

30 April 2013

ASX Announcement

ASX Code: SGZ

AIM Code : SGZ

Company Overview

Scotgold Resources Limited is a gold exploration and development company with projects in the Grampian region of Central Scotland. The company's assets include the Cononish gold and silver deposit and exploration options covering 4,200km² of central Scotland.

Fast Facts

Shares in issue:	212M
Share price:	A\$ 0.028
Market capitalisation:	A\$ 6M

Board of Directors

John Bentley	Executive Chairman
Chris Sangster	Chief Executive Officer
Phillip Jackson	Non-Executive Director

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Final Cononish Development Study by AMC re-affirms positive project economics

Highlights:

- Strong project economics using base case gold price of US\$1,300 / oz (£812 /oz) with **£26.3M pre tax free cashflow over life of mine, pre tax IRR of 26% and NPV₁₀ of £11.8M**
- Project highly cash generative at current spot price (**24/04/2013**) of US\$1,428/oz (£935 /oz) with **£39.8M pre tax free cashflow over life of mine**, pre tax IRR of 37%, NPV₁₀ of £21.1M and payback 26 months from start of production
- Annualized processing plant recovery of **20,200 ozs Au equivalent** to concentrate and doré
- Average operating cash cost¹ of **\$698 per oz Au equivalent**

John Bentley, Executive Chairman said

"The results from the final Development Study continue to demonstrate the viability of the Cononish Project. At base case gold price assumptions, the project provides healthy returns. The project is highly leveraged to gold prices and at current spot prices is highly cash generative with over £39M in pre tax free cashflow over the initial seven year life of mine.

"However, the recent sharp decline in the gold price has severely dented market confidence, albeit that there has been significant positive movement since the lows of c.\$1350 / oz recorded on 15 April 2013. The potential to raise the required equity financing for the project is considered to be severely challenging under current market conditions. The Board has thus decided to defer an immediate raise pending an improvement in market sentiment.

"As regards debt financing, RMB Resources (RMB) remain supportive of the project and are evaluating project debt capacities under a range of varying gold price scenarios in order to assist the Company in evaluating an optimal approach to financing the project.

"In addition, we are considering a number of strategic alternatives with a view to advancing the project and achieving the overriding objective of delivering Scotland's first commercial gold mine. Importantly, with all the work that has been completed on the planning conditions and the tailings dam design the mine is capable of producing first gold within 15 months of funding "

Cononish Gold and Silver Project Development Study Results.

Scotgold Resources Limited (“Scotgold Resources” or the “Company”) (**ASX:SGZ AIM:SGZ**) is pleased to announce results from the Cononish Project Development Study conducted by AMC Consultants (UK) Ltd (“AMC”) on its 100% owned Cononish Gold and Silver project in the Grampian Highlands of the United Kingdom.

The Executive summary of AMC’s Development Study is shown in Appendix A

Key project financial parameters are shown in Table 1 below using a base case gold price of US\$1300 / oz and current (London PM fix 24/04/2012) spot prices.

Table 1 Project Financial Highlights

	Unit	Base Case Gold	Spot Gold (\$)
Gold Price \$ / oz	US\$	\$1300	\$1428
US\$: £ exchange rate used		1.60	1.53
Gold Price £ / oz	£	£812	£935
Total Pre Production Costs	£	£22.3M	£22.3M
Net Present Value (NPV 10)	£	£11.8M	£21.1M
Free Cashflow	£	£26.3M	£39.8M
Pre tax Internal Rate of Return	%	25.9%	37.4%
Average Operating cash cost ¹	US\$/oz Au eq ²	698	720
Payback from start of production	Months	33	26

Note Silver price \$22.50/oz

Notes:

1. Average operating cash cost is calculated from total operating (non capital) costs (including smelter, transport, royalty costs) divided by recovered Au equivalent ozs. – see Note 2
2. Au equivalent ozs. Gold equivalent ozs are calculated: Recovered gold ozs + (Recovered silver ounces / 57.8) where the number 57.8 represents the ratio of base case gold price used to silver price used. This ratio was calculated using base case prices of US\$1300/oz Au and US\$22.5 / oz Ag
3. NPV₁₀ represents the project Net Present Value calculated at a 10% discount rate.

At base case prices, the project generates **£26.3M pre tax free cashflow with a pre tax Net Present Value₁₀ of £11.8M and a pre tax Internal rate of return (IRR) of 25.9%.**

At current spot prices (London pm fix 24/04/2013 - £935 / oz), the project is highly cash generative with **£39.8M pre tax free cashflow over the life of the project, a pre tax IRR of 37.4% and payback initial investment within 26 months of the commencement of production.**

Base Case average operating costs are estimated to be **\$698 per ounce Au equivalent** after commissioning of the project.

Scotgold has estimated anticipated project post tax returns as follows

	Unit	Base Case Gold	Spot Gold (\$)
Gold Price \$ / oz	US\$	\$1300	\$1428
US\$: £ exchange rate used		1.60	1.53
Gold Price £ / oz	£	£812	£935
Net Present Value (NPV 10)	£	£9.5M	£17.0M
Free Cashflow	£	£22.4M	£33.0M
Post tax Internal Rate of Return	%	23.5%	33.6%

Note – post tax returns assume 100% project basis before corporate costs

Cononish Project Development Study.

Scotgold Resources commissioned AMC to complete the Cononish Project Development Study in December 2012. The overall study was compiled by AMC with input from Scotgold's processing, tailings and environmental consultants and the Company.

Tables 2 and 3 show the current Resource Statement considered for the study and assumes 100% conversion of Inferred Resources.

Table 2: Cononish Main Vein Gold Mineral Resources (reported at a 3.5 g/t Au cut-off).

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz. Grade rounded to the nearest 0.1 g/t Au. The Inferred Resource grade is reported with a grade range to indicate the likely upside due to the information effect.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Gold	Gold
Measured	53,100	14.1	24,000
Indicated	142,900	12.7	58,600
Total Meas. and Ind.	196,000	13.1	82,600
Inferred	264,600	10.2 (10 – 15)	86,600

Scotgold Note: Incorporating the grade range, the Inferred Mineral Resource is estimated to lie between 85,000 oz Au and 127,000 oz Au. It should be noted that any upside may not exist or it may only be present in a portion of the resource.

Table 3: Cononish Main Vein Silver Mineral Resources (reported at a 3.5 g/t Au cut-off).

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz.

Classification	Tonnes (t)	Grade (g/t)	Ounces (oz)
		Silver	Silver
Measured	53,100	61.2	104,500
Indicated	142,900	49.9	229,500
Total Meas. and Ind.	196,000	53.0	334,000
Inferred	264,600	34.9	297,300

The Mineral Resources quoted in Table 2 and 3 above are **INCLUSIVE** of those Mineral Resources modified to produce the Ore Reserves.

AMC has declared ore reserves for the project as shown in Table 4 below

Table 4: Cononish Ore Reserves (reported at a 3.5 g/t Au cut-off).

