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Scotgold Resources Ltd
28 July 2016

SCOTGOLD RESOURCES LIMITED

JUNE 2016 QUARTERLY ACTIVITIES REPORT

CONONISH GOLD AND SILVER PROJECT

Grant of Planning Permission

As announced on 29 April 2016, the Company received notification from the Loch Lomond and the Trossachs National Park Planning Authority ("LLTNPPA") that its application for "Change of use of existing shed to processing plant, siting of container and ancillary equipment, storage of residual material. (Temporary Permission)" has been approved. This permission enabled the company to proceed with its planned Bulk Processing Trial (BPT) at the Cononish Gold and Silver Project site.

Bulk Processing Trial

As announced by the Company on 24 February 2016, the Cononish Gold and Silver Project BPT, is a pilot scale processing trial. The aims of the BPT are to demonstrate the marketability and profitability of Scottish gold production from Cononish. It will also give further confidence to metallurgical test-work already completed and provide a basis for a review of the development plan under the current Bankable Feasibility Study.

A stockpile of approximately 7,000t of ore grading around 7.9g/t Au and 39g/t Ag is stockpiled on the mine 'platform' at Cononish. The Company installed 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 25/05/2015 and 26/05/2015 respectively).

The material is being treated through the plant which utilises gravity separation via a centrifugal device, similar to the planned full scale plant. However, for the purposes of the BPT, the flotation circuit process is being replaced by a spiral bank to generate a sulphide rich concentrate and therefore no chemicals will be used on site as part of the BPT.

Bulk Processing Trial Underway

As announced by the Company on 15 June 2016 the BPT plant was delivered, installed and commissioned and material has started to be processed. Early observations regarding the BPT include:

- Product assays suggest the feed grade is in line with the expected 7.9g/t Au and 39g/t Ag estimated average for the stockpile.

- As expected, the impact crusher circuit results in a relatively coarse product, with approximately 80% less than 400micron ("p80 400µm"), compared with the final plant comminution circuit which will be designed to achieve p80 150µm.
- At this Particle Size Distribution ("PSD"), the impact crusher is proving very effective at liberating the contained sulphides (which in turn are associated with the majority of the gold content) and approximately 90% of the sulphides are recoverable via the spiral and shaking table circuits.
- It is estimated that approximately 75% of the contained gold (including free gold) reports to the sulphide concentrate, with the balance reporting to the quartz "tail" for future retreatment as part of the final plant design.
- The trial has also shown a separate galena (lead sulphide) rich concentrate is achievable from the shaking table circuit, which positively impacts on future treatment routes for the balance of the sulphides and potentially could form a saleable by-product.
- Further treatment of the concentrate will be undertaken during the BPT and this will ensure sufficient free gold is available to demonstrate the marketability and profitability of hallmarked Scottish gold production from Cononish. To this end the Company has appointed The Dragonfly Initiative (a firm of consultants specialising in this area and who have previously assisted Scotgold) to manage this process.

Grampian Licences Renewed

As announced on 12 May 2016 the Company has concluded agreements with the Crown Estates regarding the terms of its five Crown Options (and corresponding future leases) that constitute its Grampian Project in Scotland and in particular includes the highly prospective target areas identified in the previously reported structural study.

All Crown Options have initially been granted covering the same areas as before, other than the previously notified agreed reduction in the Inverliever option area of approximately 100km². The granted option areas comprising the Grampian Project now cover approximately 4100km² (see Figure 1). The Company's Cononish Gold and Silver Project, which already has a lease granted, is unaffected by the provisions noted above. (A map showing the location of the license can be found at www.scotgoldresources.com.au).

Pomar Licence Awarded in Portugal

The Company also announced on 12 May 2016 that wholly owned Portuguese subsidiary, Scotgold Resources Portugal Ltda, had been granted an exploration licence for 3 years (with an option to extend) in eastern central Portugal, near Castelo Branco.

The 'Pomar' licence (see Figure 2) covers 264km² and includes the historic antimony (with gold) mines of das Gatas, Pomar and Casalinho and numerous small scale antimony trials and occurrences. These small high grade mines were active during the 1940's producing antimony concentrate with associated gold. Some tungsten mineralisation has been identified in the licence area associated with the antimony / gold veins.

