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Scotgold Resources Ltd
28 April 2016

SCOTGOLD RESOURCES LIMITED

MARCH 2016 QUARTERLY ACTIVITIES REPORT

CONONISH GOLD AND SILVER PROJECT

Bulk Processing Trial "BPT" Initiated

On 24 February 2016 Scotgold Resources Limited (ASX:SGZ, AIM: SGZ) (Company) announced the initiation of the Bulk Processing trial "BPT" at the Cononish Gold and Silver Project.

A stockpile of approximately 7000t of ore grading around 7.9g/t Au and 39g/t Ag is stockpiled on the mine 'platform' at Cononish. It is proposed to install a small scale pilot plant (portable and skid mounted) to treat around 2,400t (approximately 1,200 m³) of this material over approximately a six-month period. The material to be treated forms part of the Probable Reserves for the project (refer ASX and AIM announcements dated 26/05/2015).

The material will be treated through the plant which will utilise gravity separation via a centrifugal device, similar to the planned full scale plant and have a rated capacity of 1.5tph. However, the flotation circuit process will be replaced by a spiral bank to generate a sulphide rich concentrate. Thus no chemicals will be used on site as part of the BPT and the gold generated can be classified as "ethical". Fabrication of the plant itself in South Africa has been completed, "dry" commissioning independently verified and the plant has been shipped, with arrival on site expected in early May as scheduled.

Planning application with Loch Lomond & The Trossachs National Park Planning Authority "LLTNPPA" is well underway with a formal application having been lodged and the statutory notification and consultation process completed. Upon completion of the LLTNPPA's internal review of the submissions received a determination will be given.

The objectives of the BPT are to demonstrate the marketability and profitability of Scottish gold production from Cononish, with considerable interest from the Scottish jewellery industry already having been received. It will also give further confidence to metallurgical test-work already completed and to provide a basis for a review of the development plan under the current Bankable Feasibility Study.

CORPORATE

Placement

The Company announced on 10 March 2016 that it had placed 83,333,332 new ordinary Scotgold shares ("Shares") at an issue price of £0.006 (approximately AUD\$0.011) each with new shareholders to raise £500,000 (approximately AUD\$948,500) before expenses.

The funds raised will be used to:

- Investigate the viability of a phased approach to the development of the Cononish Gold and Silver Project and as appropriate revise the Cononish Bankable Feasibility Study ("BFS").
- Provide additional working capital during the previously announced Bulk Processing Trial ("BPT") such that the premium achieved on verified Scottish gold can be optimized.

Convertible Note

The Company announced on 23 March 2016 that it had issued 73,900,000 fully paid shares to a sophisticated and private Section 708 exempt investor Mr Nat Le Roux, Non-Executive Chairman of the Company. The shares were issued through the early conversion of rights in a Convertible Note (maturity date 30 September 2016) held by Mr Le Roux previously approved by shareholders on 30 July 2014.

As a result of this conversion, the debt principal owed by the Company to Mr Le Roux under the 2014 Convertible Note reduced from AUD\$ 780,000 to AUD\$ 336,600.

Exercise of Options

In addition to the 73,900,000 fully paid shares as described above, the Company issued 56,846,154 unquoted options over ordinary shares in the Company, exercisable at A\$0.012 at any time prior to 31 March 2016 to Mr Le Roux. These options were issued as a condition of the issue of shares following the partial exercise of a convertible note. The convertible note and resulting issue of shares and attaching options were approved by shareholders at a general meeting on 30 July 2014.

On or about 30 March 2016, Mr Le Roux sold 20,593,750 of the 56,846,154 unexercised options for consideration of 0.01 pence per option, including 1,000,000 to Mr Richard Gray, Managing Director and CEO of the Company. The remainder of the options issued to Mr Le Roux have now expired, unexercised.

The 20,593,750 options were exercised prior to expiry and following admission of the 20,593,750 new shares, the Company's enlarged issued share capital comprises 1,437,327,443 shares, with voting rights. The Company does not hold any Shares in treasury, therefore the total number of shares in the Company with voting rights is 1,437,327,443.

Director Resignation

The Company advised the resignation of Mr Richard Harris, Non-Executive Director of the company, with effect from 3 April 2016. The Board thanked Mr Harris for his contribution to the Company and wished him well in his future endeavors.

Under an agreement between Mr Harris and the Company dated 27 May 2014, Mr Harris has a contractual right to appoint a nominee director to the Company. Mr Harris has notified to the Company his intention to appoint a nominee director, but has not done so at the present time. A further announcement will be made as appropriate.

Appointment of Chief Financial Officer and Company Secretary

On 13 January 2016 the Company announced the appointment of David Swan as Chief Financial Officer ("CFO"). David has acted as CFO and finance director of a number of public and public listed companies in the exploration and mining sector in Australia and UK. David is based in London, UK.

The Company also announced the appointment of Gabriel Chiappini as Company Secretary. Mr Chiappini is an Australian chartered accountant with extensive corporate experience within Australia and the UK. Mr Chiappini has worked in the exploration and mining sector for many years. Mr Chiappini was appointment was effective 31 December, 2015.

Change of Registered Address

The Company advised that its registered office has changed to:

50 Ord Street
West Perth,
Western Australia, 6005

SUMMARY

This has been an exceptionally busy quarter for the Company. Technically, moving forward with the BPT is providing tangible progress towards the full development of the Cononish Gold and Silver Project. The Company expects to report further progress in this regard in the coming weeks.

Corporate activity this quarter has also significantly strengthened the Company. The successful placement and exercise of options has raised approximately £630,000 before expenses. These funds will not only be used for a potential revision to the Cononish BFS incorporating a phased development approach, but will also provide greater working capital for the Company during the BPT, such that a gold sales strategy to maximise the premium on Scottish gold sales can be achieved.

In addition to providing additional funds, the corporate activities have also strengthened the Company's balance sheet by reducing debt and demonstrate the continuing confidence and support of the Chairman and Chief Executive Officer. The Company is reviewing further corporate initiatives to both simplify its structure and save costs.

Gabriel Chiappini
Company Secretary

Forward Looking Statements

This announcement contains certain statements that may constitute "forward looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties, which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward looking statements.

Competent Persons Statement

The information in this report that relates to the 2015 Ore Reserves for Cononish Gold Project (refer ASX announcement dated 25/05/2015) is based on information compiled by Pat Willis, a Competent Person who is registered as a Professional Engineer (Pr.Eng.) with the Engineering Council for South Africa (ECSA) and a Fellow in good standing and Past President of the Southern Africa Institute of Mining and Metallurgy (FSAIMM).. Mr Willis is employed by Bara Consulting Limited, an independent consulting company. Mr Willis 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Willis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the 2015 Mineral Resources Estimate for Cononish Gold Project (refer ASX announcement dated 22/01/2015) is based on information compiled by Malcolm Titley, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Titley is employed by CSA Global (UK) Limited, an independent consulting company. Mr Titley 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Titley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Further, the Company confirms it is not aware of any new information or data that materially affects the information contained in the original announcements and that all material assumptions and technical parameters underpinning the estimate of Resources and Reserves continue to apply and have not materially changed.

For further information please contact:

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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 (100%) 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, although as previously noted, the Inverliever option area will reduce in size on finalization of matters with the Crown Estates.

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