Reserve Category	Tonnes (t)	Au g/t	Au (koz)	Ag g/t	Ag (koz)
Proven	0	0.0	0	0.0	0
Probable	200,000	11.0	71	45.0	289
Total	200,000	11.0	71	45.0	289

Notes:

1. The Reserve was estimated using; gold price of US\$1,300/oz, and silver price of US\$22.50/oz, and Exchange Rate GBP:USD of 1:1.6
2. A mining study on the Cononish Gold Project was carried out by AMC Consultants (UK) Limited. This study utilised the Mineral Resource estimation by Simon Dominy of Snowden Mining Industry Consultants Pty Ltd, November 2012. The Ore Reserves were estimated by Martin Staples of AMC Consultants (UK) Limited in April 2013.
3. Reported at a diluted Au cut-off grade of 3.3 g/t

The study considers a mining production rate of 72,000 tpa for underground operations subsequent to a one year pre production and commissioning period.

A conventional gravity / flotation concentrator is planned which will treat 72,000 tpa. It is intended that about 25% of gold will be recovered by gravity for smelting on site to a doré bar. The balance of the gold reports to a sulphide rich concentrate which will be treated through a third party facility remote from site.

The overall recovery from the processing plant is predicted at **93% for Au and 90% for Ag to doré and concentrate** and recovered production (to doré and concentrate) is estimated at **19,000 ounces of gold and 73,000 ounces of silver annually**.

Total recovered production to doré and concentrate over the project life is estimated to be **121,800 ounces of gold and 469,700 ounces of silver**.

Preproduction project expenditure is estimated at £22M, including an overall 15% contingency allowance on capital expenditure (excluding working capital and fixed bond amounts).

Overall operating costs (exclusive of smelter transport and royalty charges) are estimated at approximately £86.50 per tonne of material with an average operating cash cost (including smelter, transport and royalty charges) of **US\$698 (£436 / oz) Au equivalent**.

Operating costs are estimated with an overall 16.6% contingency allowance.

The AMC Cononish Development Study Executive Summary is included in Appendix A

Project Development

Since the update of the resource statement in November 2012 (see Press Release – Cononish Resource Update 14 November 2012), Scotgold has advanced a number of aspects relating to the project to enable the shortest possible lead time to development subject to securing finance.

The decision notice issued by the Planning Authority on 13 February 2012 required a number of conditions to be satisfied prior to the start of development. In conjunction with Scotgold's planning and other consultants, submissions have been made for all but two of the conditions with 60% having been signed off to date. Scotgold expects the remaining two submissions to be made within the next month with final sign off from the Planning Authority for all outstanding conditions around two months subsequently.

In January 2013, Scotgold commissioned AMEC Earth and Environmental (AMEC) to commence detailed design of the Tailings Management Facility. Final designs are at an advanced stage and on behalf of Scotgold, AMEC has prequalified six companies to tender for the works. Final tender documents are nearing completion.

Scotgold has signed a non binding Letter of Intent with Consulmet Pty in respect of final design for the processing plant which will commence when finance is secured.

Project Financing

On completion of the final Development Study for Cononish and subject to an offer for finance by RMB via the gold pre payment facility previously mandated, it was Scotgold's immediate intention to seek the balance of finance through a combination of equity and possible further debt opportunities.

The quantum of the prepayment facility contemplated by RMB is estimated on the forward price based on the spot gold price 'on the day' and other factors.

The recent sharp decline in the gold price has negatively impacted on the amount potentially available from such a facility and hence increased the amount to be sourced from other avenues by the Company.



In consequence, it is the Directors view, that under current market conditions, this approach to successfully finance the project would be severely challenging and have decided to defer an approach to the market until market conditions are more receptive.

RMB remain supportive of the project and are re-evaluating the potential debt capacity of the project for the pre payment facility under various gold price assumptions in order to assist Scotgold in evaluating optimal scenarios for financing development of the project.

In view of the above, Scotgold are considering a number of alternative strategic alternatives to finance the project to progress to production.

The Company's cash position as of 31 March 2013 was AUS\$ 0.6m and this was augmented shortly thereafter through the final drawdown of £0.3m of the RMB pre-development financing totaling £1.5m. All discretionary spending on the project has been cut and steps are being made to reduce the Company's overhead costs and burn rate whilst options to progress the Cononish project are evaluated.

Chris Sangster
Managing Director

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Competent Persons Statement:

The Information in this report that relates to Mineral Resources is based on resource estimates compiled by EurGeol Dr S C Dominy FAusIMM (CP), FGS (CGeol), FIMMM (CEng), FAIG (RPGGeo), Executive Consultant with Snowden based in the Ballarat, Australia Office. Dr. Dominy has sufficient experience that is relevant to the style of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves. Dr Dominy consents to the inclusion in the report of the matters based on this information in the form and context in which it appears

The Information in this report that relates to Ore Reserves is based on information compiled by Mr. Martin W Staples BSc, FAusIMM., Director and Principal Mining Engineer with AMC Consultants (UK) Ltd based in the Maidenhead, UK office. Mr. Staples has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Staples consents to the inclusion in the report of the matters based on his information in the form and context in which it appears



Forward Looking Statements:

This release includes certain “forward looking statements.” All statements, other than statements of historical fact, are forward looking statements that involve various risks and uncertainties. There can be no assurances that such statements will prove accurate and actual results and future events could differ materially from those anticipated in such statements.

Background

Scotgold Resources

- Scotgold Resources is a mining exploration and development company listed on the Australian Securities Exchange in January 2008 and the AIM market of the London Stock Exchange in the UK in February 2010.
- The Company was formed with its sole focus on exploring for gold and silver in Scotland, with the already identified Cononish Gold and Silver Project as its core asset. Once in production, the Project will be Scotland's first commercial gold mine.
- The Company holds Crown options of some 4200km² covering the highly prospective Dalradian terrain in the SW Grampians of Scotland
- Scotgold acquired the Cononish Gold and Silver Project in 2007 and has been working towards bringing the project to production in conjunction with its ongoing exploration efforts at Cononish and in the south west Grampians.
- In July 2011 Scotgold submitted its reapplication for planning permission, which was recommended for approval in October 2011 subject to finalizing conditions and various legal agreements
- In February 2012, the Decision Notice granting planning permission was issued by the Planning Authority

Glossary of Technical Terms

Au	Gold
Cut off	Limit
g/t	Grams per tonne
JORC	Joint Ore Reserves Committee
Indicated resource	In situ Mineral Resource calculated with a moderate confidence level to which economic parameters have not been applied
Inferred resource	In situ Mineral Resource calculated with a low confidence level to which economic parameters have not been applied
km	Kilometres
M	Metres
Measured resource	In situ Mineral Resource calculated with a high confidence level to which economic parameters have not been applied
tpa	Tonnes per annum

EXECUTIVE SUMMARY

AMC Consultants (UK) Limited (AMC) has been engaged by Scotgold Resources Limited (Scotgold) to develop the mining components of the Development Plan for the Cononish Gold and Silver Project in Stirlingshire, Scotland. AMC has compiled the overall Development Plan document drawing on contributions from Scotgold and the various other organizations contributing to the Development Plan. This Development Plan builds on the “Cononish Scoping Study” prepared by AMC in 2009.

