



29 January 2021

**Scotgold Resources Limited
("Scotgold" or the "Company")
Cononish Ramp Up Progress and
Exploration Update**

Scotgold Resources Limited (AIM: SGZ), the gold exploration and production company focused on Scotland, is pleased to provide an update on its progress ramping up production at its newly commissioned Cononish Gold and Silver Mine in Scotland, ("Cononish Mine"), as well as its exploration activities on the Cononish Project, ("Cononish") and Grampian Project, ("Grampian"). The Company's ongoing exploration programme is focused on increasing the Mineral Resources in the area around the Cononish Gold and Silver Mine where first gold pour was achieved on 30 November 2020, further delineating existing prospects, and making new discoveries.

Highlights

Production

- Tonnage throughput for January was negligible as multiple materials handling issues between circuits were identified but which to a large extent have now been addressed.
- Remaining issues restricting throughput are expected to be addressed by end Feb 2021.
- The build up of plant operating labour in January was also slower than planned, as recruitment was impacted by both the Christmas period and Government imposed Covid 19 restrictions.
- All major processing components have operated at or above design capacity, and the plant is therefore still expected to reach the full designed production rate of 3,000t per month.
- As a result of the lost production during this ramp up period, the Company is reducing its production guidance for 2021 from 9,910oz Au as announced in December 2020, to between 8,700oz Au and 7,800oz Au from between 31,500t and 28,400t ore processed.

Exploration

- Recent exploration work undertaken across the Company's option areas over the Dalradian Belt has been centred on:
 - extending the soil sampling grid over Cononish and the Beinn Udlaigh and Inverchorachan prospects, which lie within the Glen Orchy Central and Inverliever East option areas respectively

- applying the Ionic Leach¹ method both to stream sediment and soil sampling programmes across the Company's option areas
 - reprocessing of geophysical data collected in 2018 and 2019
- Recent activity has resulted in the identification of additional targets and provided persuasive evidence for the presence of mineralised veins structures
- Three prospective areas, close to Cononish Mine, have been identified as high priority target areas and data modelling is in progress to establish the best sites to test these targets in any potential future exploration drill programmes.

Richard Gray, CEO commented:

“Scotgold remains in a strong position to continue our commercial growth trajectory after achieving first gold on 30 November 2020. Despite the frustrating but resolvable materials handling issues that arose this month, our confidence in the ultimate performance of the mine continues to grow. The lessons learnt, as well as opportunities identified, during this Phase 1 ramp up will be used to optimise our plans for the Phase 2 expansion in 2022.

The year ahead will also see us advance our exploration programme, which is focused on identifying areas with the potential to increase our Mineral Resources within reach of the Cononish Mine, identifying potential orebodies at Beinn Udlaidh and Inverchorachan and notably making new discoveries within the Company's option areas. We have had encouraging results back with further follow work planned and we look forward to keeping you updated on our findings.”

Production Update

Teething problems encountered during this ramp up period have focussed in 3 key areas, namely crusher circuit chokes, flotation circuit pumps and filter press controls.

The crushing circuit has been designed to handle the full Phase 2 production rate of 15tph, and short runs during commissioning have demonstrated this is achievable. The nature of the Cononish ore however is such that it frequently breaks into thin flat “slabs” and at various points in the circuit where there are “pinch point” in chutes etc., these slabs are prone to bridging and creating blockages. A programme is now underway to modify the identified pinch points and permanently resolve these problems.

Five Positive Displacement (PD) pumps have been installed to move various products between to the two banks of flotation cells which comprise the flotation circuit. It was identified during commissioning that some of the pumps were under sized and this resulted in significant spillage. More recently it has also become evident that this type of pump suffers from extremely high wear rates with the Cononish mine material. A trial using a vertical spindle pump previously used on the Bulk Processing Trial plant has shown that this is the appropriate pump for this application, and a programme is now underway to source and replace all the remaining PD pumps.

Lastly, the filter press circuits (tailings and concentrate) which have complex automated cycles, suffered from numerous control system problems during commissioning. These have now largely been resolved by the suppliers and their agents and more minor materials flow issues are being addressed on an ongoing basis by our operations team.

Exploration Update

Since the last exploration update of 28 September 2020, Scotgold geologists have continued to utilise the Ionic Leach¹ method as further detailed in the Company's RNS of 1 April 2019, both to stream sediment sampling and soil sampling programmes across its option areas.

