



# Project Update

RNS Number : 0718R  
Scotgold Resources Ltd  
26 February 2019

**Scotgold Resources Limited**

**("Scotgold" or the "Company")**

## **Project Update on Cononish Gold and Silver Mine**

Scotgold is pleased to update the market with regards to progress with development at its Cononish Gold and Silver Mine, ("Cononish") near Tyndrum, Scotland.

### **Underground Mine Development:**

As previously announced, Planning Completion was achieved on 18<sup>th</sup> December 2018 and a further 4 employees have since been recruited, bringing the mining department strength to 11 staff. Activities have focussed on training and on the establishment of the enlarged adit portal on a day shift basis. Once beyond the portal area, and with sufficient competent operators in place, a second shift will be added and the full scheduled production rate will be achieved.

### **Surface Infrastructure:**

Work on the upgrade of the Dalrigh Junction with the A82 is now well advanced and upon completion the contractor will move on to the installation of the new bridge required over the Crom Allt ford. Together with the already upgraded track, this will provide the project with necessary access for the materials and surface equipment which has been ordered and is scheduled to be mobilised in the spring.

### **Processing Plant:**

Prior to placing an order for the procurement of the 3,000 tonne per month processing plant required for 'Phase 1' of production at Cononish, the company commissioned the first phase of the detailed design work and confirmatory metallurgical testwork on the planned process route. This was undertaken to provide greater confidence in the cost estimates and performance characteristics of the final plant, prior to commitment. During the course of this work, opportunities have been identified to increase the capacity of certain elements to accommodate

the full Phase 2 capacity of 6,000 tonne per month; namely the feed bin, crushing and filtration circuits. A Supply and Installation contract for this plant configuration has now been entered into with Appropriate Process Technologies Pty Ltd (APT), who are known to the Company through the supply of the Bulk Processing Trial plant in 2016.

### **Schedule and Cost Estimates:**

Both the two main activity streams of mine development and process plant construction are currently on schedule to achieve first gold production by the end of 2019, as previously announced.



Some modest capital savings have been achieved on the procurement of mining equipment, and together with overall savings on the full scale processing plant, total life of mine capital, including expansion to Phase 2, will be reduced by approx. £1.0m from £20.1m to £19.1m. The increase in the plant Phase 1 specifications and the early identification of certain under estimated costs has resulted in the peak funding requirement increasing from £7.4m to £8.7m.

#### **Corporate Funding:**

As a result of the increased capital estimate during Phase 1 and the ongoing corporate expenditure during the extended planning process in 2018, the Company may require further funding, before becoming cash positive in 2020. To meet this possibility the Company has obtained an additional £1m facility from Bridge Barn Limited ("Bridge Barn") a company owned and controlled by Mr Nathaniel ("Nat") le Roux. This £1m funding is in addition to the existing £5m facility previously announced on 18<sup>th</sup> May 2018 and as amended on 2<sup>nd</sup> October 2018 and can be drawn down if required. To affect this change and incorporate more favourable interest repayment terms, the Company has entered into an Amendment and Restatement Agreement with Bridge Barn, the full details of which are provided below. No funds have as yet been drawn down on this facility.

#### **Related Party transaction:**

Bridge Barn is a company owned and controlled by Mr Nat le Roux, who is the Chairman of the Company and a Substantial Shareholder as defined by the AIM Rules for Companies. The details of the Loan entered into by Bridge Barn and the Company and the further details as required to be disclosed under Schedule 4 of the AIM Rules are provided below.

The Renegotiated Terms of the Loan constitute a related party transaction under Rule 13 of the AIM Rules for Companies ("the Transaction"). Accordingly, the board of Scotgold, excluding Nat Le Roux who is precluded from opining, consisting of Richard Gray, Christopher Sangster, Philip Jackson, Richard Barker, Peter Hetherington and William Styslinger, having consulted with SP Angel, the Company's nominated adviser, consider that the terms of the Transaction are fair and reasonable insofar as its shareholders are concerned.

