



21 April 2022

**Scotgold Resources Limited ("Scotgold" or "the Company")**  
**Q1 2022 Production and Operations Update – Cononish Gold and Silver Mine, Scotland**

Scotgold Resources Limited (AIM: SGZ), Scotland's first commercial gold producer, provides a Q1 2022 production and operations update for three months ended 31 March 2022 ("Q1 2022") for its Cononish Gold and Silver Mine in Scotland ("Cononish"), as the Company targets production of c.23,500oz p.a. run rate of gold by Q1 2023.

**Cononish Q1 2022 Production**

- Gold production totalled 1,257 gold ounces for Q1 2022 – marginally lower than production guidance of 1,400 – 2,200 oz gold.
- Phase 1 Ramp-up completed during Q1 2022 with process plant feed throughput during March at approx. 3,000 tonnes of feed.
- Circa 8,600 tonnes of ore was mined and transferred to Run Of Mine (ROM) feed pad (whereby it is blended prior to being fed into the process plant) during Q1 2022 with an average gold content of 7.7 g/t.
- Access to the "cut and fill 2" (CAF2) stope area at Cononish underground mine achieved as of 21 March 2022 after developing the mine a further 325 meters in the quarter. This significant step is crucial to allow the mining of reserve mine gold grade in line with life of mine plan.
- The first cut of the (CAF2) stope saw 2,700 tonnes of ore at an average of 20 g/t of gold mined and transferred to ROM pad, almost all of this will be processed during April 2022. The increase in gold grade being transferred to the ROM pad has seen April 2022 achieve record levels of gold concentrate production. Just over 138 tonnes of concentrate has been produced during April thus far, comfortably ahead of any previous full months production.
- There are a further three more cuts to extract in the (CAF2) stope equating to an additional 6,000 tonnes of ore at around 17 g/t gold.
- A noticeable increase in free gold was seen in the ore process once the (CAF2) was accessed. The gold produced through the gravity circuit will be released in subsequent updates.
- Covid still remained an interruption to the business, particularly in the early part of Q1 2022. In some cases, Scotgold had up to ten employees in quarantine at any given time.
- In summary, Q1 2022 was a quarter during which Scotgold executed the plan to develop tunnels in the underground mine to allow access to further areas of the mine where high grade ore exists. This meant the process plant had to process lower grade ore during this

period. The Company is pleased with how the process plant performed during this difficult quarter. Long hole stope mining is still on plan to commence in late Q3 2022 as per the original mine design and during the time it takes to develop sufficient mine tunnels for the effective extraction of ore “cut and fill” stope mining of specific areas such as around “cut and fill 1” (CAF1) and now (CAF2) areas will be the method utilised to access reserve grade ore.

#### **Q1 2022 sales**

- Q1 2022 gold concentrate gold and shipments totalled 175 tonnes with a sales value of £1.6m.
- Shipping of concentrate was affected in late February until April due to global events. Cash revenue was affected the Company receive funds only upon concentrate shipment loading.

#### **Mine Development**

- 2022 continues to be a year of focus on mine development and enhancement of the localised mine plan management to continue to increase and sustain gold grade/recoveries in line with management targets.
- Long hole stope mining continues to be the target by late Q3 2022.

#### **Cononish Growth**

- Q2 2022 gold production guidance range is for 2,600 to 3,200 ounces of gold.
- Low-capex optimisation initiatives, including the addition of a thickener into the tailings circuit, are nearing construction completion, and now focussing on transport and delivery to site to aim for delivery of up to 4,000 feed tonnes and achieve Optimisation Phase Production run rate of c 16,000 – 17,500 ounces p.a. run rate of gold by end Q2 2022.
- Phase 2/Expansion Phase targeted for Q1 2023 to achieve 23,500 ounces p.a. run rate of gold.

#### **Financials**

- Entered into an agreement with Fern Wealth GmbH, a wealth management company based in Zug, Switzerland, to arrange the procurement of up to £3million funding from a syndicate of high-net-worth investors to fast-track Cononish optimisation initiatives.

**Scotgold Resources CEO, Phil Day said,** *“Whilst we achieved slightly lower gold production through the quarter as we developed through the lower grade areas in the mine so to access the areas of known high grade and set up “cut and fill” stopes, we have focussed and delivered on our Q1 2022 objectives. Objectives included developing the mine and maintaining the process plant feed throughput at Phase 1 rates, seeing us achieve a 10% increase on Q4 2021 mining and feed throughput to the process plant rate. These targets have been realised thanks to the hard-work and determination of our committed team here in Tyndrum.*

*“As we enter Q2 2022, we have reached an exciting time in Cononish’s optimisation and production ramp-up. We successfully accessed the (CAF2) stope at Cononish on 21 March in line with schedule and are beginning to see the results. Cononish is a high-grade operation, and we are delineating gold*

*grades of up to 35g/t for processing. Importantly by adopting this “cut and fill” methodology to the short term mine plan we can better extract certain areas of the mine, obtain better indications of the geotechnical and resource characteristics in localised areas which allows for better stability and reliability of gold production going forward from the Cononish mine. Our intention is to continue developing tunnels in the mine so that we can access even further areas utilising the “cut and fill” stope mining method to exploit higher grade areas efficiently. By late Q3 2022, when sufficient tunnel development in the mine has been conducted, the original long hole stoping method of mining will commence and we expect to see yet another step change in performance, gold grade accessibility, stability of production and reduced costs per tonne of ore mining.*

*“Optimising our flagship Cononish gold mine to maximise its intrinsic value remains a core priority for 2022. Cononish is already a cash generative operation yielding attractive margins, however we believe we will be able to maximise this value more efficiently by utilising debt funding, instead of cashflows, to fast-track plans. We look forward to updating the market further on our debt funding package and optimisation initiative implementation and remain confident of achieving our near-term objectives and longer-term strategy in line with achieving 23,500 ounces of gold run rate by the end of Q1 2023.”*

### **Cononish Gold & Silver Mine Production and Optimisation**

During Q1 2022 production continued to be ramped up in line with the Cononish 2022 mine plan. Scotgold achieved slightly lower than its Q1 2022 production guidance, 1,257 ounces of gold and 5,881 ounces of silver from Cononish.

