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Scotgold Resources Ltd
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SCOTGOLD RESOURCES LIMITED
(The "Company" or "Scotgold")

**Rights Issue and Funding Update for commencement of development of
Cononish Gold and Silver Project ("Cononish Project").**

Highlights:

- Fully underwritten Two for Three Rights Issue at £0.25 per New Share to raise £2.65m.
- One free attaching Option to every Five New Shares.
- Cononish Project predevelopment works to commence from December 2017, to coincide with completion of the Bulk Process Trial.
- Cononish Project development to commence in January 2018 subject to planning permission, which is being constructively advanced.
- A second and final tranche of development funding to be raised after the planning decision has been received.

Capitalised terms used in this announcement have the same meaning as defined in the Offer Information Statement unless otherwise stated.

Rights Issue and Funding Strategy

Scotgold is pleased to announce that Nat le Roux, the Company's Chairman has fully underwritten a non-renounceable Rights Issue offering Two (2) New Shares for every Three (3) Existing Shares held on the Record Date, at an issue price of £0.25 per New Share, together with One (1) free attaching New Option (exercisable at £0.40 on or before 31 December 2019) for every Five (5) New Shares subscribed for (the "**Offer**").

An Offer Information Statement ("**OIS**") was lodged today with the Australian Securities and Investment Commission ("**ASIC**"). The full OIS will also be made available on the Company's website www.scotgoldresources.com, the details of which are summarised below. The OIS, together with an Entitlement and Acceptance Form will be mailed to all Eligible Shareholders, where appropriate.

The funds to be raised from the Offer are to be applied to the commencement of development of the Cononish Gold and Silver Project ("**Cononish Project**") and represent approximately 30% of the total funds required to bring Phase 1 of the Cononish Project into production.

The Company's strategy in raising a first tranche of funds at this time, is clear. In mid-December, the Company's Bulk Processing Trial ("**BPT**") will have substantially depleted the existing stockpile and the operations will be concluded. With BPT operations terminated, labour and management resources will be re-deployed and focussed directly into the Cononish Project preparatory works. The outcome of the

Company's Planning Application is expected in mid-December 2017. It should be noted, the Company currently still has the option to commence development of the Cononish Project under its full-scale development programme, for which planning permission has previously been granted.

Assuming a successful Planning Application determination and subject to any conditions attached, a second and larger tranche of funding, potentially as a combination of equity, debt and vendor (equipment lease) finance, is planned in early 2018. By this time, it is anticipated the predevelopment works will have been completed, the recruitment of key project personnel will be well advanced and equipment and construction contracts will have been tendered, further reducing uncertainty.

After successful implementation of Phase 1 of the Cononish project, management will consider the timing of the Phase 2 expansion, which it is anticipated will be funded through internally generated cashflow. Any funds received before 31 December 2019 from the exercise of the Options included in the Offer may enable the timing of Phase 2 to be brought forward.

Refer further details, below.

Scotgold CEO, Richard Gray said:

"As well as providing our current shareholders with an opportunity to further participate in the low capex, high return phased Cononish Project, this Rights Issue will enable us to start development activities as soon as the necessary permitting is in place. The final tranche of funding can then be concluded in parallel with this work, early in the new year, at a more appropriate stage of the project's development. This exciting shift in operational focus means we will be progressing the Cononish Project to production in a timely manner."

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

1 SUMMARY

It is proposed that the closing date for the Offer will be 5:00pm (WST) on 8 December 2017. The Directors reserve the right to extend this date without notice.

Eligible Shareholders may also apply for additional Shortfall Shares which may arise from the Offer. In the event, that the Shortfall Shares are not taken up in full by Eligible Shareholders, the Shortfall Shares will be offered to eligible third parties (provided that such eligible third parties are Relevant Persons). The Company's Chairman and major shareholder, Mr Nat le Roux, has agreed to fully underwrite the Offer and so ensure that the Company raises the full £2,656,485.

The principal purpose of this Rights Issue is to raise the first tranche of funding required for the commencement of development of the Cononish Project, subject to Planning permission as well as to advance the Grampian Exploration Project. A portion of the funds raised will be used for working capital purposes during the period up until completion of the full funding strategy.

The Directors are cognisant that the outcome of the current revised Planning Application has not yet been determined and is not expected until mid-December 2017. The current revised Planning Application includes the revised "dry stack" tailings system and the phasing of the Cononish Project, allows for a lower capital cost to complete the first production phase followed by a subsequent expansion to the currently permitted production levels. If planning permission is granted, the revised, phased Cononish Project development will substantially reduce the capital expenditure from the currently permitted development plan. Scotgold management have actively responded to all

requisitions and queries from the Loch Lomond and Trossachs National Park Planning Authority and other consultees.

