

COMPANY ANNOUNCEMENT
6 October 2016

BULK PROCESSING TRIAL PRELIMINARY RESULTS

Scotgold Resources Limited (**ASX:SGZ; AIM: SGZ**) announces that its CEO, Mr Richard Gray made a presentation (see attached) to the Shares Magazine forum in Edinburgh on the night of 5 October 2016. Included in the presentation were the preliminary results of the Bulk Processing Trial (“BPT”) currently underway at the Company’s Cononish Gold and Silver Project.

BPT Preliminary Technical Results

The preliminary test results for the BPT up to 24 September 2016 show the following results (all figures approximate):

- 870 t (wet) ore processed
- 8g/t Au feed grade
- 10 t (wet) pyrite concentrate produced containing approx. 200g/t Au
- 200kg (wet) galena concentrate produced containing approx. 9,000g/t Au
- 530g gold doré produced
- 62% Au overall recovery from BPT, with balance remaining in tail for future further processing

BPT salient Learning Points

- Positive that coarse grind liberates sulphide minerals and associated gold.
- Positive that separate Galena concentrate can be recovered by gravity methods
- Positive that sulphide concentrates produced are at higher grade (200g/t Au versus 150g/t Au) and lower mass pull than BFS plant design (1.4% versus 4.75%).
- Positive that sufficient gold can be directly poured for marketing to Scottish jewellery industry etc. without further processing being required (Estimated total Scottish gold production for the duration of the BPT is 75 – 100oz).
- Positive that tailing storage system is working well and technology may be incorporated into final mine development plan.
- Overall BPT recovery is 62% at current grind size of approx. p80 500 micron, however test-work on tailings supports BFS design overall recovery estimated at 93% at a grind size of p80 150 micron.
- Scottish gold poured for marketing is less than initially expected, however the BPT has identified opportunities to increase the Scottish gold available from the full scale plant.

Richard Gray (CEO) commented: “The Company is pleased with the preliminary results of the BPT and in particular the potentially positive implications for the future development of Cononish. We look forward to completing the technical work streams underway to incorporate the opportunities identified into a revised development plan and assessing their economic impact. We also look forward to achieving our first sales of Scottish Gold at a premium to spot price before the end of this year.”

For further information, please contact

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SCOTGOLD RESOURCES LIMITED

Investor Presentation

Edinburgh

5 October 2016

Disclaimer

This presentation is provided for the sole purpose of providing preliminary technical, financial and other background information to enable you to review the project and business activities of Scotgold Resources Limited (“Scotgold”).

The material provided does not constitute an invitation, solicitation, recommendation or an offer to purchase or subscribe for securities. The information in this document will be subject to completion, verification and amendment and should not be relied upon as a complete and accurate representation of any matters that a potential investor should consider when evaluating Scotgold.

This presentation 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.

The information in this report that relates to the following ASX announcements:

- 22/01/2015 - Resource Estimate Update;
- 26/05/2015 - Cononish Gold Project Study Update and Reserve Estimate; and
- 05/08/2015 - Cononish Gold and Silver Project Bankable Feasibility Study and Finance Update.

Exploration Results were prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported (see Scotgold Annual Reports 2008 - 2015 and various corresponding ASX releases).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Corporate Snapshot

• Incorporated in Australia	Listed on AIM ¹
• Symbol	“SGZ”
• Shares on issue	1.593bn
• Options	156.6m
• Share Price (03/10/2016)	£0.006
• Market Capitalisation Undiluted	£9.56m
• Cash (30/06/2016)	A\$0.74m ²
• Debt (Unsecured)	£0.3m

Notes:

1. Currently listed on ASX until 21 October 2016.

2. On 4 August 2016, the Company raised additional funds of £500,000 through a private placement of shares.

Leadership Team

- **Nat Le Roux:** Chairman - Mr Le Roux spent most of his career in financial markets and was Chief Executive of IG Group plc between 2002 and 2006. He is a strong supporter of Scotgold Resources and is now its largest shareholder.
- **Richard Gray:** CEO - Extensive international experience as a mining engineer with underground and open cast experience.
- **Chris Sangster:** Director and Technical Consultant - Former CEO and co-founder, a mining engineer with over 35 years experience in the mining industry.
- **David Swan:** CFO - Has acted as CFO and finance director of a number of public companies in the exploration sector in Australia and UK.
- **Nyree Hill:** Project Geologist – Highly qualified geologist with specialised interest in the Scottish Highlands.

