



11 July 2022

**Scotgold Resources Limited ("Scotgold" or the "Company")**

**Q2 2022 Production, Sales, and Operations Update – Cononish Gold and Silver Mine, Scotland**

***Record Gold Production – Q2 2022 guidance exceeded, £5.0 million sales attained, and commercial production achieved***

Scotgold Resources Limited (AIM: SGZ), Scotland's first commercial gold producer, is pleased to provide Q2 2022 production, sales and operations update for the three months ended 30 June 2022 ("Q2 2022") for its Cononish Gold and Silver Mine in Scotland ("Cononish").

**Gold Sales**

- Q2 2022 gold concentrate shipments totalled 415 tonnes with a sales value of £5.0 million (79% of H1 2022)
- H1 2022 gold concentrate shipments totalled 551 tonnes with a sales value of £6.3 million

**Cononish Gold Production**

- Q2 2022 gold production totalled 3,531 ounces, a 188% increase to Q1 2022
- Q2 2022 exceeded guidance being 2,600 to 3,200 ounces
- 7,541 ounces of gold have been produced at Cononish in total, 3,531 ounces in the last quarter (47% of the total)
- Record gold concentrate production in June 2022 – 164 tonnes of concentrate processed equating to c.1,339 ounces of contained gold c.17% increase to previous concentrate production record in April 2022
- Gold grades in flotation concentrate of up to 400g/t realised during Q2 2022
- Commercial production achieved
- Cononish generated cashflows that exceed all-in sustaining costs for the Company

**Q2 Mining and Processing**

- 5,112 tonnes of ore were delineated from the Cononish underground mine and transferred to ROM pad

- Grade mill feed for processing plant averaged 19 g/t of gold
- Processing plant gold recovery levels were above 90%

#### **Plant optimisation and Mine development**

- Pre-constructed tailings thickener is on-site - expected installation during Q3 2022
- Cut and fill - stoping mining method progressing well to continue to improve production profile – third cut and fill stope targeted for Q3 2022
- 2022 focus to enhance resource model/mine plan management to continue to increase gold grade/recoveries in line with management targets
- As a direct result of opening up the mine through development mining achieved in Q1 2022, the gold grades mined in Q2 2022 were higher than anticipated. Mine optimisation work being conducted in Q3 2022 will continue to allow further areas of the mine open and even further mining faces being accessed

#### **Cononish Growth**

- Grade control drilling and mine development will continue to increase the short-range geological understanding in Q3 2022, further improving grade reconciliation to reserve. The scheduled commissioning of key optimisation initiatives in Q3 2022, which include the thickener and mine power and ventilation upgrades are expected to deliver increased mill throughput and mining rates. Consequently, gold production guidance range for Q3 2022 has been set at 2,900 – 3,500 ounces of gold
- Low capex optimisation initiatives, including the addition of a thickener into the tailings circuit, are underway to allow the process plant to process up to 4,500 feed tonnes and achieve Optimisation Phase Production run rate of c.16,000 – 17,500 ounces p.a. run rate of gold
- As part of the Company's vision to grow, Scotgold plans to continue exploration activities in and around its current Cononish mine and within its licenced 2,900km<sup>2</sup> area in preparation for exploratory drilling in 2023

#### **Financials**

- £2.1 million Fern Wealth Debt Facility drawn for the processing and mine optimisation initiatives. The revenue earned by Scotgold in Q2 2022 will enable the Company to pay for the mine optimisation and tailings thickener initiatives as planned
- Commercial production achievement
  - As previously disclosed in each of the Company's recent Annual Reports, the Directors considered commercial production to have been reached when the Company experienced three consecutive months of positive operating cash flow
  - This occurred on 30 June 2022 and therefore we consider the Company to be in commercial production from 1 July 2022 onwards

**Scotgold Resources CEO, Phil Day said, "This has been our strongest quarter yet for Scotgold, characterised by record gold production which exceeded guidance, record gold sales translating into**

*significant cash generation and continued progress on the ground to meet our production and operational targets.*

*“In the short term, we are focusing on our transitional optimisations at Cononish, undertaking low capex initiatives to continue to drive the production ramp up. The recent arrival of our thickener, currently undergoing installation in our process plant, will bolster our throughput of ore, generating further increases in gold concentrate output. Furthermore, with our 2022 mine development work, we continue to move rapidly towards phase 2 production levels of 23,500oz run rate of gold.*

*“Our team are performing exceptionally well and, together, have facilitated the achievement of our forecasted results. We remain impressed with Cononish’s high-grade gold geology and anticipate that the operations and cost control discipline of our team will enable the mine to be even more cash generative and profitable as it moves from phase 1 to phase 2 production.”*

## **Results Investor Webcast**

The Company will host a live investor webcast via the Investor Meet Company (IMC) on Friday 15 July at 12.30 BST to discuss the results, followed by an opportunity to ask questions.