In the 1980's, Indumetal and Billiton (in joint venture) conducted a brief exploration program consisting of tip sampling and metallurgical testwork, soil and stream sediment sampling, hand held geophysics and limited drilling before withdrawing from antimony exploration. The Company will shortly commence the process of accessing historical exploration data through the relevant Portuguese authorities and determining what modern exploration techniques could be appropriate.

The focus of exploration is to examine potential extensions to the existing mines as well as examining the regional prospectivity for antimony / gold presented by the other occurrences and trials. In addition, previous exploration has identified two antimony / gold bearing regional scale felsite dykes which warrant systematic exploration.

The licence area is situated 40kms south of the world class tin tungsten mine at Panasqueira, which has produced more than 100,000t WO₃ concentrate in over 100 years of production. (A Pomar Exploration license map can be found at www.scotgoldresources.com.au).

Further, as announced by the Company on 25 July 2016 a party of Scotgold staff and independent consultants visited the Pomar licence area to conduct an initial site visit. The Scotgold party was accompanied by independent consultant, Mr. Peter Flindell, an exploration geologist with a background in a wide range of commodities and of bringing exploration projects to commercial production.

Re-evaluation of the mineralisation during the site visit indicated there may be two separate mineralising events, an early antimony and later gold event. This opens up the potential for undiscovered gold prospects in zones with quartz-only mineralisation, given previous exploration efforts have focused on antimony mineralisation in the region.

The initial program proposed for the Pomar licence area is modest (~£30,000) and consists of historical data collection & analysis, a mapping program and a soil sampling assay program. There is significant historical data available from previous exploration companies, including Billiton and Indumetal, comprising assay results and geophysical data. The Company intends to access and evaluate the historical data available in the licence area to aid further exploration efforts.

The soil sampling program is based around existing samples taken by the previous licence holder. These samples were not analysed, providing a great opportunity for Scotgold to gain a large volume of data quickly and cost-effectively and gather an overview of gold occurrences in the licence area. This field work will be supervised by our Country Manager Joao Barros, a geologist with extensive local knowledge and previous work experience of the Pomar licence area, under the guidance of Scotgold Projects Geologist Dr Nyree Hill.

A mapping program will focus on stratigraphic and structural mapping to identify the possibility for more wide scale gold occurrences and aid understanding the controls on mineralisation types across the Pomar licence area. This work is anticipated to be completed by Dr. Pablo Gumiel and Dr. Monica Arias, who have an existing working relationship with the Company having carried out the highly successful structural study within the Grampian Project last year.

CORPORATE

Appointment and Resignation of Directors

Following the resignation of Mr Richard Harris as Director as announced on 4 April 2016, Mr Gabriel Chiappini, who also acts the Company Secretary, was appointed as a Director of the Company as announced 27 May 2016. The Board welcomes

Mr Chiappini as a Director, and looks forward to his expanded contribution to the Company.

Exercise of Options

As previously announced on 14 April 2016 the Company issued 20,593,750 fully paid ordinary shares following the exercise of options prior to their expiry on 31 March 2016. The options were exercisable at A\$0.012 (approximately £0.0063) raising A\$247,125 (approximately £129,740).

As previously announced on 16 June 2016 the Company issued a further 359,471 fully paid ordinary shares following the exercise of options. The options were exercisable at £0.01 (approximately \$0.02) and had an expiry date of 30 September 2017.

SUMMARY

This has once again been a busy quarter with the prime focus being on the successful implementation of the BPT. The supply, transport, installation and commissioning went extremely well and led into the initial operational phase, where the emphasis was on training, procedures and customising the work area for safety, efficiency and sustainability. This having been achieved, we are now focussing on monitoring the plant performance to determine the optimum throughput and to inform our thinking of the final design for the full scale plant.

Notwithstanding the immediate focus on Cononish and the BPT in particular, we continue to look at ways to position the Company for long term growth. In this regard we are pleased to have reached new agreements with the Crown Estate which provide improved security through longer terms, amongst other things, on our key portfolio of exploration assets in Scotland (the Grampian Project).

In addition we have acquired a new exploration licence in Portugal, and we look forward seeing what potential will be highlighted from the preliminary work scheduled in the coming months.

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 Person's 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 has reviewed and 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

The Company announced on 12 May 2016 that wholly owned Portuguese subsidiary, Scotgold Resources Portugal Ltda, had been granted the Pomar Licence. The Company now owns a 100% interest in the Pomar Licence which is valid for 3 years (with an option to extend) and covers 264km² in eastern central Portugal, near Castelo Branco.

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