Subsequent exploration work has been focused on extending the soil sampling grid at Cononish as well as extensions to the soil sampling grids over Beinn Udlaidh and Inverchorachan prospects which lie within the Glen Orchy Central and Inverliever East option areas respectively.

Additionally, geophysical data collected in 2018 and 2019 has been reprocessed, this includes magnetics, Induced polarisation dipole-dipole (IP) and historic Very Low Frequency (VLF).

Regional Ionic Leach Stream Sediment Sampling Programme:

A total of 625 samples have now been collected as part of the regional stream sediment sampling programme. Samples have been collected from 10 of the 13 option areas, with encouraging results returned over several drainage catchments effectively identifying targets for further follow-up (Figure 1). Sampling is ongoing as well as follow up mapping in areas identified as anomalous (gold values in excess of the 90th percentile, >1.8 ppb)

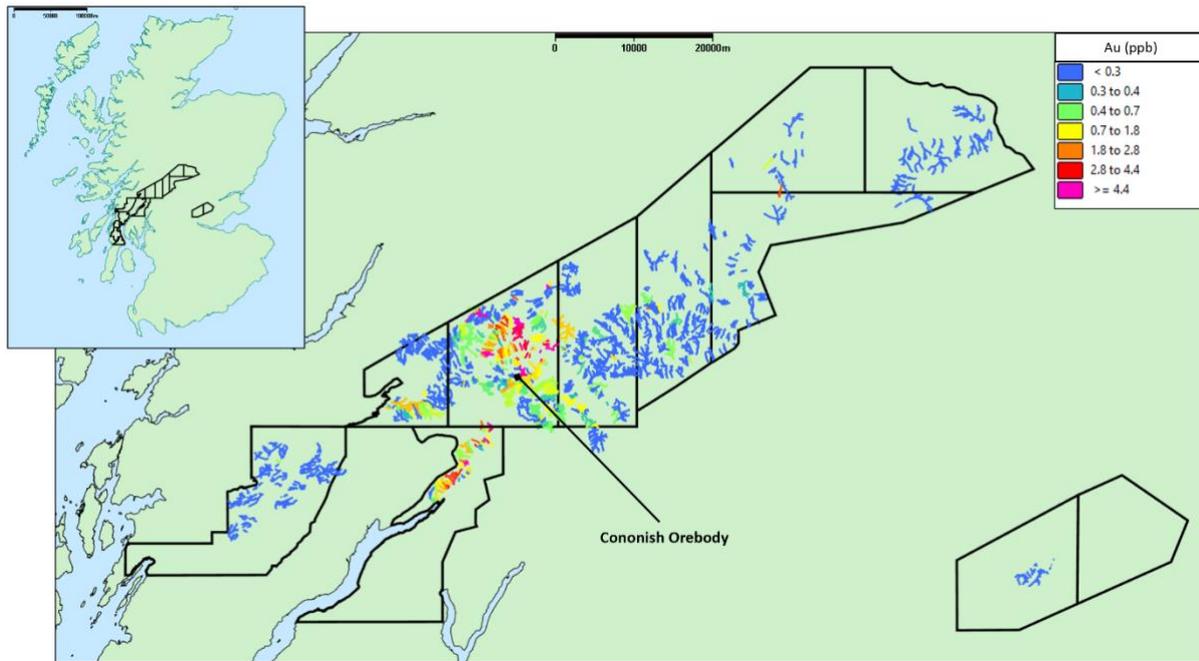


Figure 1: Regional stream sediment ionic leach results map

Ionic Leach Soil Sampling Programmes:

Cononish: A further 174 samples have been collected to the north west of the existing Cononish grid (Newly sampled area 1), linking it with the Coire Nan Sionnach grid, to further define the two gold anomalies on the corners of the grid, (Figure 2). Open-ended NE-SW trending gold anomalies at the southwestern extent of the Kilbridge grid were tested by an additional 108 samples that confirm the anomalous gold trend (Newly sampled area 2). Further sampling is planned in the 2021 field season to further define the extent of these NE-SW trending anomalies on the northwestern edge of the Kilbridge grid, southwestern edge of the Coire Nan Sionnach grid (Planned sampling 1) and northeastern extensions of the Cononish grid (Planned sampling 2).