Refocused Priorities

Prime Focus:

Bring Cononish Gold & Silver Project into production in 2017.

Reserve of 198,000 oz Au & 851,000 oz Ag.

Grade 11.1 g/t Au & 48 g/t Ag.

Average production rate 23,370 oz Au Eq pa.(per BFS)

Secondary Focus:

Grampian Exploration Project.

4,126km² under option.

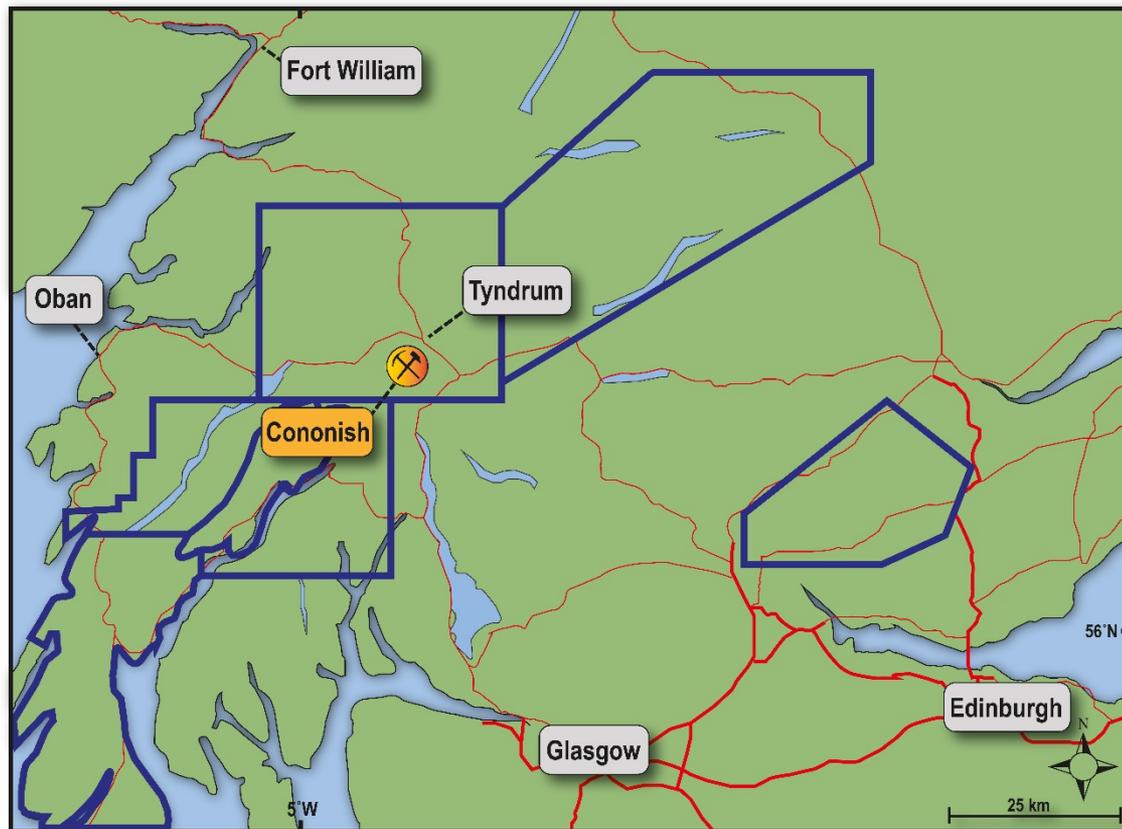
Pomar Exploration Licence

264km²

Cononish

- Scotgold owns a 100% interest in the Cononish Gold Project at Tyndrum in Scotland
- Fully permitted by Loch Lomond & the Trossachs National Park Planning Authority for 24/6 operations for full scale development.
- 266,000 oz Au JORC 2012 Resource announced Jan 2015
- 198,000 oz Au Reserve upgrade announced May 2015
- Bankable Feasibility Study (“BFS”) completed August 2015