The principal contributors to each aspect of the Development Plan are as follows:

- Geology and Resource Estimation – Snowden Mining Industry Consultants (Snowden)
- Mine Design – AMC
- Metallurgical Testwork – various summarized by Mr Terry Weston, an independent consulting metallurgist
- Tailings Management Facility – AMEC Earth & Environmental (UK) Limited (AMEC)
- Environmental Study and Closure Plan – AMEC/Scotgold
- Social Considerations – Scotgold
- Mining, Capital and Operating Costs – AMC
- Process Design, Capital and Operating Costs – Consulmet Pty Ltd (Consulmet)
- Infrastructure, Capital and Operating Costs – Scotgold
- Financial model – AMC/Scotgold

The Cononish project is located in the Grampian Highlands of mid-western Scotland and forms the economic basis of Scotgold’s Grampian Project. The deposit is located on the Cononish farm, near Tyndrum, within the north-western extremity of the Loch Lomond and Trossachs National Park, about 90 km north-west of Glasgow.

Scotgold has access to the Cononish mine under the terms of a lease from the Crown Estate Commissioners. This lease gives Scotgold the right to mine the Cononish project for ten years from “Planning Completion” – as defined within the lease.

The Cononish Project was granted planning permission by The Loch Lomond and The Trossachs National Park on 13 February 2012.

Geological Resource

This study is based on a resource estimate undertaken by Snowden Mining Industry Consultants (Snowden). The estimate used for the study is an update of early estimates—all made using a 2D polygonal methodology.

The November 2012 Mineral Resource estimate reported by Scotgold at a 3.5 g/t Au cut-off grade is summarized in Table ES.1.

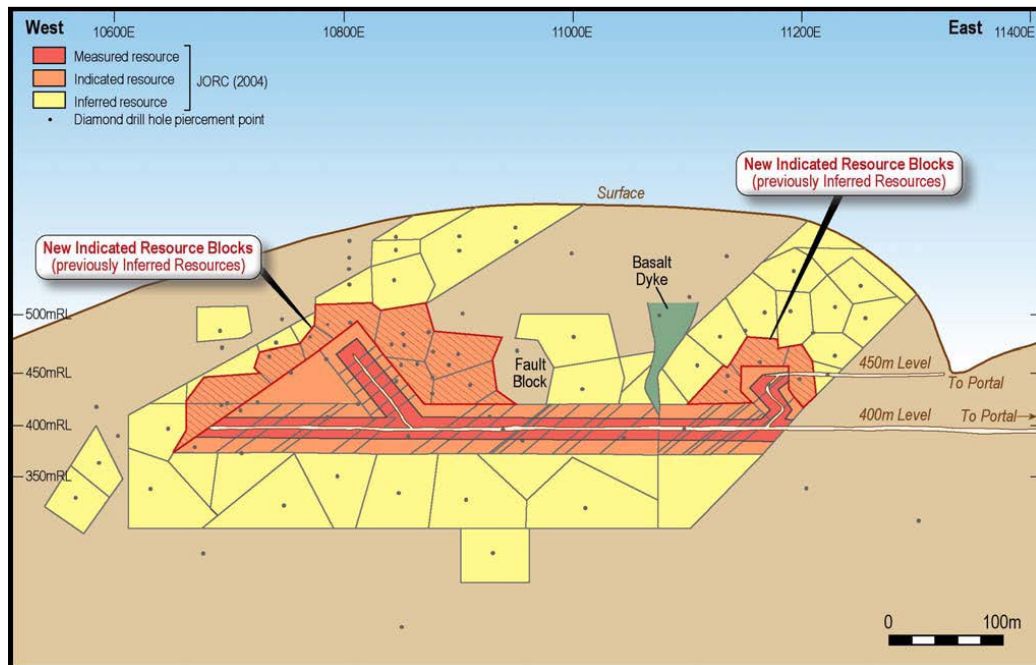
Table ES.1 November 2012 Mineral Resource Estimate

Classification	Tonnes (t)	Grade (g/t Au)	Grade (g/t Ag)	Au Ounces (Oz)	Ag Ounces (Oz)
Measured	53,100	14.1	61.2	24,000	104,500
Indicated	142,900	12.7	49.9	58,600	229,500
Total Meas + Ind	196,000	13.1	53.0	82,600	334,000
Inferred	264,600	10.2	34.9	86,600	297,300
Total	460,600	11.4	42.6	169,200	631,300

Source: Scotgold, 2012

The polygonal estimate is illustrated with the classifications shown in Figure ES.1.

Figure ES.1 Long. Section – Polygonal Estimate



AMC did not review, and provides no comment on, or endorsement of, the resource model.

Geotechnical

AMC has undertaken a geotechnical stability assessment of the proposed stope and development geometries for Cononish.

Geotechnical logging data at Cononish is currently limited, and consists mainly of rock quality designation (RQD) data. Some underground geological mapping was undertaken in 1989 and 1990 and provides geological structure orientations.

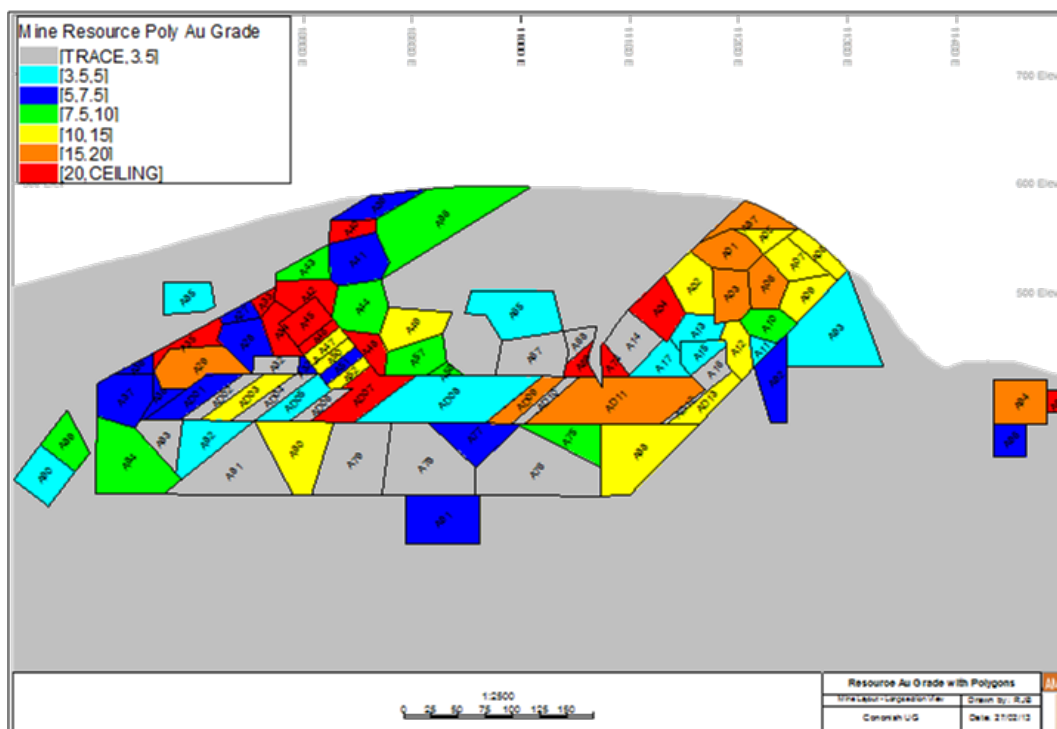
AMC has made recommendations for the ground support requirements, both in development and in stopes.

