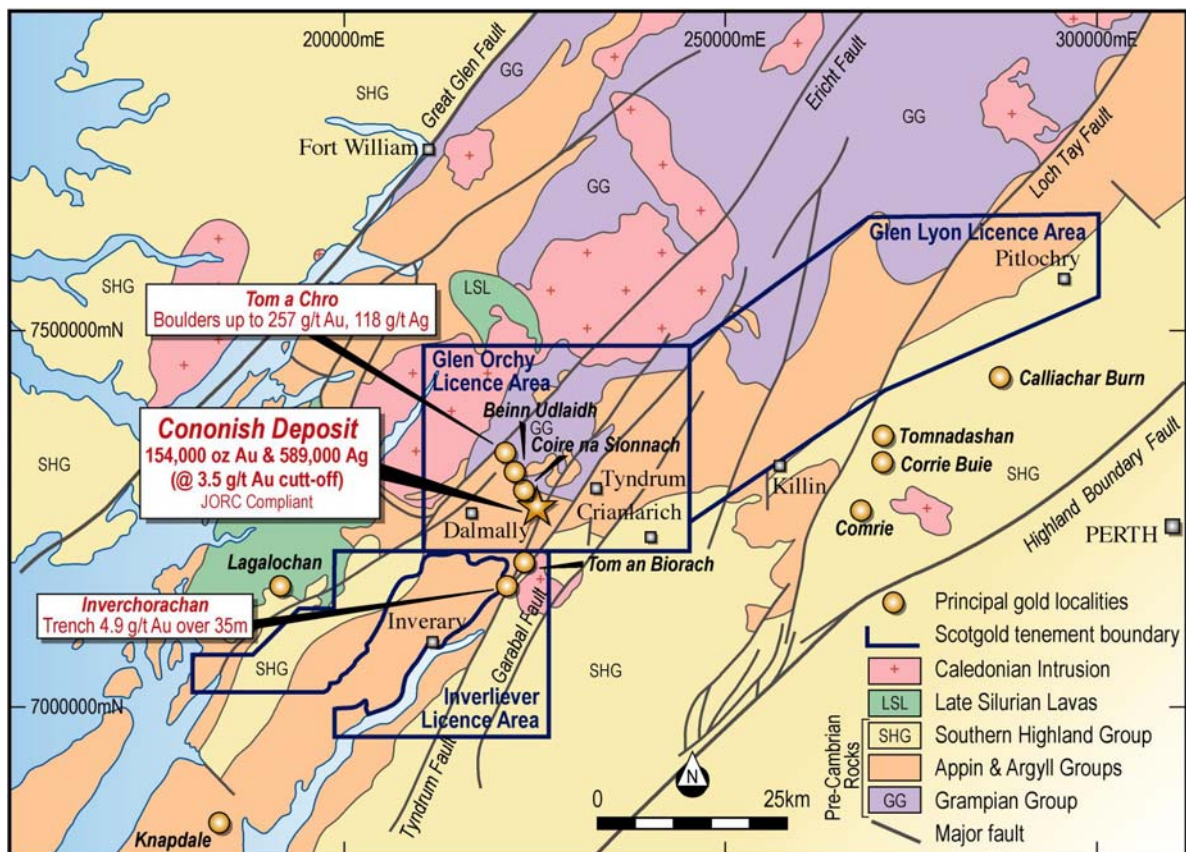
100kg of ore was taken from each of three locations at positions similar to those used for previous feasibility testwork. The testwork program replicated the processing route envisaged in the scoping study (and previous feasibility studies), namely a conventional gravity / flotation recovery for gold and silver under the configuration of the 'Python system'.

Final results of this testwork are expected shortly.

**FIELDWORK**

As part of the acquisition of the Cononish project in May 2007, Scotgold acquired a significant historical exploration database covering parts of its Cononish and Inverliever licence areas. In addition to the previously identified prospects at Tom a Chro, Beinn Udlaidh, Coire nan Sionnach, Tom an Biorach and Inverchorachan, the data includes substantial areas of detailed geological mapping and extensive rockchip, boulder, geochemical (both soil and deep overburden) and geophysical sample points.

Scotgold’s geologists have substantially completed the electronic capture of this data and initial interpretations are in progress. Scotgold has also embarked on an extensive program of fieldwork comprising initial re-mapping and rock chip sampling (to be followed by channel sampling at selected locations) aimed at confirming key previous results, notably on a number of mapped, gold bearing quartz vein outcrops identified by the previous operators. Initial samples have been sent for assay and results are expected within the next month.



Page 4

## CORPORATE

During the quarter, the Company announced the appointment of Mr John Bentley as Chairman and also welcomed Mr Ed Edwards, Mr Shane Sadleir and Mr Adam Davey as non executive directors. Dr Ron Thom resigned as director during the quarter.

Chris Sangster  
*Managing Director / Chief Executive Officer*  
30 April 2009

### **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 by MSA Geosciences Pty Ltd who provide exploration services 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*