Cononish Location

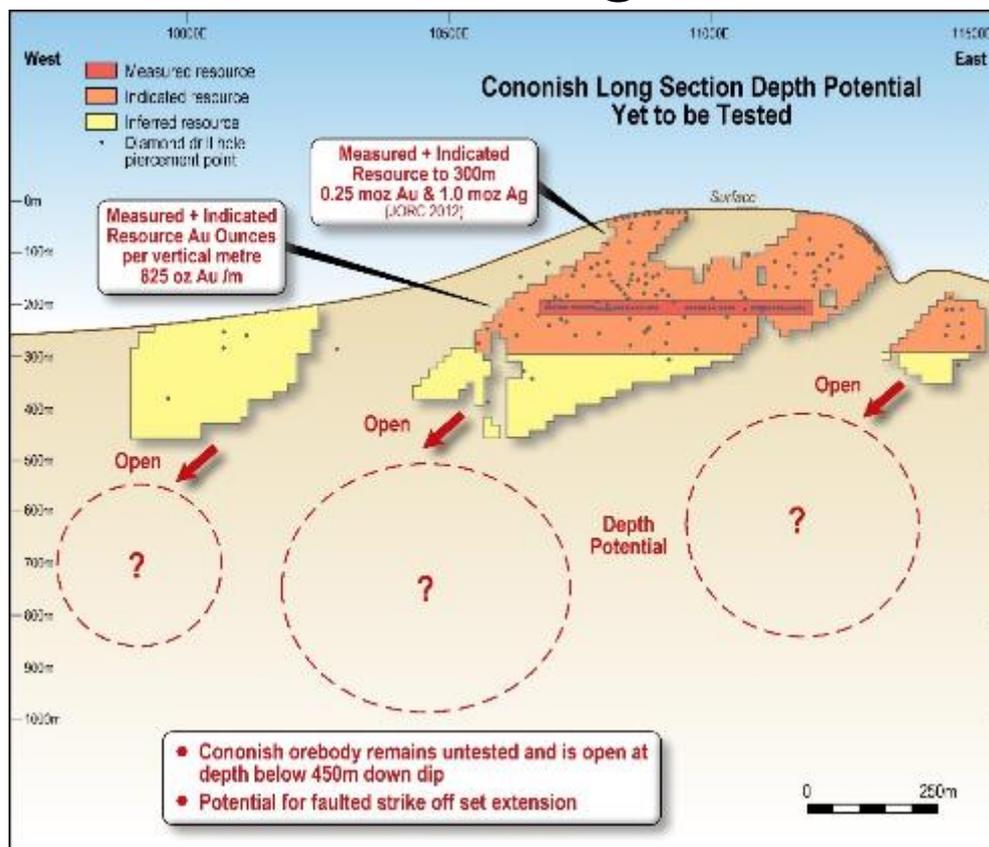


Local Terrain

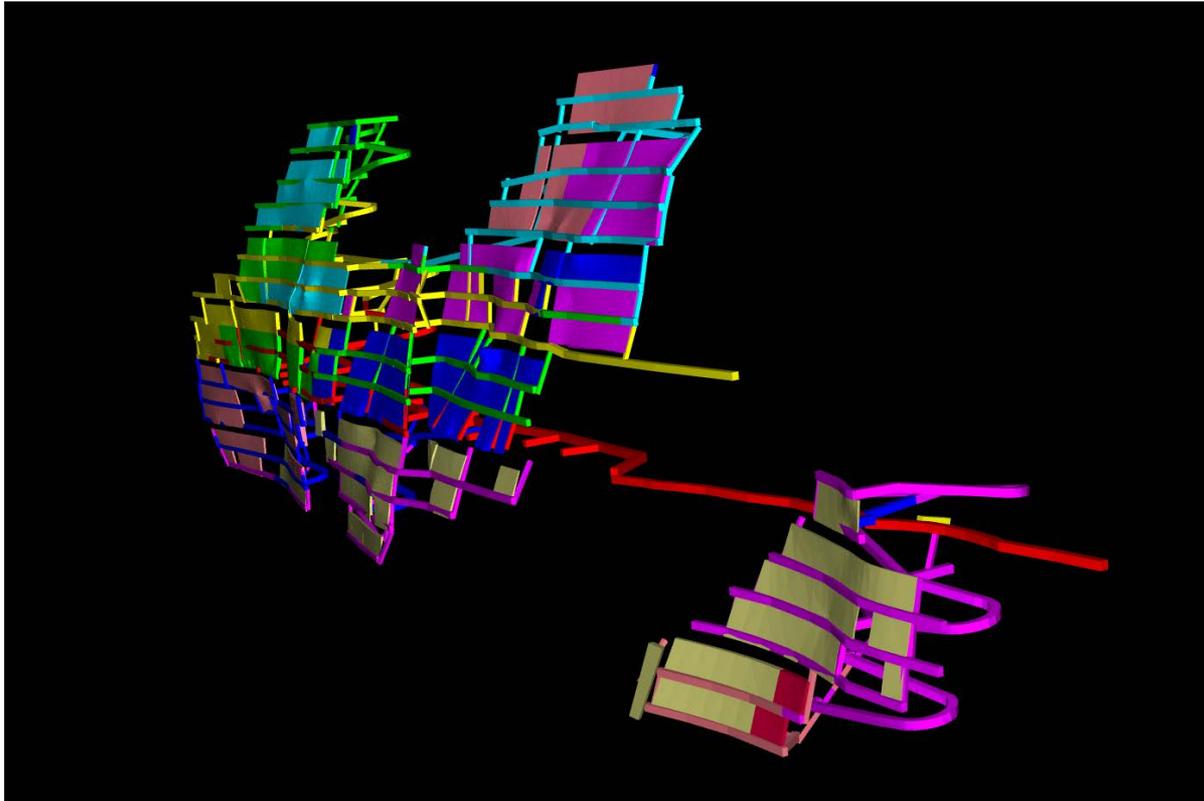




Cononish Long Section



Schematic of Full Mine Development Plan



Salient Features of BFS Model Production

- Total Metal Production: 175,000oz Au + 639,000oz Ag
- Life of Mine: 8 Years
- Average Processing Rate: 72,000t per annum
- Average Head Grade: 11.8 g/t Au equivalent
- Metallurgical Recovery: 93% Au, 90% Ag
- Average Annual Metal Prod: 23,370oz Au equivalent
- Peak Prod. (Year 2): 28,540oz Au equivalent

Salient Features of BFS Cost Dynamics

Capital (including LOM capital development.): £24M

Peak Funding: £18.5M

Average LOM Operating Cost per ounce Au: £327 (US\$523)

Salient Features of BFS Model Economic Returns

EBITDA	£67M
Pre Tax Cashflow:	£43M
NPV(10%) Gross:	£23M
NPV(10%) After Tax:	£19M
IRR Pre Tax:	45%
Payback Period	19 Months

Gold Price US\$1,100/oz, Silver Price US\$15/oz

Exchange rate \$/£ 1.6

ie Gold Price £687.5/oz



Source Gold Price Pty Ltd

Sensitivity to Gold Price

Gold Price US\$/oz	US\$1,000	US\$1,100	US\$1,200	US\$1,400	US\$1,600
Gold Price £/oz (@ £/\$1.6 per BFS)	£625	£687.5	£750	£875	£1000
		BFS Base Case			Current Spot
EBITDA	£57m	£67m	£78m	£99m	£120m
Gross Cashflow	£33m	£43m	£54m	£75m	£96m
NPV10 Pretax	£16m	£23m	£30m	£44	£57m