Mining

To allow 3D mine planning work such as the estimation of development requirements and the visualization of the mining concepts, AMC converted the Snowden estimate into a 3D seam block model in a Datamine format. This 3D representation was used as a basis for the mine design development layout. Mining inventory estimates were not based on this 3D model.

The Ore Reserve estimate was developed from the Snowden Polygonal model reported in Table ES.1. The polygons that constitute this estimate are shown in Figure ES.2.

Figure ES.2 Long. Section – Resource Polygons and Gold Grade



In discussion with Scotgold, small-scale mechanized long-hole open stoping (LHOS) was chosen as the preferred mining method for the narrow vein Cononish deposit.

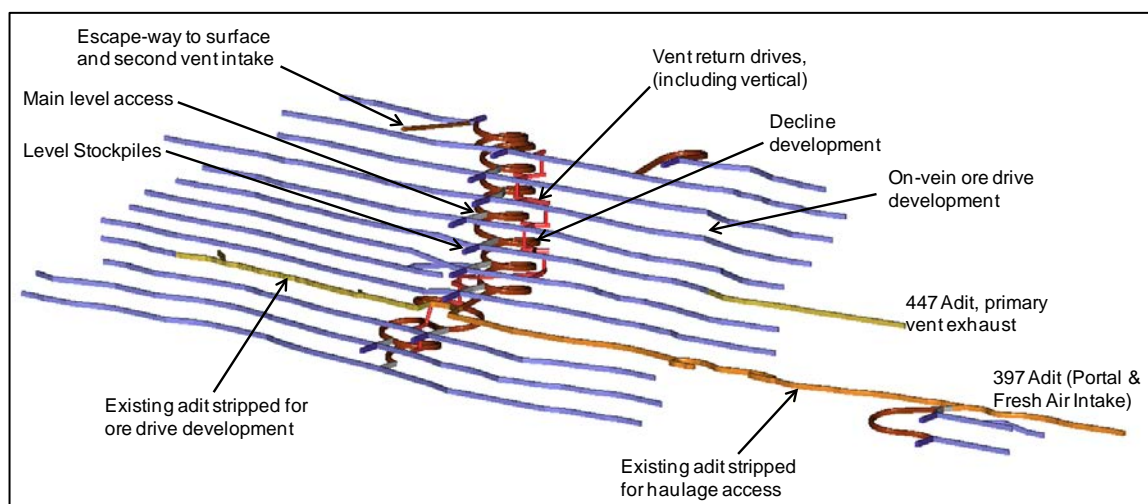
The mining equipment selected for Cononish is some of the smallest mechanized equipment currently available. This is necessary to be able to mine to a minimum mining width of 2.2 m for access development, and 1.2 m for stopes (excluding dilution) – in order to minimize dilution. Narrower mining widths will be difficult to achieve, even with non mechanized methods.

The vein widths at Cononish range from less than one metre to more than five metres in width, with the majority being less than two metres. Some planned dilution is expected where the vein is less than the minimum mining width.

There are two existing exploration adits at Cononish. The main access is on the 397 m level and extends into the mine approximately 880 m. This adit will continue to be the main access to the mine. The second adit is located 50 m above on the 449 m level, and is approximately 170 m long. This adit will be used as the primary ventilation exhaust. The two adits are linked by a vertical raise. The existing adits have cross-sectional size of approximately 2.5 m wide by 2.5 m high.

From the main access 397 m level, a decline will be developed up and down the vertical extent of the orebody. The orebody will be accessed via cross-cuts and production levels developed from this decline. An oblique view of the final mine layout is shown in Figure ES.3.

Figure ES.3 Mine Development – Oblique View Looking North-west

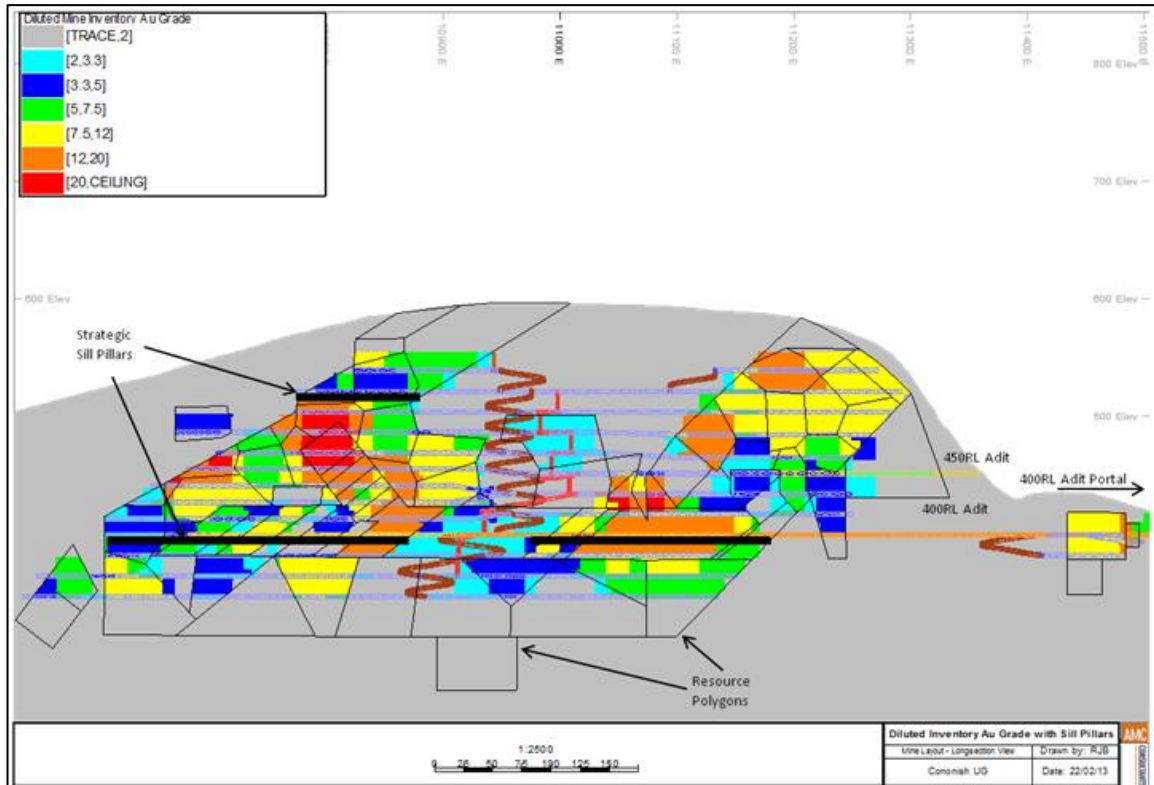


The mining inventory was estimated by modifying the mineral resource estimate to reflect the following:

- Dilution associated with development achieving practical mining dimensions.
- Stope dilution from a number of sources including orebody variability between levels, overbreak, achieving minimum width, and drilling imprecision.
- Ore loss in sill pillars.
- Ore loss in rib pillars.
- Ore loss in areas where access is not economically viable.