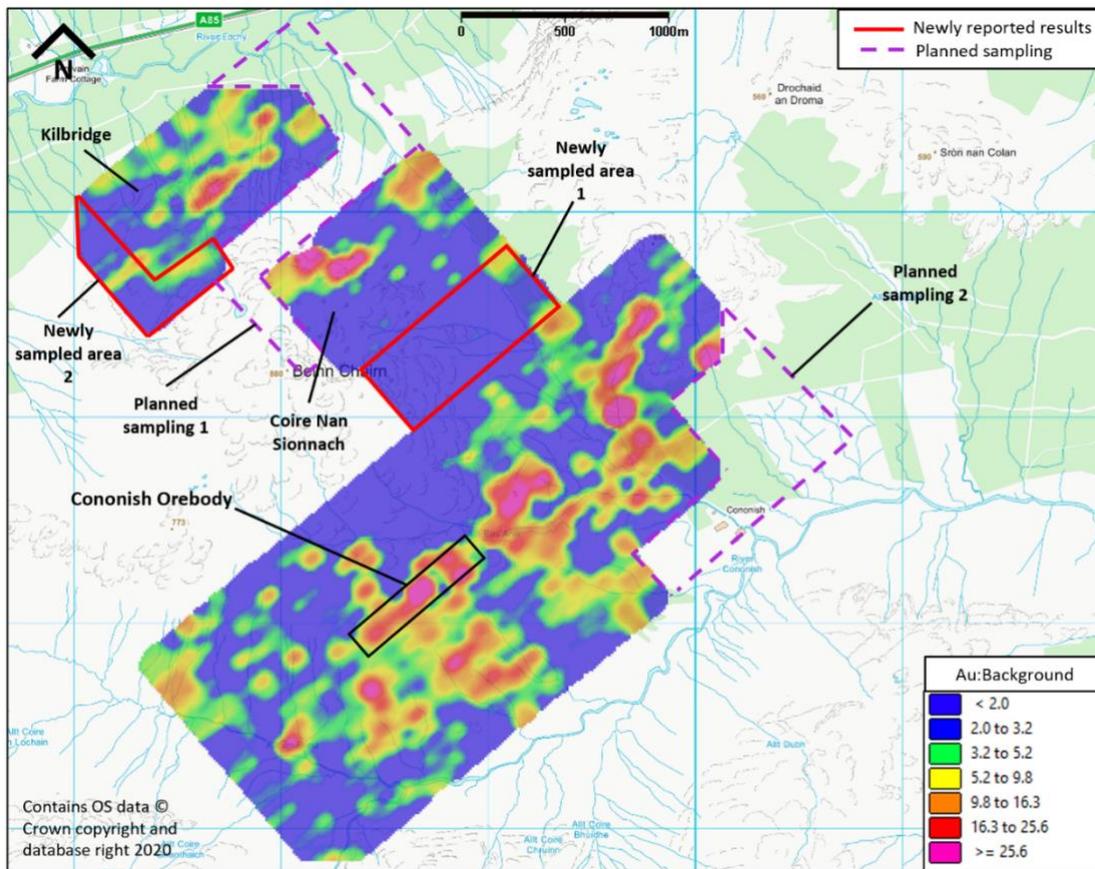


Figure 2: Results from soil sampling at Cononish, results are presented as Au: Background where Au values are considered as a ratio to a calculated background value.

Beinn Udlaidh: Work previously reported on 28 September 2020 at the Beinn Udlaidh prospect identified multiple open-ended anomalies on all sides of the grid (Figure 3). In order to better evaluate the extent, dispersion and distribution of these anomalies, grid extensions were completed in 2020 and 466 samples were collected, (Newly sampled areas 1 to 4). The northeastern extension has highlighted an anomalous area interpreted to be associated with a NE-SW trending fault that extends into the Coire Ghamhnain. The anomaly in the south-western part of the grid is now seen to extend a further 500m to the SW and will require further extension of the grid to define this anomaly. The area to the south-east, where two highly anomalous areas were previously reported, are shown to be linked by a weaker gold and silver anomaly by most recent sampling.

The continuation and open-ended nature of all of these anomalous results requires that the company continues to define these gold trends to better understand their significance and identify the associated structures. Further soil sampling is planned over the four areas outlined (located in Figure 3 below) during the 2021 field season.