Bulk Processing Trial (“BPT”) Objectives

- 1. Provide further confidence to metallurgical test-work already completed and potentially identify opportunities to optimise the BFS plant design.**
- 2. Demonstrate that Scottish mined gold with a proven provenance can be sold at a premium.**
- 3. Determine whether a “phased” mine development approach is technically viable and could achieve higher returns to shareholders with a lower peak funding.**

BPT Plant Feed Conveyor, Hammer Mill and Spirals



BPT Plant Shaking Table



BPT Milestones

- **24 February 2016 BPT announced (Edinburgh)**
- **29 April 2016 Planning permission received.**
- **May 2016 Plant installation and start up.**
- **15 June 2016 Circuits fully commissioned and Scottish gold marketing consultants (“The Dragonfly Initiative”) appointed.**
- **3 August 2016 First gold pour and Official Opening.**
- **12 September 2016 Dual shift operations commenced.**
- **5 October 2016 Update presentation (Edinburgh).**

BPT Preliminary Technical Results (Up to 24 September 2016)

- **Approx. 870 t (wet) processed**
- **approx. 8g/t Au Feed grade**
- **Approx. 10 t (wet) Pyrite concentrate produced containing approx. 200g/t Au (equates to approx. 64oz Au)**
- **Approx. 200kg (wet) Galena concentrate produced containing approx. 9,000g/t Au (equates to approx. 58oz Au)**
- **Approx. 530g gold dore (estimated at 80% Au) produced (equates to approx. 14oz Au)**
- **Approx. 62% Au overall recovery from BPT, with balance remaining in tail for future further processing.**

BPT Salient Learning Points

- **Positive that coarse grind liberates sulphide minerals and associated gold.**
- **Positive that separate Galena concentrate can be recovered by gravity methods**
- **Positive that sulphide concentrates produced are at higher grade and lower mass pull than BFS plant design**
- **Positive that marketable quantity of gold can be directly poured for sale to Scottish jewellery industry etc. (Estimated at 75 – 100oz for the duration of the BPT)).**
- **Positive that tailing storage system is working well and technology may be incorporated into final mine development plan.**

BPT Salient Learning Points

- **Work is continuing to improve the hammer mill performance/ grind size, which in turn may improve the overall BPT current recovery of 62%. Test-work on tailings supports BFS design overall recovery, estimated at 93%.**
- **Improvements to hammer mill performance is also expected to positively impact the proportion of gold produced for marketing as Scottish. In addition the BPT has already identified opportunities to increase the Scottish gold available from the full scale plant.**

Possible Phased Approach

- **BPT** – Treatment of stockpiled material only
- Review of Mine Plan & subject to granting of amendments to Planning Permission as necessary.
- **Phase I:**
 - Scale up of BPT technology by addition of modules
 - Completion of treatment of stockpile
 - Commencement of mining, generation of higher grade ore and development of mine access.
- **Phase II:**
 - Construction of full scale plant and infrastructure whilst Phase I still running.
 - Faster ramp up due to access development in Phase I
 - Lower capital due to:
 - Some capital elements already completed
 - Reduced construction period
 - Phase I production continuing in parallel

Current work Streams

1. **Metallurgical** – Analyse results from BPT and determine how final plant design can be optimised, both at full scale and a phased approach.
2. **Mining** – Maintain BFS final mine design but reschedule for various phased approach scenarios.
3. **Tailing Storage** – Review BFS design given success of the BPT system, to achieve a staged construction and expenditure.

