



RNS Number : 0081G
Scotgold Resources Ltd
30 April 2014

SCOTGOLD RESOURCES LIMITED

March 2014 Quarterly Report

The Company has made progress during the first quarter of 2014 following the completion of the Rights Issue in January and the Placing in February.

Exploration work has recommenced on its Grampian Gold Project, whilst the Company has recently appointed Australian Mining Consultants UK Ltd (AMC) and its other technical consultants to investigate the feasibility of a smaller starter project with the aim of reducing start-up capital expenditure through focusing on the higher grade portions of the Cononish resource with a reduced production rate on the Cononish Gold and Silver Project.

CONONISH GOLD AND SILVER PROJECT

The initial mine designs, schedules and estimates for the Cononish Gold and Silver Project 'High Grade' option have been completed based on a substantially lower processing rate. Evaluation of these is ongoing, and the Company is examining further scenarios to optimise the mining and processing rates including the possibility of continuous (24/6) processing. Current limitations on surface working hours permit processing for 16 hours a day (Monday to Saturday excluding public holidays) and the Company will hold initial discussions with the Planning Authority shortly regarding this and other matters relating to the possible smaller option.

In addition, the Company is continuing in discussions with vendors regarding asset financing of major items of capital expenditure (mining equipment and processing facilities) to possibly assist in reducing initial capital requirements.

GRAMPIAN GOLD PROJECT

The Company has recommenced work on its regional stream sediment and rock chip sampling program. A program of 487 infill stream sediment samples will be taken over the six high priority target areas identified by historical work and by Scotgold's initial program. This will be followed up with initial reconnaissance rock chip sampling.

FINANCING

Rights Issue

On 26 November 2013, the Company announced a Non - Renounceable Rights Issue ("Rights Issue"). The Rights Issue closed on 6 January 2014 with eligible shareholders applying to take up 90% of the Rights Issue, the Company successfully placed the balance of the shortfall shares to investors. As a result the Company raised a total of \$830,872 before expenses through the issue of 166,174,304 new shares.

Heads of Agreement and Placing

On 25 February 2014, the Company entered into an agreement with three strategic investors (the "Investors") to take a significant shareholding in the Company. The agreement with the Investors is a

staged process and will result in them investing up to A\$1,825,000. This agreement with the Investors was done alongside a wider placement that was closed at the time and raised a further A\$225,000. The first stage of the transaction was an immediate placing of 90 million shares at a price of A\$0.0075 (approximately 0.4 pence) per share to raise A\$675,000 (the "Placing"). The Investors subscribed for 60 million of the 90 million placing shares ("Placing Shares") with the balance issued through the wider placement.

In addition the Investors, subject to certain conditions including shareholder and regulatory approvals, will commit to a convertible note issue and further placing which when aggregated with its participation in the Placing will amounting to a total investment of A\$1,825,000 (the "Finance Agreement"). The major investor is Nat le Roux, the former CEO of IG Group plc, and a non-executive director of the London Metal Exchange.

The Finance Agreement includes a commitment from both the Company and the Investors to establish a new company ("Marketco") which will market a proportion of the future gold and silver produced onsite at Cononish in the form of dore bars. This product will be identifiable and marketable as Scottish gold and silver and Scotgold will undertake to sell it to Marketco at a premium of 10% to the Comex Fix less any costs associated with refining the dore bars. Scotgold will hold 40% of the shares in Marketco with the remainder being held as to 20% by public interest entities including the Strathfillan Community Development Trust with the balance being held by the Investors.

The Company intends to convene a meeting of shareholders as soon as practicable to complete the conditional aspects of the Finance Agreement. The Company notes that under the Rules of the ASX, an Independent Expert's Report as to the fairness and reasonableness of the conditional elements of the transaction will be required.

Chris Sangster

Managing Director

For further information please contact:

United Kingdom:

Scotgold Resources Limited

John Bentley (Chairman)

Tel: +44 (0)77 8592 1505

Chris Sangster (CEO)

Tel: +44 (0)77 2562 9509

Westhouse Securities Limited

Richard Baty / Martin Davidson

Tel: +44 (0)20 7601 6100

Bankside Consultants

Simon Rothschild

Tel +44 (0)7703 167 065

Australia:

Scotgold Resources Limited

Peter Newcomb

(Co. Secretary)

Tel: +61 (8) 9222 5850

Tenement details

The Company holds a Lease (100%) from the Crown Estate Commissioners over Cononish Farm, County of Perth, Scotland UK

The Company holds a Lease (100%) from the landowner over Cononish Farm, County of Perth, Scotland UK

The Company holds five Mines Royal Option Agreements with the Crown Estate Commissioners as detailed below

Glen Orchy: Location - counties of Perth and Argyll, Scotland UK

Glen Lyon: Location - counties of Perth and Argyll, Scotland UK

Inverliever: Location - counties of Dunbarton, Argyll and Perth, Scotland UK

Knapdale: Location - county of Argyll, Scotland UK

Ochils: Location - county of Clackmannan, Perth, Kinross and Stirling, Scotland UK

No tenements were acquired or disposed of during the quarter

No other beneficial interests are held in any farm-in or farm-out agreements

No other beneficial interests in farm-in or farm out agreements were acquired or disposed of during the quarter