The mining inventory is shown in Figure ES.4 and Table ES.2.

Figure ES.4 Diluted Mining Inventory, Sill Pillars and Resource Polygons



A mineable inventory of 444,500 t as summarized in Table ES.2 was determined by summing development and production ore after applying a cut-off grade of 3.3 Au g/t to the mining shapes. The mining inventory also includes marginal development (2.0 to 3.3 g/t Au mineralized material), dilution, ore loss, and recovery factors.

Table ES.2 Cononish Mining Inventory (3.3 g/t Au Stopping Cut-off)

	Tonnes (kt)	Au g/t	Au oz	Ag g/t	Ag oz
Stope	306	9.6	94	37.8	372
Development	111	9.4	33	37.5	134
Dev Marginal	28	2.6	2	11.4	10
Total (Inc. Marginal)	444	9.1	130	36.1	516
Total (No Marginal)	417	9.5	127	37.7	505

Note: Totals may not sum due to rounding

This mining inventory contains both Indicated and Inferred Mineral Resources. Sensitivities suggest that the Indicated portion may be viable without the Inferred Resources. On this basis, AMC has estimated Ore Reserves as summarized in Table ES.3.

Table ES.3 Cononish Ore Reserves Table¹

Reserve Category	Tonnes (kt)	Au g/t	Au (koz)	Ag g/t	Ag (koz)
Proven	0	0.0	0	0.0	0
Probable	200	11.0	71	45.0	289
Total	200	11.0	71	45.0	289

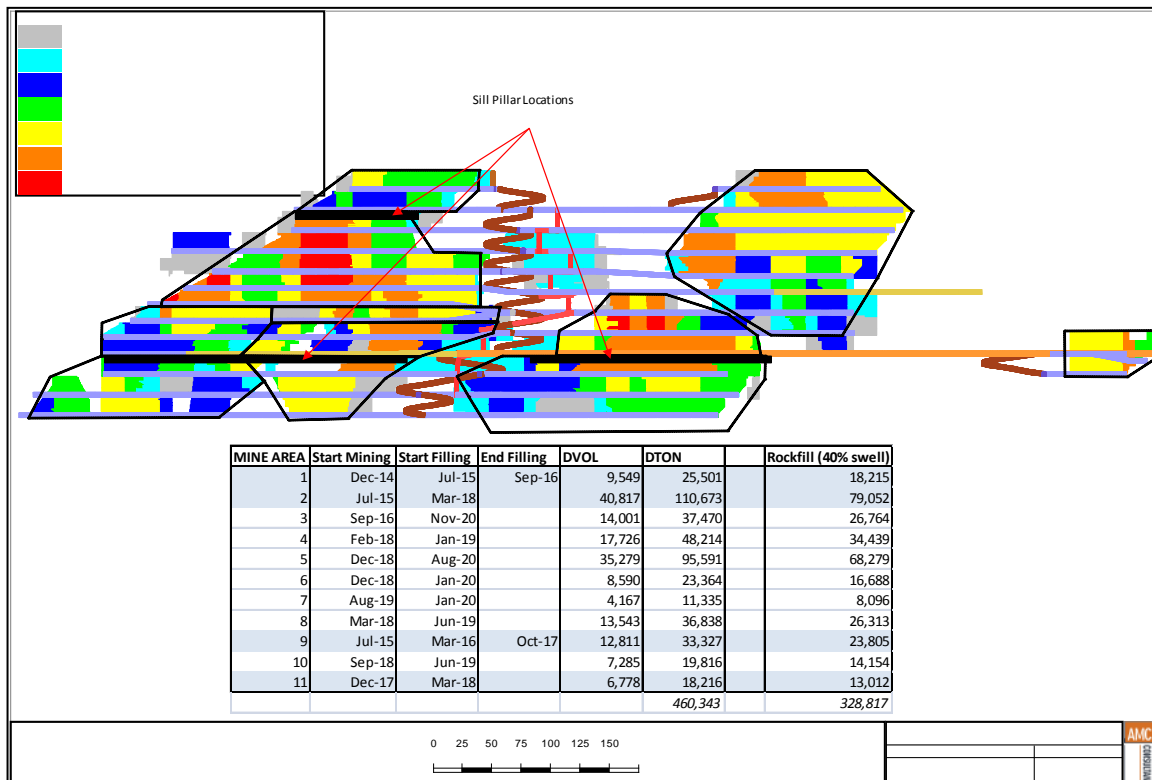
¹Notes:

1. The Reserve was estimated using; gold price of US\$1,300/oz, and silver price of US\$22.50/oz, and Exchange Rate GBP:USD of 1:1.6
2. A mining study on the Cononish Gold Project was carried out by AMC Consultants (UK) Limited. This study utilized the Mineral Resource estimation by Simon Dominy of Snowden Mining Industry Consultants Pty Ltd, November 2012. The Ore Reserves were estimated by Martin Staples of AMC Consultants (UK) Limited in April 2013.
3. Reported at a diluted Au cut-off grade of 3.3 g/t

The mining method does not require backfill. Regional support is provided by sill pillars and by opportunistic rib pillars.

Some waste rock and tailings will be disposed of as backfill in mined out areas of the mine, as there is limited capacity to store this material on-site. The location and timing of placement of fill or waste in underground voids is shown in Figure ES.5.

Figure ES.5 Independent Mining Areas, Possible for Waste Rock Disposal



A mining schedule was developed to deliver ore to the mill at the required milling rate whilst providing waste rock for tailings dam construction, and developing voids suitable

for backfilling of waste rock and tailings. The mine production schedule is shown in Figure ES.6 and Table ES.4