The Company is currently planning for the balance of funding required for the Cononish Project development to be raised as a combination of equity, debt and vendor (equipment lease) finance. The timing of this second and more significant tranche of funding is planned to be raised in March / April 2018, by which time the Planning Application will have been determined and progress with the commencement of development of the Cononish Project will be well advanced.

2 RELATED PARTY TRANSACTION

The Underwriting Agreement to the Offer sets out that the Offer is fully underwritten by Nat le Roux, a Director and substantial shareholder of the Company. This constitutes a related party transaction under Rule 13 of the AIM Rules.

The Directors of Scotgold, excluding Nat Le Roux who is precluded from opining, having consulted with the Company's nominated adviser, Stockdale Securities, consider that the terms of the Underwriting Agreement are fair and reasonable insofar as Shareholders are concerned. The Directors have given consideration to the fact that Mr le Roux is not receiving an underwriting fee and is otherwise subscribing for Shares at the same issue price as other shareholders of the Company. Mr le Roux is the sole underwriter of the Rights Issue.

The terms of the Underwriting Agreement are that no underwriting fees will be charged and that the New Shares not taken up by Eligible Shareholders will be offered to those shareholders who have subscribed for Shortfall Shares and other eligible third parties, at the discretion of the Directors. Any remaining Shortfall Shares offered under the Shortfall Offer will then be taken up by Mr le Roux, as underwriter, on the same terms as offered to all other shareholders.

If no other Eligible Shareholders subscribed for their New Shares and no eligible third parties or Relevant Persons subscribed for any Shortfall Shares, then the maximum number of shares that could be taken up by Mr le Roux is 10,625,490 Shares (including Mr le Roux's entitlement of 4,214,806 New Shares). This would increase his percentage shareholding from 39.67% to 63.80% of the enlarged share capital of the Company following completion of the Offer. On the same basis that no other Eligible Shareholder subscribed for their New Shares and no eligible third parties or Relevant Persons subscribed for any Shortfall Shares then, on a fully diluted basis, his percentage shareholding would increase from 39.67% to 66.41%.

3 DETAILS OF THE RIGHTS ISSUE

The Offer

The Company is making an Offer to Eligible Shareholders by way of a Rights Issue. The offer price of £0.25 for each New Share is payable in full on acceptance of the Offer.

Each Eligible Shareholder is entitled to subscribe for Two (2) New Shares for every Three (3) Existing Shares which the Shareholder holds, together with One (1) free attaching New Option (exercise price £0.40 and expiry 31 December 2019) for every Five (5) New Shares subscribed for.

The New Options will be unlisted and no application will be made for them to be admitted to trading on AIM or any other stock exchange. The Options will not be transferable, and will be held in certificate form.

Where an Eligible Shareholder holds their shareholding in certificated form, the number of New Securities to which Eligible Shareholders are entitled will be shown on the Entitlement and Acceptance Form which will be sent to each Eligible Shareholder together with the OIS.

Where the Eligible Shareholder holds their shareholding in uncertificated form (i.e. via Depositary Interests in CREST), the number of Basic Entitlements and Excess Entitlements to which the Eligible Shareholder is entitled shall be credited their CREST stock account.

Fractional entitlements to New Securities have been rounded up to the nearest whole number of Securities.

The Board also invites all Eligible Shareholders to apply for Shortfall Securities in addition to their entitlement. If such application for Shortfall Shares in aggregate exceeds the number Shortfall Shares

available, the Board will, in its sole discretion, allocate the available Shortfall Shares, giving due regard to the quantum of the Eligible Shareholders' holding and quantum of the Shortfall Shares applied for.

Other than the issue price of £0.25 per New Share there are no other fees or charges payable to receive New Securities.

The Offer will be underwritten by Nat le Roux, the Company's Non-Executive Chairman.

Entitlements to New Securities are non-renounceable. This means that Eligible Shareholders are not able to renounce (sell) their Entitlements which they do not wish to accept.

Eligible Shareholders who wish to subscribe for New Shares under this Offer should ensure that their payment is sent for the correct amount in GBP Pounds Sterling, or equivalent, in sufficient time for it to be received and cleared funds available by the Closing Date of the Offer.

Offer Price

The Offer Price has been determined by the Company having regard to historical issues of Shares, the Company's financial history and operating conditions and by acknowledging the ongoing support of the Shareholders.