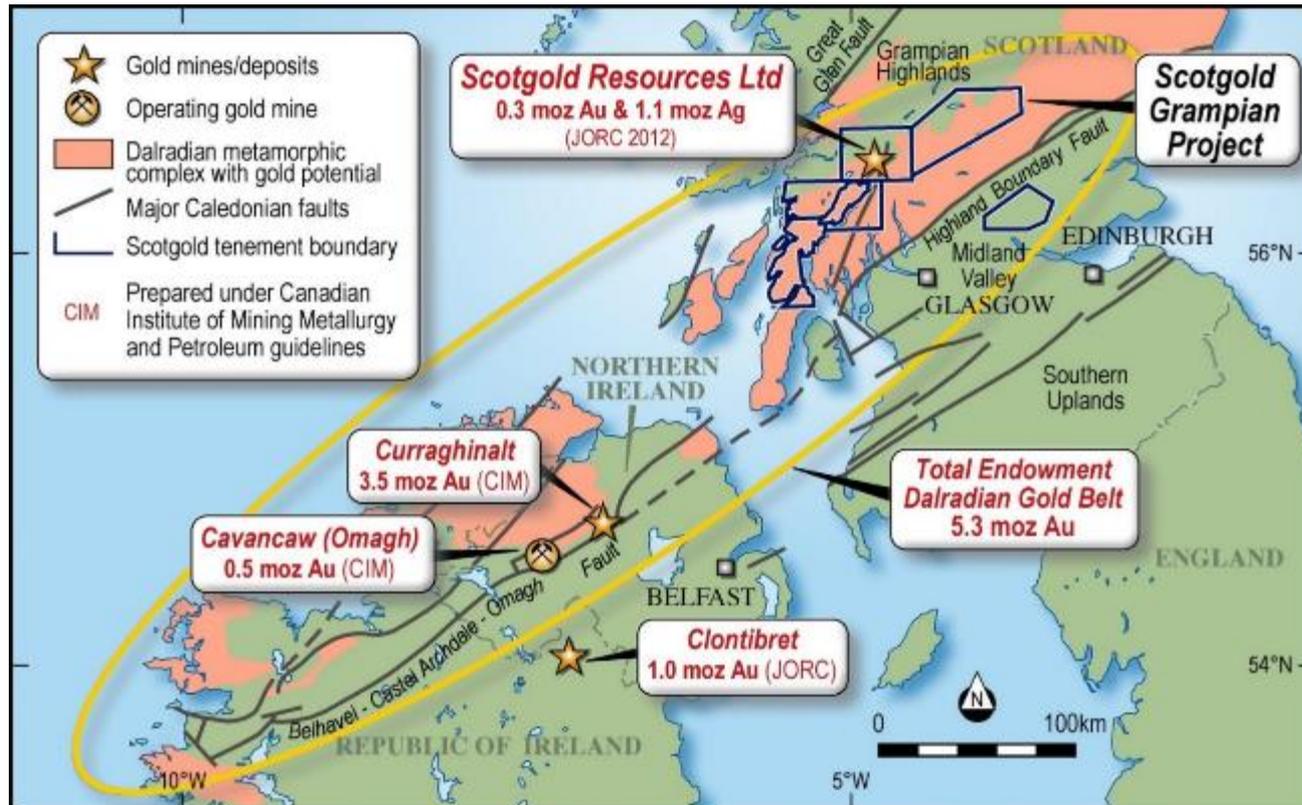
Dual Approach to Development of Cononish

1. “Conventional” completion of finance package and development of full scale project as per BFS.
2. “Organic” scaling up of BPT technology to an initial low capital, low production phase; followed later by moderate capital to step up to full production phase.

