



## **SCOTGOLD RESOURCES LIMITED**

**(The "Company" or "Scotgold")**

### **Activities Update**

#### **HIGHLIGHTS**

- The Bulk Processing Trial ("BPT") is operating above design throughput rate of 1.5tph and has achieved an average monthly production of 424 WMT since September 2016.
- The average grade of material treated so far at 6.3g/t Au is lower than global estimate of material contained in the ore stockpile of 7.9g/t Au.
- The metallurgical recovery of 64% achieved with the simplified gravity only BPT circuit and tailings analysis confirms recovery of 93% is achievable in the planned production plant as stipulated in the Updated BFS.
- Gold rich Pyrite concentrate sales to Ocean Partners are proceeding as envisaged.
- Positive test work results have been received on the leaching of gold rich Galena concentrates. This improves potential viability of long term off site leaching facility and also potentially offers a lower cost alternative to the current BPT cupellation route. Further cupellation has therefore been put on hold whilst this is investigated further.
- The Company has today drawn down the £1.0m of funds under the secured loan from Nat le Roux, details as announced on 15 March 2017.
- Several longer term project funding proposals are currently under review. At the reduced capex requirements of the revised, phased approach to development, management is confident that project funding will be available.

#### **UPDATE TO THE BULK PROCESSING TRIAL ("BPT")**

The Company is pleased to announce the results of the BPT up to the end of February 2017.

Tonnage: The BPT has processed approximately 2,600t of material during the period from May 2016 to February 2017. Throughput rates for the hammer mill have been consistent, and operational improvements to the primary crushing regime have resulted in the current rates exceeding the design rating of 1.5tph. Experience operating the plant has reduced unscheduled stoppages and the plant went from single to double shift in September 2016, achieving average

production rates of 424WMT per month in the period to end February 2017. It is planned to introduce an extended double shift system in April, which will further increase overall production rates.

Grade: The stockpile being processed contains an indicated resource estimated at 7,000t at a grade of 7.9g/t Au, compared to the average achieved for the first 2,600t of 6.3g/t Au. A high degree of variability has been observed within the stockpiled material, which reflects upon operational issues during the material's original excavation and deposition, and has no relation to the accuracy of the project's in-situ mineral resource estimate. A final reconciliation of the stockpile will only be practically possible once it is fully treated.

Recovery: Estimated monthly metallurgical recoveries have averaged 64% to date. Analysis of the BPT tails indicates that the coarse grind achieved with the hammer mill (approximately p80 500micron) does not fully liberate the fine free gold and sulphides, but that when these tails are further milled to the BFS design size of p80 125 micron, the design recoveries of 93% can be achieved. A less significant factor is that a proportion of the fine sulphides that are liberated by the hammer mill, are not recovered by the BPT spiral circuit (which works better on the coarser material). The BFS design circuit utilises a flotation circuit, rather than spirals, which is more efficient at recovering this finer fraction.

Products: The BPT generates 3 products, namely; Pyrite concentrate (which is the most significant in terms of volume and gold/silver content), Galena concentrate (which has the potential to provide the bulk of the "Scottish" gold for the jewellery trade, and a "Goldkacha" gravity concentrate which although not a significant in terms of gold/silver content, is extremely high grade and therefore amenable to direct smelting on site for demonstration purposes.

In November 2016, twelve 1oz rounds were minted from gold extracted from the Galena concentrate, 11 of which were sold. Subsequently in January 2017 21 bags (18.3 DMT) of Pyrite concentrate containing approximately 110oz Au and 445 oz Ag was shipped to Ocean Partners in Holland for smelting. A further 10 bags were shipped in February (awaiting final assays and weights) and it is anticipated another similar shipment will take place in April.

To date approximately 1,100kg of Galena concentrate have been produced from which, as mentioned above, the initial Scottish gold rounds were produced. This gold was extracted from the Galena concentrate by manually re-tabling the material and though effective, this proved to be very labour intensive and disruptive to the ongoing BPT operation. An alternative whereby the gold can be extracted by cupellation was devised and material was sent for processing using this method by Wheal Jane Laboratories in Cornwall. In parallel, test work has been conducted on extracting the gold by leaching, which is an important factor in assessing the future opportunity for an off-site in country leaching process for the concentrates. This has demonstrated that high recoveries (approximately 95%) can be achieved and this therefore could offer a more cost effective alternative. Further cupellation of the Galena concentrate has therefore been put on hold whilst the practicalities of the leaching alternative are being assessed. Once the most appropriate processing route for this material has been determined and as a consequence a more confident assessment of the quantity of Scottish gold likely to be made available to the jewellery trade, the emphasis will move to finalising these discussions and determining an appropriate premium for the sale of this gold and silver.