Figure ES.6 Monthly Ore Production Mined

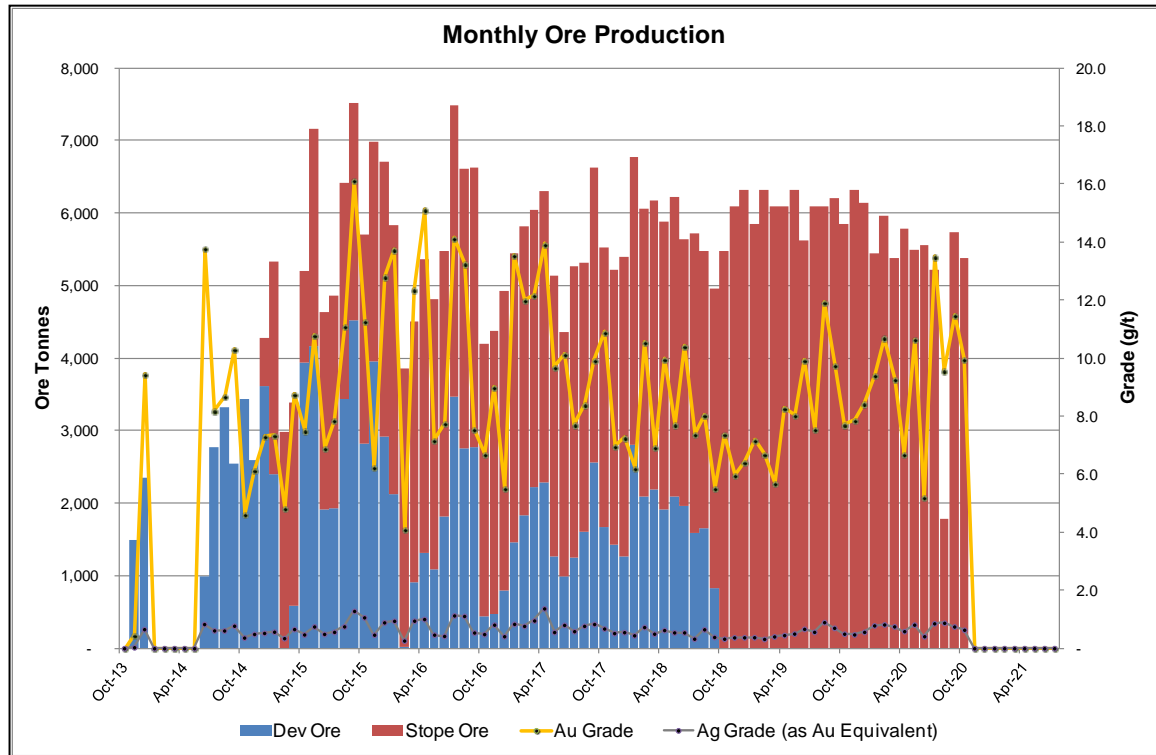


Table ES.4 Summary Mining Production Schedule

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Capital development (km)	3.53	0.79	1.50	0.50	0.19	0.37	0.19	0	0
Operating development waste (km)	0	0	0	0	0	0	0	0	0
Operating development ore (km)	7.10	0.02	1.43	1.59	1.43	1.52	1.11	0	0
Development ore tonnes (kt)	138	4	28	36	24	27	19	-	-
Stope production tonnes(kt)	306	-	1	34	46	47	54	73	52
Total ore production (kt)	444	4	28	70	70	73	73	73	52
Grade Au g/t	9.1	9.4	7.5	9.6	9.9	10.2	7.7	8.2	9.6
Contained kozs Au	129.8	1.4	6.8	21.8	22.4	24.2	18.0	19.3	16.0
Grade Ag g/t	36.1	35.5	30.7	39.9	40.6	42.9	27.0	29.7	39.8
Contained kozs Ag	515.6	5.1	27.8	90.3	91.9	101.3	63.3	69.6	66.3

Note: In Table ES.4 and following ES tables, Year 1 represents Calendar Year 2013 based on a proposed October 2013 start of project, Year 2 represents Calendar Year 2014 etc.

Processing

The location of the project is within the Loch Lomond and Trossachs National Park—gold processing options utilizing cyanide are not permitted. As a result of this restriction, the process options considered were gravity gold processing, sulphide flotation, or a combination of both.

Numerous metallurgical test work programmes have been completed with the most recent including the following:

- Preliminary metallurgical testwork by Gekko Systems at Ballarat, Victoria; with associated flotation testwork at Burnie Laboratory in Tasmania.
- Mineralogical examinations by Roger Townend and Associates Consulting Mineralogists in Perth, W.A. The mineralogy revealed there was fine liberated free gold—the majority of the gold was associated with silver as argentian gold and electrum.
- Follow-up metallurgical testwork by Gekko Systems at Ballarat, Victoria. The work included GRG (gravity recoverable gold) tests and VSI (vertical shaft impactor) amenability test.
- Preliminary testwork at Ammtec Metallurgical Laboratories—including; gravity concentration of ore, amalgam of gravity concentrates, intensive cyanidation of gravity tailings, gravity concentration of sulphide flotation concentrates, and sulphide flotation of ore.
- Follow-up testwork including six-stage gold recovery testwork at Ammtec. The aim was to produce a high-grade gravity concentrate suitable for gold bullion/doré production, and a sulphide flotation concentrate suitable for sale to a smelter.

On the basis of this testwork and historical designs, Consulmet—Scotgold's design consultants, proposed a modular style gravity and flotation plant capable of treating 72,000 tpa over a 16-hour day on a 5-day per week basis.

Run-of-mine material is reclaimed from a small surface stockpile for two-stage crushing in a primary jaw crusher and vertical shaft impactor prior to milling. Crushed ore is milled in a vertical stirred mill with a target grind size of $p_{100} < 150\mu$. Mill discharge reports via a gravity scalping screen to an initial phase of gravity concentration, with concentrate from this process passed to the secondary gravity concentrator.

Tails from the primary gravity concentrator pass to the flotation section which incorporates the rougher and scavenger sections. Combined flotation concentrate is passed through the secondary gravity concentrator with concentrate regrind. Secondary gravity concentrates are tabled for further concentration prior to smelting. Tails from the secondary gravity concentrator pass to the cleaning flotation section prior to the drying of a flotation concentrate by filter press for bagging.

The flotation concentrate will be transhipped from site in 1.5 t–2 t 'bulkabags' via contract haulage to Grangemouth for containerized transport to the external smelting facility.

It is estimated that 25% of contained gold and 5% of contained silver will be recovered to doré bar from the gravity concentrate on-site. This doré will be sent for batch refining to preserve 'provenance' for possible use as 'Scottish Gold'.

The processing plant is accommodated in a single, purpose built, acoustically clad building which also houses; the mine offices, change and lunch rooms, assay facilities, the mine workshop, and stores space.

Based on historical and recent testwork, the parameters listed in Table ES.5 have been adopted for this study.

Table ES.5 Metallurgical Parameters for Financial Modelling

Au Recovery Overall	93%
Ag recovery Overall	90%
Au gravity recovery	25%
Ag gravity recovery	5%
Mass pull to sulphide concentrate	4.75%

A summary of the mill feed schedule and recoveries to doré and concentrate is shown in Table ES.6.

Table ES.6 Mill Feed Schedule and Recoveries

	Total	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Milled (kt)	450.5	27.0	72.0	72.0	72.0	72.0	72.0	63.5
Au g/t	9.04	7.88	9.34	10.07	10.25	7.76	8.10	9.17
Ag g/t	36.0	31.8	38.8	41.2	43.0	27.7	29.0	38.3
Au to mill kozs	131.0	6.8	21.6	23.3	23.7	18.0	18.8	18.7
Ag to mill kozs	521.8	27.6	89.9	95.4	99.7	64.0	67.2	78.1
Au Recovery	93%	93%	93%	93%	93%	93%	93%	93%
Ag Recovery	90%	90%	90%	90%	90%	90%	90%	90%
Gravity Au kozs	32.7	1.7	5.4	5.8	5.9	4.5	4.7	4.7
Gravity Ag kozs	26.1	1.4	4.5	4.8	5.0	3.2	3.4	3.9
Au in conc kozs	89.1	4.7	14.7	15.8	16.1	12.2	12.8	12.7
Ag in conc kozs	443.6	23.4	76.4	81.1	84.7	54.4	57.1	66.4

Tailings Management

AMEC Earth & Environmental (UK) Limited (AMEC) produced the "Tailings Management Technical Review Report" in 2009.