The Offer Price represents a discount of approximately 7.4 per cent. to the Company's closing share price on AIM of £0.27 on 10 November 2017, the last trading day prior to the printing of the OIS.

Use of Funds

The maximum amount that will be raised pursuant to the Offer will be approximately £2,656,485. As at the date of the OIS, the Company intends to use the funds raised as set out below.

Item	Use of Funds	(£)	%
1.	Commencement of development of Cononish Project ⁽¹⁾	£2,070,000	77.92%
2.	Grampian Gold Project ⁽²⁾	£70,000	2.64%
3.	Working capital	£466,485	17.56%
4.	Costs of the Offer (approximately)	£50,000	1.88%
	Total	£2,656,485	100%

Notes:

1 Initial Cononish Project expenditure is expected to include:

Expenditure Item	Amount Spent
Access infrastructure (Access bridge, parking areas etc.)	£210,000
Buildings and groundworks	£480,000
Environmental, planning and community	£860,000
Crown Estate (Scotland)	£75,000
Mine equipment	£325,000
Project labour	£120,000
TOTAL	2,070,000

2 Initial Grampian Expenditure is expected to include:

Expenditure Item	Amount Spent
Cononish / Glen Orchy (Core management, selective relogging and stratigraphic modelling)	£25,000
Consultants (determination of orientation programs)	£5,000
Orientation surveys (soil sampling, drainage sampling, 2D or 3D induced polarisation)	£40,000
TOTAL Grampian Gold Project	£70,000

The above table is a statement of present intentions as at the date of this announcement and the OIS. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board of Scotgold reserves the right to alter the way funds are applied. It is also intended that initial Cononish Project expenditure will include equipment purchases, however, these are likely to be vendor (lease) financed.

The Board of Scotgold notes that the Company currently has an outstanding loan of £1m which is payable by 30 March 2018 (the "Loan"). It is currently anticipated that the Loan will be repaid or restructured as part of the Company's future funding plan but in the event that this plan has not been completed before 30 March 2018, part of the funds raised in this Rights Issue may be applied for this purpose.

Costs of the Offer

The Company shall pay for the costs associated with the Offer. Costs associated with the Offer are estimated to be approximately £50,000 and are expected to include the following:

- ASIC fees (£1,411);
- Share Registry fees and disbursements (£10,000);
- Professional adviser fees (£36,000);
- Printing and miscellaneous fees (£2,589).

Effect of the Offer on Scotgold

The principal effects of the Offer will be to:

- (a) raise approximately £2,656,485 before deducting the expenses of the Offer, to be expended by the Company in line with the use of funds outlined above; and
- (b) increase the number of Shares in issue from 15,938,909 to up to 26,564,849 and the number of Options in issue from 30,000 to 2,155,188 is subject to rounding.
- (c) The cash position of the Company at 30 September 2017 was approximately £62,000. Upon completion, the Offer proceeds of approximately £2,656,485 will increase the cash position.

Effect on Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, and no existing Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently in issue ⁽¹⁾	15,938,909
Shares to be offered pursuant to the Offer ⁽²⁾	10,625,940
Total Shares in issue after completion of the Offer	26,564,849

Notes:

- 1 This assumes that the Company will have issued 1,575 shares related to an exercise of options which expired on 30 September 2017 and no further options will be exercised prior to the Record Date. Any exercise will dilute the interests of existing Shareholders.
- 2 The number of Shares actually issued after completion of the Offer will be subject to rounding.

Options

	Number
Options currently in issue (Expiry date of 31 March 2022 and exercise price of £4.71 ⁽³⁾)	30,000
Options to be offered pursuant to the Offer ⁽¹⁾⁽²⁾ (Expiry date of 31 December 2019 and exercise price of £0.40)	2,125,188
Total Shares in issue after completion of the Offer	2,155,188

Notes:

- 1 The number of Options actually issued after completion of the Offer will be subject to rounding.
- 2 Issued on the terms and conditions set out in Section 1.17 of the OIS.
- 3 The exercise price of the existing Options is AUD\$8.00 which has been converted into Pounds Sterling at the AUD/GBP exchange rate published by the Reserve Bank of Australia on 3 November 2017.

Annual Financial Report

The Company's audited Annual Financial Report for the financial year ending 30 June 2017 should be read in conjunction with the Offer and is available on the Company's website: www.scotgold.com.

Eligible Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a Shareholder at 5.00pm (WST) on the Record Date.