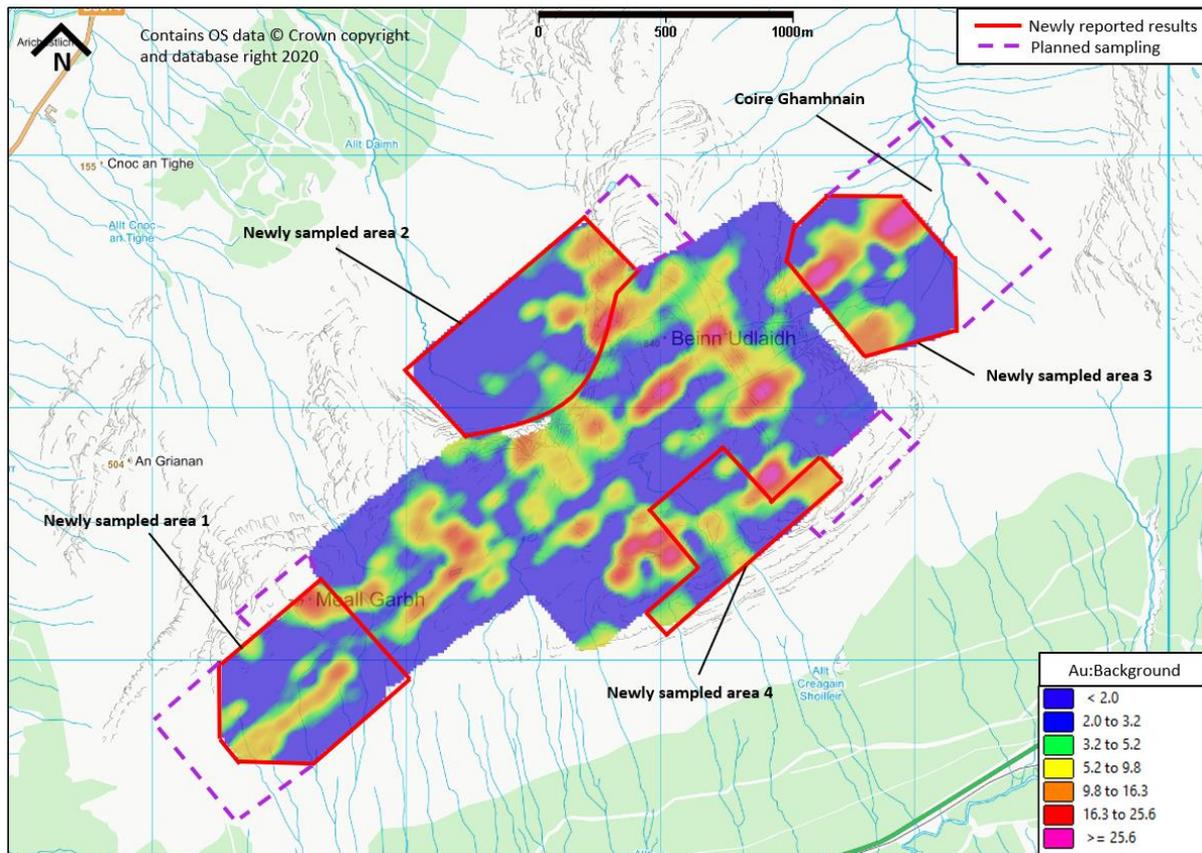


Figure 3: Results from soil sampling at Beinn Udlaidh, results are presented as Au:Background where Au values are considered as a ratio to a calculated background value.

Inverchorachan: Work previously reported on the 28 September 2020 at the Inverchorachan prospect has been extended to the north east (Figure 4). Results are reported for a total of 100 soil samples which indicate a weak or possibly plunging gold trend extending to the north east, along strike with the Tyndrum fault. Further work is planned to the south west to investigate the currently unconstrained anomaly in this part of the grid as well as delineate the source of the anomalous areas defined by previous stream sediment sampling in the area.