The application for planning permission submitted in January 2010 was refused in August 2010, largely on the grounds of landscape and visual impact associated with the tailings management facility (TMF). Discussions were held with the planning authority regarding their concerns. These discussions included a review of the size, form, and location of the TMF. An iterative process of examining a number of impoundment sizes,

locations, and overall aspect, arrived at an amended facility with a capacity of 400 kt (with the balance of material identified in the study to be backfilled underground).

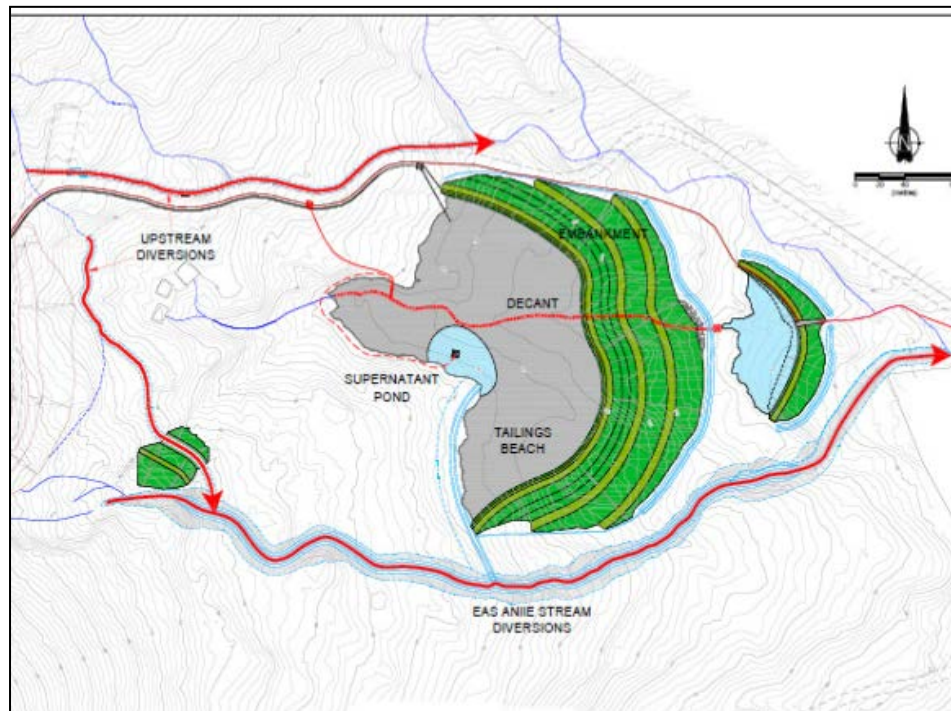
AMEC is currently modifying the TMF design and management plan to reflect the agreement made in the planning permission.

The TMF will be formed in stages by the development of a series of earthfill/rockfill retention embankments across the Allt Eas Anie valley, sequentially raised throughout mine life. The Allt Eas Anie stream will be diverted around the footprint of the TMF, to the south. Slurried tailings will be pumped from the process plant via a pipeline and either sub-aerially spigotted from the embankment crest to form a beach, or discharged via open-ending spigotts to infill and control the location of the supernatant pond. Supernatant water will be recovered from the TMF and returned to the process plant for reuse. To minimize inflow of storm water run-off into the tailings dam, peripheral diversion drains will be provided, and the Allt Eas Anie stream will be permanently diverted around the site.

The facility will be engineered for closure such that it quickly establishes a stable surface, minimizing the potential for wind and water erosion, with the objective of long-term stability, and an appropriate after mining use requiring minimal maintenance. The process of closure will commence prior to the cessation of mining operations, during the final two years of processing operations, to ensure that the objectives can be achieved cost effectively.

Figure ES.7 shows the general arrangement of the TMF and recirculation pond.

Figure ES.7 TMF and Recirculation Pond General Arrangement



Environmental

Baseline studies and Environmental Impact Assessment for the area of the Cononish mine were conducted in the late 1980s.

Scotgold commissioned Dalgleish and Associates (Dalgleish) to act on their behalf as environmental and planning consultants to the project, and prepare the application for planning permission. Ongoing discussions continued relating to conditions of the application and legal agreements. These discussions were concluded in February 2012 when the Decision Notice providing planning approval was issued.

A register of the legislation that will apply to the Project was compiled, and a full Risk Management Plan will be prepared ahead of the commencement of operations.

Personnel

The personnel numbers in the mine will vary through the construction and the production phases of the mine. Personnel levels for the mine were adjusted through the schedule to match the activity in the mine, and proportionally to reflect the different workloads. Table ES.7 shows the maximum personnel levels (exclusive of contractors) within each year during the life-of-mine.

Table ES.7 Mine Personnel Levels – Production

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Mining	27	37	37	37	37	34	31	31
Processing and Admin	2	23	23	23	23	23	23	23
Total	29	60	60	60	60	57	54	54

Cost Model and Financial Evaluation

Mining Costs

The operating costs for the mine were estimated as shown in Table ES.8.

Table ES.8 Mine Operating Cost Summary

Operating Area	Total £ million	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Development	3.19	0.01	0.63	0.75	0.70	0.66	0.44	0.00	0.00
Stoping	1.53	0.00	0.05	0.21	0.25	0.24	0.26	0.30	0.23
Load-and-haul	2.74	0.07	0.43	0.43	0.42	0.43	0.36	0.34	0.27
Services	3.77	0.10	0.42	0.46	0.50	0.58	0.59	0.61	0.51
Maintenance	3.23	0.12	0.48	0.50	0.53	0.50	0.50	0.33	0.28
Supervision and technical	3.84	0.12	0.52	0.56	0.56	0.56	0.54	0.53	0.44
Total operating cost	18.31	0.42	2.53	2.92	2.96	2.97	2.70	2.10	1.72
Total operating cost (after 17.5% contingency)	21.51	0.49	2.97	3.43	3.48	3.49	3.17	2.47	2.02
Tonnes production (kt)	444.48	4.47	28.22	70.30	70.44	73.48	72.85	72.94	51.76
Total mining operating cost (£/t)	48.40	109.04	105.35	48.75	49.38	47.45	43.50	33.84	39.10

The capital costs for the mining operation were estimated as shown in Table ES.9.