With the exception of any breach of regulatory provisions, Eligible Shareholders may, in addition to their Entitlement, apply for Shortfall Shares.

No action has been taken to permit the offer of New Securities under the OIS in any jurisdiction other than Australia and United Kingdom. The distribution of the OIS in any jurisdiction other than Australia and United Kingdom may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This The OIS does not constitute an offer of New Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue the OIS.

Effect of Offer on the control of the Company

If all Entitlements are accepted by Shareholders to the full extent, then the Offer will not result in any change to the control of the Company. If all Entitlements under the Offer are not accepted to the full extent, then the shareholding interest of non-participating Shareholders will be diluted.

The Offer is underwritten by the Company's largest Shareholder, Mr Nat le Roux. As at the date of the OIS, Mr le Roux holds 6,322,208 Shares, which equals a 39.67% voting power in the Company. There are no other substantial Shareholders, holding more than 5% interest in the Company.

Where no other Eligible Shareholders and/or Relevant Persons apply under the Offer and Mr le Roux is obligated pursuant to the Underwriting Agreement, to subscribe for additional Shares, Mr le Roux's voting power in the Company will increase. The table below shows the potential effects of Mr le Roux taking up his Entitlement and being required to subscribe for the Shortfall in accordance with the Underwriting Agreement under various scenarios.

	If Offer is fully subscribed		If Offer is 25% unsubscribed by shareholders other than Nat le Roux		If Offer is 75% unsubscribed by shareholders other than Nat le Roux		If Offer fully unsubscribed other than Nat le Roux.	
Share holder	Shares	Voting power (%)	Shares	Voting power (%)	Shares	Voting Power (%)	Shares	Voting Power (%)
Nat le Roux	10,537,014	39.67%	12,139,798	45.70%	15,345,365	57.77%	16,948,148	63.80%

Notes:

This table assumes that:

- a. Nat le Roux will take up his full Entitlement as to 4,214,806 New Shares (£1,053,702); and
- b. Nat le Roux will fully underwrite the Offer by subscribing for any Shortfall Securities not subscribed for by Eligible Shareholders and/or Relevant Persons pursuant to the Shortfall Offer, (with allocations to be determined at the discretion of the Board and Underwriter)

The number of Shares held by the above Shareholder and his voting power in the tables above show the potential effect of the Offer on the Company. However, the Company considers it is unlikely that no Eligible Shareholders, other than the above Shareholder, will take up Entitlements under the Offer. The voting power of Nat le Roux will reduce by a corresponding amount for the amount of Entitlements under the Offer taken up by the other Eligible Shareholders or any Shortfall Shares that are issued to Relevant Persons.

Depending on the percentage voting rights held by Nat le Roux following any underwriting by him after the closing of the Offer (and the Shortfall Offer), the Company intends to enter into a relationship agreement with Mr le Roux with a view to ensuring that the Company will at all times be capable of carrying on its business independently of Mr le Roux. Such relationship agreement would contain customary provisions for relationship agreements entered into by AIM-listed companies.

Director participation

Nat le Roux (Chairman and Non-Executive Director) intends to take up his full Entitlements as to 4,214,806 New Shares (£1,053,702) before any obligation pursuant to the Underwriting Agreement. Mr le Roux is not eligible to apply for any Shortfall Shares.

Richard Gray (Managing Director and CEO) intends to take up his full Entitlement as to 34,670 New Shares (£8,668).

Chris Sangster (Non-Executive Director) has indicated that he will be participating in the Offer, however is uncertain as to the level of such participation. Mr Sangster currently holds 182,045 Shares in the Company and as such is entitled to subscribe for 121,364 New Shares (£30,341) pursuant to the Offer.

Phillip Jackson (Non-Executive Director) has indicated that he may elect to participate in the Offer. Mr Jackson currently holds 43,313 Shares in the Company and as such is entitled to subscribe for 28,876 New Shares (£7,219) pursuant to the Offer.

Richard Barker (Non-Executive Director and Company Secretary) holds no shares in the Company.

