

RNS Strategy/Company/Operations Update

Production and Corporate Update

SCOTGOLD RESOURCES LIMITED

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Scotgold Resources Limited ('Scotgold' or the 'Company') Production and Corporate Update

Scotgold Resources Limited (AIM: SGZ), the gold exploration and production company focused on Scotland, is pleased to provide an update on mine production and processing performance at the Cononish Gold and Silver Project in Scotland, ('Cononish') during August 2021.

Highlights

- Significant improvement in production profile through continued exploitation of high-grade area of vein and improvement in processing plant efficiencies
- The Company is assessing an upward adjustment to the previously referenced mine plan and further updates will be announced once the Cononish mine plan has been finalised
- Two shipments of gold concentrate completed during August with revenues from these exceeding operating costs.

Phil Day, Chief Executive Officer, said: *"Everything is going according to our overall strategy which is to be a consistent and stable producer. I am delighted to report a significant improvement in our overall mining and production activities during August. Furthermore, this is indicative of an overall upturn in our production profile for the remaining months of 2021 and the Board and management are now assessing an upward adjustment to the mine and production plan reported in Q2 2021.*

"The progress made at Cononish has been driven by the commitment and skill of the Scotgold operational and support teams and I am grateful to the entire workforce for their dedication and efforts. I look forward to providing further updates in the coming weeks and months as we look to build on this momentum, drive further advances, and ramp up operations to the next stage."

Further Information

Mining

Mining activity at Cononish continued uninterrupted during August, remaining focussed on the high-grade area of the vein and necessary development to access future reserves. As previously stated, the Company has adopted a vertical cut and fill stoping method, as the ore grade continuity is better vertically. This is as an interim measure prior to the long term production plan predicted to commence in 2022. This method allows vertical extraction of ore using familiar mining methods to the Scotgold mining team and allows geological control to minimise dilution. Scotgold is very pleased with this adaptation to the short term mine plan as it has delivered continuous high grade gold ore to the process plant in this critical ramp up phase of the mine.

As previously reported, a second DUX truck has been ordered and is now expected to arrive in early September. It will be immediately deployed underground and is expected to further reduce the operational risk by providing additional

redundancy alongside providing the opportunity to increase the amount of material hoisted. Furthermore, the Company continues to focus on critical and necessary spares for maintenance to achieve target availability for mining and the process plant and to eliminate time wastage.

Based on the continually improving tonnages and combined with the average >12g/t gold grade expected over the following months in 2021, the Company is assessing an upward adjustment to the previously referenced mine plan and further updates will be announced once the Cononish mine plan has been finalised.

Processing

The Scotgold processing plant team has successfully focussed on the de-bottlenecking of the tailings filter through the optimisation. This is a significant achievement which will support the continued upward trajectory of Scotgold's production profile targeting processing capacity of 4,000 tonnes per month. Following the completion of the debottlenecking process, expected in September, gravity circuit optimisation will occur, supporting gold doré production which commands a premium price.

The processing plant operated for 25 days during the month of which the last 21 days feed rate averaged 90 tonnes per day. The monthly feed rate estimate for August is between 2,100 and 2,200 tonnes (70% to 73% of design for full month). This included an unplanned six-day shutdown from 4th-10th August, these planning issues have now been addressed and unnecessary shutdowns will now be avoided.

Just over 50 tonnes of concentrate were produced in August at an average of 333g/t Au per tonne, equating to >450oz of contained gold and >1,900oz of contained silver total production for the month. Production revenues have exceeded operating costs for the first time in Scotgold history.

HR & Reporting

The Company continues to focus on the recruitment of personnel to further bolster Scotgold's highly trained workforce. The management team is specifically looking to build the Company's workforce with additional mining and processing plant operatives, as well as purchasing and warehouse staff. This recruitment and training programme is being conducted in parallel with a cost rationalisation exercise to minimise excess expenditure with a focus on reducing external contractors and targeting fixed costs.

A comprehensive systems review is underway for a fully integrated Enterprise Resource Planning system with a focus on efficiency and real time reporting. This is intended to eliminate a lot of double handling and manual processes and to streamline asset management, inventory controls, workflow and full procurement to pay into efficient finance module and reporting.

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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