In accordance with the AIM Rules (Schedule 4), the following information regarding the Secured Loan is provided below:

- **Principal:**

£6,000,000 (six million pounds), to be drawn down in four separate Tranches of £2,000,000, £2,000,000, £1,000,000 and up to £1,000,000 respectively

- **Lender:**

Bridge Barn Ltd, a company incorporated in England and Wales which is wholly owned and controlled by Mr Nat le Roux

- **Borrower:**

SGZ Cononish Ltd, a 100% owned subsidiary of the Company



- Term:

24 months from date of draw-down of each Tranche respectively. Early repayment is at the option of the Borrower for no penalty.

- Date and amount of first draw-down:

On or before 30 June 2019 for an amount of £2 million

- Date and amount of second draw-down:

Within 6 months of first draw-down for an amount of £2 million.

- Date and amount of third draw-down:

Within 6 months of second draw-down for an amount of £1 million.

- Date and amount of fourth draw-down:

Within 6 months of third draw-down for an amount of up to £1 million.

- Interest:

Interest rate is 9.0% calculated annually (non-compounded) and payable at the end of the 24 months term for each

Tranche respectively. If the Secured Loan is repaid early, interest will be calculated up to date of repayment.

- Security:

Debenture over the assets and undertakings of all of the assets of the Company's 100% owned subsidiaries, Scotgold Resources Ltd (SC309525) and SGZ Cononish Ltd (SC569264), including the transfer of security of the issued capital of each of the subsidiaries.

**Exploration:**

Grampian - Our geology and exploration team continue to benchmark the geological anomalies around the Cononish gold deposit. The results from the first phase of these orientation surveys have proven that the ionic leach soil drainage sampling techniques provide a superior exploration tool to the more traditional methods. This is because of the lower detection limits and focus on more dispersed geochemistry in the sample medium as opposed to the reliance on focused gold mineralisation of traditional techniques, which are subject to the erratic distribution on specific minerals, most particularly gold. Initial results have mapped the mineralised sections of the Cononish Vein, as well as fault offsets, and have identified anomalies in parallel structures. The team has expanded the survey to evaluate the strike extent of these anomalies. This work will be announced once a full evaluation has been completed.



In addition to the novel geochemical sampling approach, the Company conducted an orientation survey using induced polarisation and VLF/magnetics techniques. While the survey was cut short due to very bad weather, the initial results have shown that the selected survey techniques are an excellent method of mapping the geology of the Cononish deposit in three dimensions. This is particularly the case with the dolerite dyke and major structures. The survey will be extended in the spring so that we can complete the 3D modelling of the Cononish geology.

Portugal - Our earn-in partner, PanEx Resources Ltd have withdrawn their interest in the Pomar project as their initial focus on gold mineralisation related to the felsic dykes appeared not to suggest potential in line with their target threshold. PanEx were seeking to validate a significant open pittable gold resource hosted in the dykes, but did not address high grade mineralisation hosted in structures or the broader untested exploration potential along the margin of a granite intrusion. Consequently, they have recognised that the licence is still attractive for other styles of mineralisation that are outside of their scope of work. As such, the Earn in Agreement as announced in the Company's RNS of 19 March 2018 is no longer in place and Scotgold retains full ownership of its subsidiary Scotgold Resources Portugal Ltda and the Pomar License. The Company is currently completing its own soil sampling program, the results from which will inform a decision on an extension to the licence.

**Richard Gray, Chief Executive Officer of Scotgold commented:**

*"Not only are we able to report good progress, but the detailed engineering work completed at this early stage has enabled us to enhance the overall project by capitalising on an opportunity to facilitate a possible earlier and more cost effective expansion to Phase 2. The first class team we are assembling is building momentum and I look forward to reporting further progress in due course."*

**Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.**

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