Timetable

Lodgement of OIS with ASIC and Announcement of Offer	13 November 2017
Exposure (ASIC review) period ends	21 November 2017
Record Date	21 November 2017

(date for determining entitlements of Eligible Shareholders to participate in the Rights Issue as at 5:00pm (WST))

(date for determining entitlements of eligible Depository Interest Holders to participate in the Rights Issue as at 6:00pm (GMT))

Shares marked "ex-rights" by London Stock Exchange	22 November 2017
Offer document dispatched to shareholders (expected date of dispatch of Offer document, entitlement acceptance forms)	23 November 2017
Offer and Shortfall Offer Open	23 November 2017
Offer and Shortfall Offer Closing Date* for Eligible Shareholders (5.00pm (WST)); and for Eligible Depository Interest Holders (11.00am (GMT))	8 December 2017
Shortfall Offer closing date* for eligible third parties (5.00pm (WST))	10 December 2017
Result of Rights Issue and total shares in issue Announcement	14 December 2017
Issue date of Securities	19 December 2017
AIM Admission date and CREST accounts credited for Depository Interests (indicative)	22 December 2017

* Subject to the AIM Rules, the Directors reserve the right to extend the Closing Date for the Offer and the Shortfall Offer, at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the Securities.

Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement on a Regulatory Information Service.

Total Voting Rights

Application will be made for the 10,625,940 New Shares to be admitted to trading on AIM ("Admission"). Admission is expected to take place on 22 December 2017. Following Admission, and subject to no other new shares in the Company being issued in the meantime from the exercise of options or any other event, the total number of shares in issue will be 26,564,849. The Company does not hold any Shares in treasury and this figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The New Shares will rank *pari passu* with the Company's existing issued ordinary shares.

4 ABOUT SCOTGOLD

Cononish Gold and Silver Project

On 15th February 2012, the board of the Loch Lomond and the Trossachs Parks issued a decision letter granting planning permission for the development of the Cononish Project. The Crown Estate Commissioners unconditional grant of the Crown Lease was confirmed in May 2012.

During 2014, the Company made an application to vary this planning permission (relating to hours of operation of the processing plant and work on site) and on 24 January 2015, the Board of the Loch Lomond and the Trossachs National Park again voted unanimously to approve the Company's application. As a variation to a condition of the existing consent, this approval also had the effect of extending the date by which development should commence, to January 2018.

In January 2015, the Company completed a Mineral Resource Estimate and subsequently, in August 2015 completed a Bankable Feasibility Study for the Cononish Project. On 24 February 2016 the Company announced its intention to conduct a Bulk Processing Trial ("**BPT**") and on 27 August 2016 the first official gold pour from the BPT was announced. At 31 October 2017, the BPT had produced a cumulative total of approximately 628 ounces of gold.

Experience from the BPT led to a reassessment of the tailings disposal methodology and a study was conducted to determine the suitability of dry stack tailings disposal for the Cononish Project. The benefits of the dry stack system include substantially reduced upfront capital costs, scalability and the potential for significant environmental benefits. The study determined that dry stacking was feasible and a number of options using this methodology were then modelled in the Update to the Bankable Feasibility Study which was released on 15th March 2017. In line with ongoing finance discussions, a 'phased' approach was determined as the Company's preferred option to take the project forward. Subsequently, the Company has submitted a revised application for planning permission to incorporate the new tailings disposal methodology. The application has been accepted as valid by the Parks Board and its decision is expected around the end of 2017.

Grampian Gold Project

The Grampian Gold Project comprises various Crown Option agreements covering some 4100 km² in the south west Grampians of Scotland and covers some of the most prospective areas of the Dalradian geological sequence in the United Kingdom. This sequence extends westward from the United Kingdom to the eastern seaboard of Canada and the Appalachian belt in the United States, and eastward into Sweden and Norway, has been identified by the British Geological Survey as being highly prospective for both significant gold and base metal deposits. On a more local scale, the Dalradian sequence extends to the south west from Scotland into Northern Ireland where it hosts other gold resources at Cavancaw (c. 0.8Moz of gold) and Curraghinalt (c. 4M oz of gold).

The Company continues a regional stream sediment sampling program over the wider Grampian Gold Project area whilst evaluating a number of previously identified high grade outcrops in the vicinity of the Cononish Project.

Portuguese and French projects

In May 2016, the Company announced the acquisition of the Pomar licence area in eastern central Portugal by its wholly owned Portuguese subsidiary, Scotgold Resources Portugal Ltda. In May 2017, the Company's wholly owned French subsidiary, SGZ France SAS was granted the Vendrennes PER (Permit Exclusif de Recherche / exclusive exploration licence) in France.

The Company continues to pursue the economic exploitation of its Portuguese and French held projects, whether that be by way of further exploration and development, joint venture, farm-in, earn-in, or other arrangement. With respect to these projects, discussions have been held with interested parties, but no agreement has been reached.

Forward Looking Statement

Statements regarding plans with respect to the Company's mineral properties and funding strategies 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.