The Goldkacha concentrate is currently held in inventory and will ultimately supplement the Scottish gold sales.

## UPDATE TO THE BANKABLE FEASIBILITY STUDY ("BFS")

The Executive Summary for the Update to the BFS, key results of which were recently announced, will be made available by 7<sup>th</sup> April 2017.

### CORPORATE UPDATE

The Company is pleased to announce that the loan agreement with Nat le Roux as previously announced on 15 March 2017 has been completed and the funds drawn down. After careful consideration of the options available, the Company believes this funding mechanism offers the best value to all existing shareholders, as well as demonstrating Nat le Roux's continued support for the project.

Scotgold CEO, Richard Gray said *"Although the BPT does not, and was never intended to replicate the process route envisaged in the original BFS, for which extensive metallurgical test work has been conducted, it continues to meet its primary objectives and provide valuable operational experience, particularly with regards to alternative tailings management systems. Scottish Gold has been sold as commemorative rounds, gold is being sold as pyrite concentrate and Scottish Gold will be sold to the jewellery trade in the coming months. Whilst we continue to optimise the BPT operations, our key focus now is securing the much reduced finance needed to put our mine into commercial production and achieving the necessary permitting."*

For further information please contact:

|                            |                              |                             |                             |
|----------------------------|------------------------------|-----------------------------|-----------------------------|
| Scotgold Resources Limited | Stockdale Securities Limited | Capital Markets Consultants | Smaller Company Capital Ltd |
| Richard Gray - CEO         | Robert Finlay / Ed Thomas    | Simon Rothschild            | Rupert Williams             |
| Tel: +44 (0)1838 400 306   | Tel: +44 (0)20 7601 6100     | Tel +44 (0)7703 167 065     | Tel: +44 (0)20 3651 2911    |

### Forward Looking Statement

*Statements regarding plans with respect to the Company's mineral properties are forward-looking statements. There can be no assurance that the Company's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's mineral properties.*

## Appendix A: Glossary of technical terms

| <b>Term</b>          | <b>Description</b>   |
|----------------------|--|
| £ or GBP             | Pound Sterling   |
| %                    | Percent  |
| Ag                   | Silver, atomic number: 47. Measured in parts per million (grams per tonnes)  |
| Au                   | Gold, atomic number: 79. Measured in parts per million (grams per tonnes)  |
| CAPEX                | Capital Costs (short for Capital Expenditure).   |
| CP                   | Competent Person   |
| Cupellation          | Cupellation is a refining process in metallurgy, where ores or alloyed metals are treated under very high temperatures and have controlled operations to separate noble metals, like gold and silver, from base metals like lead, copper, zinc, arsenic, antimony or bismuth, present in the ore   |
| DMT                  | Dry metric tonne   |
| g/t                  | Grams per tonne (equal to parts per million)   |
| Galena               | Galena is a lead sulphide mineral with a chemical composition of PbS   |
| Goldkacha            | Goldkacha is a proprietary name for a low g centrifugal separation device  |
| Leaching             | Leaching is the loss or extraction of certain materials from a carrier into a liquid (usually, but not always a solvent)   |
| m                    | metre  |
| M                    | Million  |
| micron               | a micron is an SI derived unit of length equaling $1 \times 10^{-6}$ of a metre; that is, one millionth of a metre   |
| Mineral Resource     | A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories |
| MRE                  | Mineral Resource Estimate  |
| Mtpa                 | Million tonnes per annum   |
| OPEX                 | Operating Costs  |
| oz.                  | Troy ounce (31.1034768 grams)  |
| P80                  | Maximum size of 80% of the particles   |
| Probable Ore Reserve | A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve   |
| Proved Ore Reserve   | A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors   |
| Pyrite               | An iron sulphide with the chemical composition of FeS <sub>2</sub>   |
| Reserves             | Mineable geological resources  |
| Resources            | Geological resources (both mineable and un-mineable)   |
| Silver               | Precious metal (Ag), atomic number: 47   |
| t                    | Tonne  |
| TSF                  | Tailings Storage Facility  |
| tph                  | Tonnes per hour  |
| tpm                  | Tonnes per month   |
| WMT                  | Wet metric tonne   |