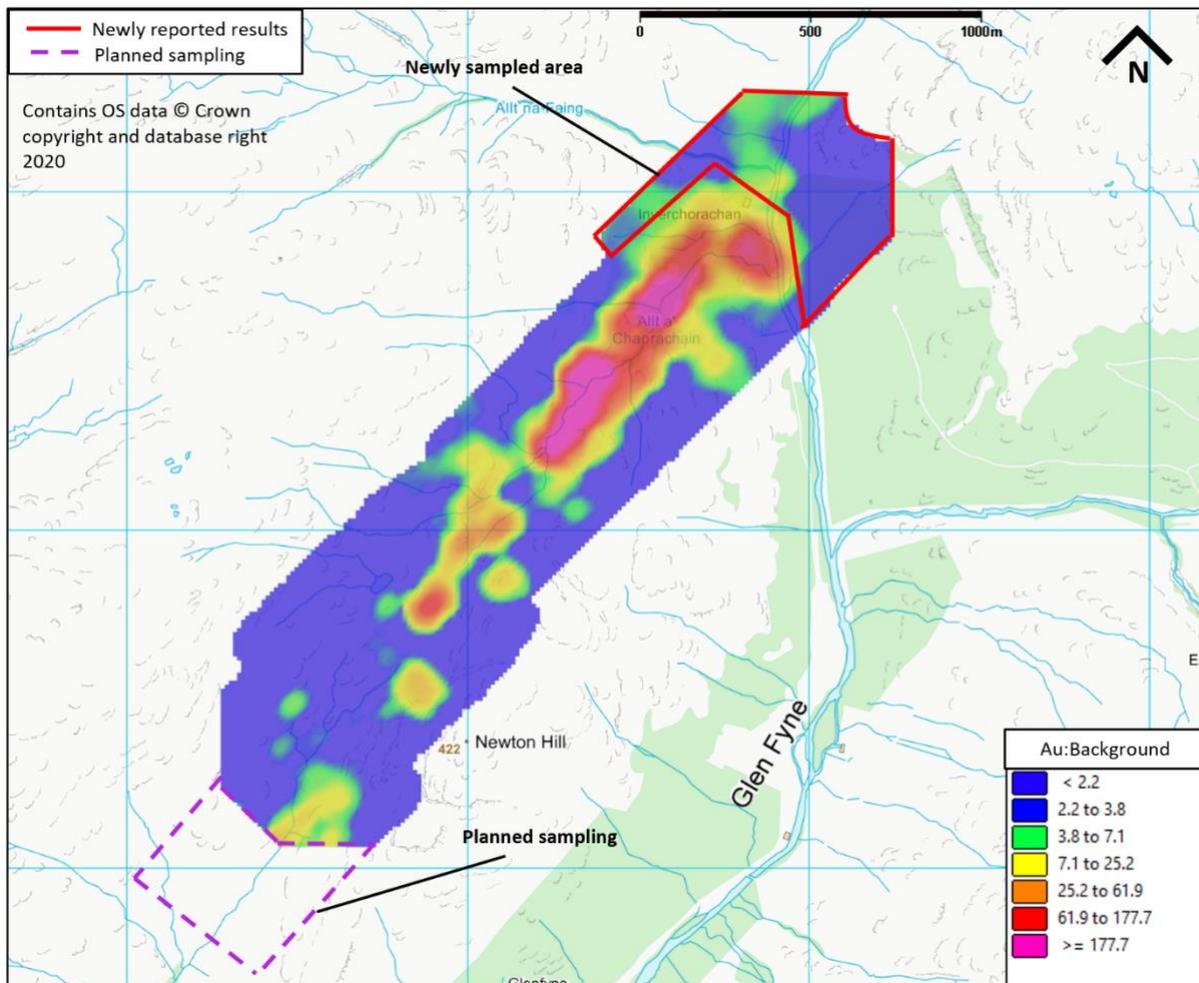


Figure 4: Results from soil sampling at Inverchorachan, results are presented as Au:Background where Au values are considered as a ratio to a calculated background value.

Geophysical Surveys

Scotgold conducted an orientation survey over the Cononish area using induced polarisation dipole-dipole (IP) and magnetic techniques in 2018, this survey was extended in 2019 to cover areas identified as anomalous by geochemical sampling.

Processing of this data, along with reprocessing of historically collected VLF data has helped to delineate possible subsurface structures in proximity to the Cononish deposit (Figure 5). No clearly definable magnetic signature is seen over Cononish, however complex resistivity anomalies appear to be associated with the Cononish vein as well as a subtle IP anomaly. The VLF data appears to most effectively outline the Cononish Vein and Mother Vein structures (figure 4).

The Mother vein, to the south east of the Cononish Vein, has a clear magnetic response as well as a clear IP and resistivity signature. To the SW of the study area, the IP and resistivity anomalies broaden and bifurcate, suggesting a secondary structure possibly associated with the Mother Vein.