Table ES.9 Mining Capital Costs

Capital Mining Costs	Total (£ million)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Mine development	2.27	0.54	0.95	0.29	0.12	0.24	0.12	-	-
Underground mobile equipment	2.62	0.88	1.61	0.03	0.07	0.05	-	-	-
Surface mobile equipment	0.11	0.07	-	-	-	0.03	-	-	-
Total underground capital (after contingency) (£ million)	5.00	1.50	2.56	0.32	0.19	0.32	0.12	-	-

Processing Costs

The operating costs for the processing plant were estimated by Scotgold's metallurgical consultants as shown in Table ES.10

Table ES.10 Process Operating Costs

Category	Cost/annum (£)	Cost/tonne (£/tonne)
Consumables	87,689	1.22
Power	411,539	5.72
Plant labour	808,000	11.10
Maintenance	350,000	4.93
General processing	268,000	3.72
Total (£ million)	1.93	26.7

The capital costs associated with the processing plant were estimated by Scotgold and their metallurgical consultants, and are summarized in Table ES.11.

Table ES.11 Process Plant Capital Costs

Equipment	Cost Before Contingency (£ million)	Contingency (%)	Cost After Contingency (£ million)
Processing Plant			
Supply and manufacture plant	5.82	10%	6.40
Freight	0.30	20%	0.36
Construction	0.77	20%	0.92
Consultants	0.08	20%	0.10
Process Building			
Building	1.58	20%	1.90
Earthworks	0.05	20%	0.06
Restoration of earthworks	0.03	20%	0.04
General			
Critical spares milling	0.1	20%	0.12
Quantity Surveyor fees	0.15	0%	0.15
Mill assay lab equipment	0.2	20%	0.24
Total Cost (£ million)	9.07		10.27

The capital expenditure required for the TMF is summarized in Table ES.12.

Table ES.12 Tailings Capital Costs

Category	Cost Before Contingency (£ million)	Contingency (%)	Cost After Contingency (£ million)
Main embankment wall	1.64	17.5	1.93
EA diversion	0.22	17.5	0.26
RCP embankment, spillway and discharge	0.27	17.5	0.31
Tailings delivery	0.03	17.5	0.04
Upstream diversion	0.11	17.5	0.13
Decant	0.32	17.5	0.38
Spillway excavation	0.01	17.5	0.01
Interceptor ditches	0.02	17.5	0.02
General items	0.62	17.5	0.73
Instrumentation/pumps	0.25	17.5	0.29
Total (£ million)	3.50		4.11

General and Administration Costs

Scotgold estimated the annual general and administration costs as shown in Table ES.13.

Table ES.13 Operating General and Administrative Costs

Category	Total cost (£/annum)
General Admin	63,500
External Consultants	78,000
Insurance, lease and rates	194,600
Safety and training	53,247
Other	34,100
Admin labour	99,623
Total (£ million)	0.52
Total (£ million) (after 15% contingency)	0.60

The administration costs ahead of the commencement of production were capitalized as summarized in Table ES.14.

Table ES.14 Pre-production Administrative Costs

Category	Total (£/annum)
General admin	28,000
External Consultants	110,000
Insurance lease and rates	85,600
Recruitment and training	32,000
Total (£ million)	0.26
Total (£ million) (after 17.5% contingency)	0.30

The capital costs associated with the provision of infrastructure and with environmental bonding are summarized in Table ES.15.

Table ES.15 Infrastructure and Environmental Capital Costs

	Total (£ million)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Infrastructure	1.00	0.57	0.42	0	0	0	0	0	0
Environmental and Social Capital	1.17	1.34	-0.50	-0.01	0.08	0.08	0.08	0.05	0.05
Total (£ million) (after contingency)	2.17	1.91	-0.08	-0.01	0.08	0.08	0.08	0.05	0.05

Cost and Revenue Summary

The schedule of capital and operating costs is summarized in Table ES.16.

Table ES.16 Capital and Operating Cost Summary

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Capital cost (£ million)	22.31	7.07	13.90	0.32	0.39	0.60	0.54	0.05	-0.55
Operating cost (£ million)	38.99	0.49	4.00	6.24	6.29	6.30	5.98	5.28	4.42
Total cost (£/t) (capital + operating)	138	1,690	634	93	95	94	89	73	75

The revenue and smelter costs for the base case gold price of \$1,300/oz and silver of \$22.50/oz are summarized in Table ES.17.

Note – In Table ES.4 and following ES tables, Year 1 represents Calendar Year 2013 based on a proposed October 2013 start of project, Year 2 represents Calendar Year 2014 etc.

Table ES.17 Revenue and NSR Schedule

Category	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Gross revenue (Au) (£ million)	98.96	-	3.39	15.67	18.22	17.82	13.92	13.70	15.39	0.85
Gross revenue (Ag) (£ million)	6.60	-	0.21	1.09	1.24	1.27	0.86	0.81	1.06	0.07
Smelter and transport costs (£ million)	14.05	-	0.79	2.29	2.38	2.41	2.07	2.11	2.00	-
Royalty (£ million)	3.66	0.06	0	0	0.74	0.65	0.67	0.49	0.47	0.58
Interest (£ million)	0.29	0	0.01	0.05	0.05	0.05	0.04	0.04	0.04	0
Net revenue (£ million)	87.56	-0.06	2.79	14.42	16.28	15.97	12.01	11.87	13.94	0.34

The NPV of the project was estimated over a range of gold prices as summarized in Table ES.18.

Table ES.18 Study Results and Gold Price Sensitivity

Gold Price(\$/oz)	Gold Price (£/oz)	Free Cash (£m)	NPV (10%) (£m)	IRR (%)	Pre-tax Payback (months)
1054	658	9.2	0	10.0	59
1200	750	19.3	7.0	19.8	39
1300 (Base Case)	812	26.3	11.8	26.0	33
1400	875	33.2	16.6	31.9	31
1500	937	40.1	21.3	37.7	26

Notes:

1. Exchange Rate GBP:USD of 1:1.6
2. Returns on a pre-tax basis.
3. Average operating cash cost is calculated from total operating (non capital) costs (including smelter, transport, royalty costs) divided by recovered Au equivalent ozs. – see Note 2
4. Au equivalent ozs. Gold equivalent ozs are calculated: Recovered gold ozs + (Recovered silver ounces / 57.8) where the number 57.8 represents the ratio of base gold price used to silver price used. This ratio was calculated using base case prices of US\$1,300/oz Au and US\$22.5 / oz Ag

At a base case gold price of \$1,300/oz, the project pre tax NPV is £11.8m, pre tax IRR of 26%, pre tax free cashflow of £26.3m and a pre tax payback of 33 months

The cash operating cost³ is estimated to be \$698 (£436) per Au equivalent oz recovered.

The project NPV (10%) falls to zero for a gold price of \$1,054/oz.

Future Work Required

There are a number of areas that require attention ahead of the commencement of mining operations at Cononish. These include:

- Detailed mine design
- Mining equipment procurement
- Mine training and operating procedures
- Ground management plan
- Recruitment of management team
- Completion of final design of TMF
- Final detailed design of processing plant
- Decommissioning and restoration plan

Conclusion

Based on the findings of this Development Plan, the Cononish Project has an NPV (10%) of £11.8m and an IRR of 26% at a gold price of US\$1,300/oz, and an exchange rate of US\$1.6 to the £.

The NPV sensitivity to gold prices indicates the project has a positive NPV for gold prices above US\$1,054.