During the period the Company is pleased to report that Phase 1 Ramp-up production was completed with an average run rate of 3,000 tonnes of feed to the process plant. This was an extremely important target to achieve as it allows the processing of mine development ore and minimises waste. Sufficient development of the underground mine is the goal and is predicted to be achieved in late Q3 2022 after which, long hole stope mining will occur bring consistency of gold grade to the process plant, achieve a step change in the cost of mining achieved and increase the mining rate.

As outlined in Cononish’s mining plan, the Company spent Q1 2022 developing the underground mine by 325 meters and preparing the access to the (CAF2) stope at the Cononish underground mine. This way access to the reserve mine grade gold grade improves and better understanding of the localised areas within the resource model which also improves overall grade control with the objective of significantly increasing the gold grade/recoveries being delineated and processed in the processing plant. Access to the (CAF2) stope was achieved on target on 21 March 2022 and the results of which have been instantaneous. Current diluted mine grades of up to 35 g/t of gold are now being seen and being transferred to the ROM pad.

The increase in gold grade being transferred to the ROM pad has seen April 2022 achieve record levels of monthly gold concentrate production. Just over 138 tonnes of concentrate has been produced

during April thus far, comfortably ahead of any previous full months production. The bottom section of the (CAF) has also extended 22 meters beyond the known area of gold mineralisation.

In Q3 2022, Scotgold plans to commence retreat long hole stoping, as per the original mine design, which will also increase the ability to access reserve mine gold grade more readily.

Looking ahead to Q2 2022 and the remainder of the year, Scotgold will be focused on the implementation of several mine optimisation initiatives at its processing plant and mine to maximise efficiencies and in turn increase its gold production profile in line with its stated targets. To this end, the Company were pleased to announce on 7 April 2022 that it had entered into an agreement with Fern Wealth GmbH, a sophisticated wealth management company based in Zug, Switzerland whose focus is to seek out and manage quality investment opportunities for their Investors, to arrange the procurement of up to £3 million loan funding from a syndicate of high-net-worth investors.

Subject to the successful receipt of loan financing, the Company intends to use the proceeds received to fast-track the Company's Optimisation Initiatives to achieve a gold production run rate of c.23,500oz p.a. by the end of Q1 2023.

The core Optimisation Initiatives planned for the remainder of 2022 include:

- Design, construct, and commission a tailings thickener, a cost-effective technology to improve the throughput and recoveries of concentrate product in the processing plant to achieve a monthly run rate of c. 4,000 feed tonnes to the process plant by end of Q2 2022 which equates to c. 16,000 – 17,500 ounces p.a. run rate of gold;
- Enhancing mining efficiencies of the underground mine to ensure continuous and sustainable operations; and
- Design, construct, and commission an ore sorter at the processing plant between the existing crushing unit and the Mill to realise an increase in ounces of gold processed per tonne at lower tonnages and potentially lower CAPEX and OPEX. Due diligence to be completed by the end of Q2 2022 and the sorter, if approved, to be operational by the end of Q1 2023.

**Figure 1. Cononish Phased production development plan**

<b>Phased Production Development</b>	<b>Expected to commence by end</b>	<b>Annual Rate of Ore Production</b>	<b>Target Average Annual Rate of Gold Production</b>
Phase 1	Q1 2022	36,000 tonnes	9,910oz
Optimisation Phase Production	Q2 2022	51,000 tonnes	17,500oz
Phase2/Expansion Phase	Q1 2023	72,000 tonnes	23,500oz

## Q1 2022 – Sales

Q1 2022 gold concentrate gold and shipments totalled 175 tonnes with a sales value of £1.6m. Gold concentrate is sold directly to Scotgold's off-take partner MRI Trading AG. Shipping of concentrate was affected in late February until April due to global events. Cash revenue was affected the Company receive funds only upon concentrate shipment loading.

The information contained within this Announcement is deemed by the Company to constitute inside information as stipulated under Article 7 of the Market Abuse Regulation (EU) No. 596/2014 (as amended) as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended). Upon the publication of this Announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

**\*\*ENDS\*\***

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## Notes

Scotgold Resources Ltd (AIM: SGZ), is Scotland's and the UK's first commercial gold producer. The Company poured first gold in November 2020 at its Cononish Gold and Silver Mine ('Cononish') in Tyndrum, Scotland and is developing it into a +23,500-ounce gold mine per annum by Q1 2023. Cononish is a high-grade underground mining operation with a central processing plant producing gold concentrate for off-take and gold doré for the Scottish Jewellery industry. Once in full production, the mine has anticipated forecast operating costs of c.£544/oz AISC, which will place Cononish in the lowest quartile of gold mining operations globally.

It is Scotgold's vision to build a mid-tier gold mining company in Scotland with multiple operations in the country that enhance the local environment and economy in ways that have an enduring positive impact.