The correlation between subtle but anomalous surface geochemical distributions combined with the geophysical data, especially the VLF together with the IP/RES data, and recent structural interpretation, provides persuasive evidence for the presence of mineralised veins structures under till deposits to the west of the Barren Vein (location 1 and 2) and to the south of the Cononish Vein (location 3). The company is currently engaged in modelling the geochemical, geophysical and structural data to establish the sites to test these three targets. Once modelling has been completed an exploration and drilling programme will be budgeted and scheduled.

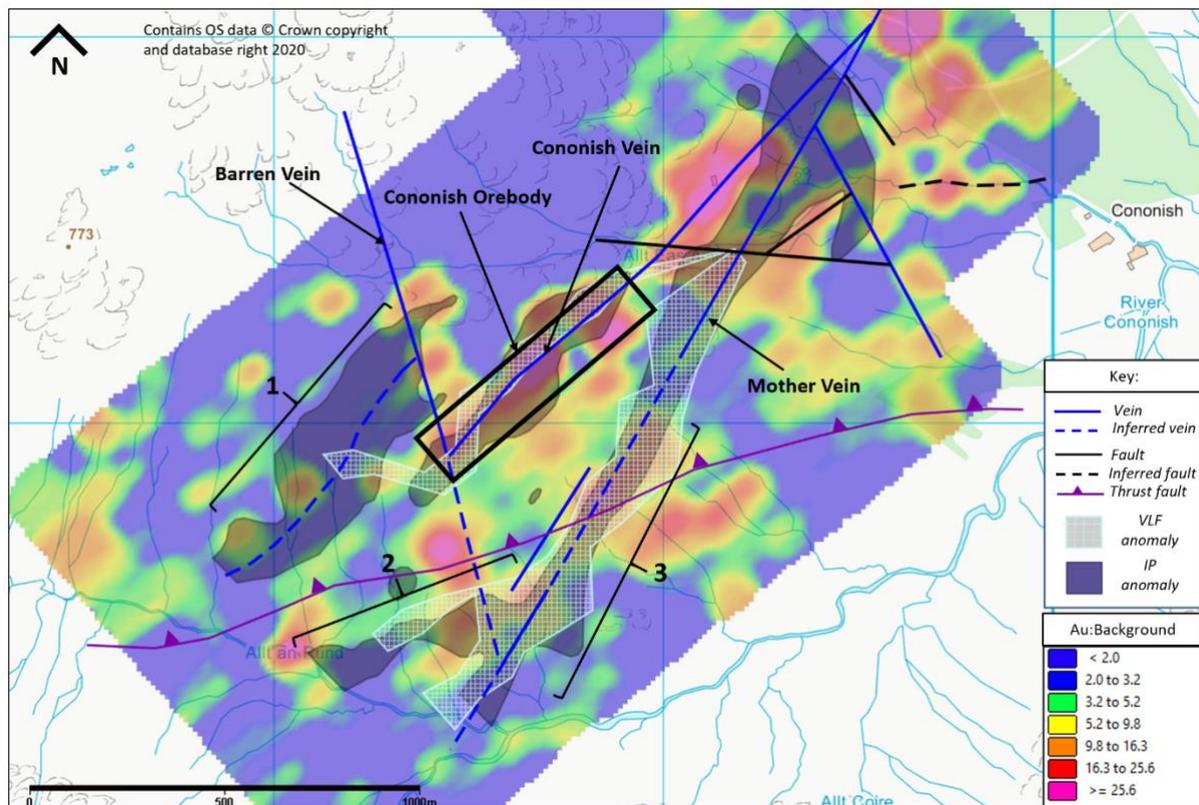


Figure 5: Results from reprocessed IP and VLF data, overlain onto soil sampling geochemistry results.

¹ Ionic Leach™ is a static sodium cyanide leach using the chelating agents ammonium chloride, citric acid and Ethylenediaminetetraacetic acid ('EDTA') with the leachate buffered at an alkaline pH (pH 8.5). Samples are digested as collected so there is very little opportunity to lose or introduce elements during the partial leach process. This innovative leach technique is designed for near surface soil samples. It is designed to improve geochemical mapping and enhance the potential to detect and resolve geochemical anomalies for a range of commodity elements.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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