BPT assists both approaches

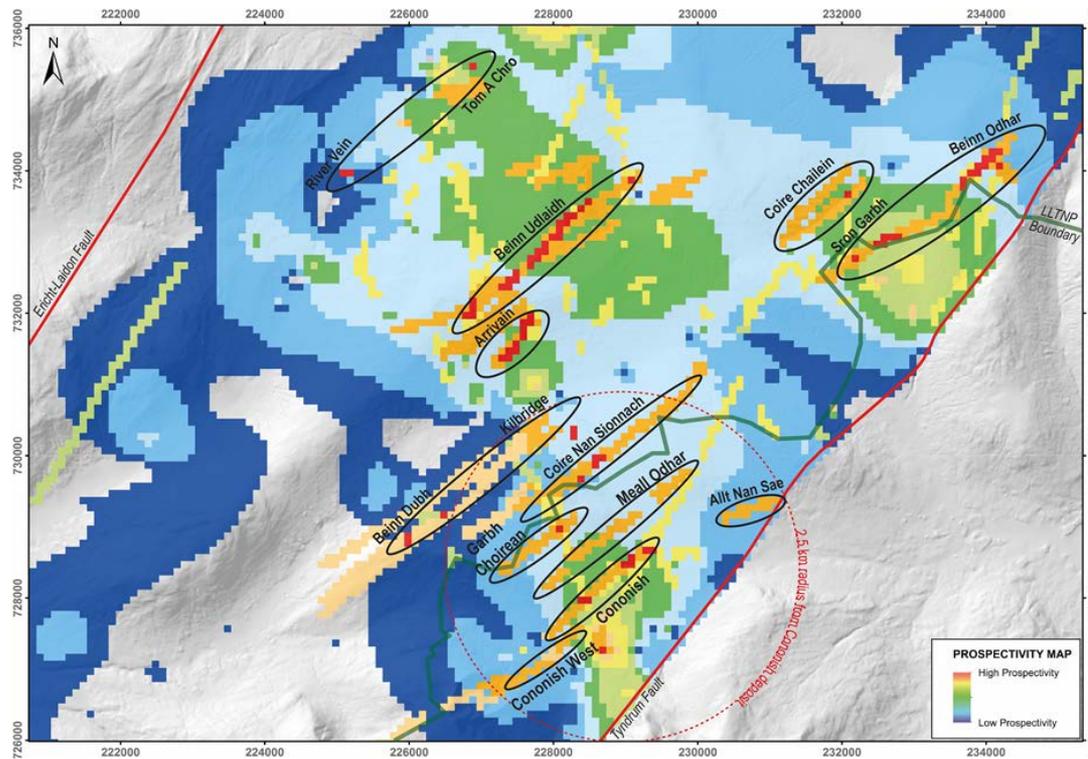
Grampian Project

Pre-eminent Position within Dalradian Belt



Scottish deposits hosted in similar geological setting to large Irish deposits

Prospectivity in immediate vicinity of Cononish



Conclusions

- Cononish is a high grade, low cost, low risk, near term production gold project.
- The BPT expected to demonstrate the premium attached to Scottish gold and further de risk the project.
- The BPT may also offer an alternative approach to develop the mine “organically” with a lower capital hurdle.
- Early gold production will reinforce the attractiveness of the Cononish Project.
- The Grampian Project has the potential to provide a pipeline of future projects.



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Mineral Resource Estimate

(Latest announcement based upon JORC 2012 reporting rules)

Classification	K tonnes	Grade AU	Metal AU	Grade Ag	Metal Ag
		g/t	Koz	g/t	Koz
Measured – In-situ	60	15.0	29	71.5	139
Indicated – In-situ	474	14.3	217	58.7	895
Indicated – Mined Stockpile	7	7.9	2	39.0	9
Sub-total M & I	541	14.3	248	59.9	1,043
Inferred - In-situ	75	7.4	18	21.9	53
Total MRE	617	13.4	266	55.3	1,096

*Reported from 3D block model with grades estimated by Ordinary Kriging with 15 m SMU Local Uniform Conditioning adjustment.
Minimum vein width is 1.2m. Totals may not appear to add up due to appropriate rounding.*

Note: MRE prepared by CSA Global (UK) Ltd in accordance with JORC 2012 – see ASX/ AIM release: 22/01/2015 - Resource Estimate Update

Ore Reserve Estimate

(Latest announcement based upon JORC 2012 reporting rules, Gold price US\$1,100/oz & Silver price US\$15/oz)

As at 25 May 2015 (JORC 2012 Code)			
Classification	Proven	Probable	Total
Tonnes ('000)	65	490	555
Au Grade (g/t)	11.5	11.1	11.1
Au Metal (k oz)	24	174	198
Ag Grade (g/t)	51.5	47.2	47.7
Ag Metal (k oz)	108	743	851

(Bara Consulting Limited Ore Reserve Statement dated May 2015)

Note: Ore Reserve Estimate prepared by Bara Consulting Limited in accordance with JORC 2012 – see ASX/ AIM release: 25/05/2015 – Cononish Gold Project Study Update and JORC 2012 Ore Reserve Estimate.