Investors can sign up to Investor Meet Company for free and add "Scotgold Resources" via the following link to join the webinar:

<https://www.investormeetcompany.com/scotgold-resources-limited/register-investor>

## **Q2 2022 – Cononish Gold & Silver Mine Production, Sales and Operations**

### *Production*

During Q2 2022 production continued to be ramped up in line with the Cononish 2022 mine plan. Scotgold exceeded its Q2 2022 production target with production totalling 3,531 ounces of gold and 18,382 ounces of silver from Cononish, a 188% increase in total gold production from Q1 2022 which saw 1,224 ounces of gold produced. Gold production for H1 2022 totalled 4,755 and 24,263 ounces of silver from Cononish.

Scotgold is committed to responsible mining and is pleased to report it is one of the few global gold producers that does not use cyanide for either its flotation gold concentrate production or gravity gold at Cononish.

### *Sales*

Q2 2022 gold concentrate shipments totalled 415 tonnes with a sales value of £5.0 million. Gold concentrate is sold directly to Scotgold’s off-take partner MRI Trading AG.

**Table 1: The following table summarises quarterly gold production and sales at Cononish including H2 2021 and H1 2022**

Quarter ended	Gold produced (ounces)	Silver produced (ounces)	Gold Sales (ounces)	Gold sales price (£/ounce)	Gold sales (£ million)
Q3 2021 30 September	1,123	5,101	602	1,329	0.8
Q4 2021 31 December	1,508	7,200	1,891	1,375	2.6
<b>H2 2021</b>	<b>2,631</b>	<b>12,301</b>	<b>2,493</b>	<b>1,364</b>	<b>3.4</b>
Q1 2022 31 March	1,224	5,881	854	1,522	1.3
Q2 2022 30 June	3,531	18,382	3,034	1,648	5.0
<b>H1 2022</b>	<b>4,755</b>	<b>24,263</b>	<b>3,888</b>	<b>1,620</b>	<b>6.3</b>

#### *Mining and Processing*

5,112 tonnes of ore were delineated from the Cononish underground mine and transferred to ROM pad at Cononish during Q2 2022 with an average grade mill feed of 19 g/t of gold.

Processing plant gold recovery levels has maintained above 90% throughout the quarter.

#### **Processing Plant Optimisation**

As announced on 21 June 2022, the Company received Tranche 2 of the Fern Wealth Debt Facility totalling £2.1 million of a £3 million loan. The revenue earned by Scotgold in Q2 2022 will enable the Company to pay for the mine optimisation and tailings thickener initiatives as planned.

Optimisation initiatives include the design, construction, and commissioning of a tailing's thickener, enhancing mining efficiencies of the underground mine to ensure continuous operations and the installation of 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 a more effective capex and opex.

The pre-constructed tailings thickener is now on site where it is planned for installation during Q3 2022. Once the tailings thickener is operational the expected gold ounces run rate of the process plant is targeted to be at 16,500 – 17,500 ounces of gold on an annualised basis. See Table 2

Scotgold received initial test work results as part of its ore sorter due diligence indicating 93% recovery of gold with a corresponding 35% rejection of mass. Scotgold will update the market on more test work results and the design, construction, and 2023 commissioning plans for the ore sorter in due course. The ore sorter will be pivotal to allow the process plant achieving phase 2 throughput when installed in line with the current crushing circuit already sized for phase 2 throughput. The ore sorter in combination with the crushing circuit is potentially a more effective capex and opex solution as the

majority of the non-gold bearing rock will be rejected prior to the current mill, flotation, and dry stack tailings areas, preventing the necessity of these areas needing upgrading for process phase 2 throughput. It will also enable the process plant to produce less tailings that require filtering and drying prior to stacking per unit of gold for processing which is a significant opex benefit.

**Table 2: 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 – Achieved Q1 2022	Q1 2022 - Achieved	36,000 tonnes	9,910oz
Optimisation Phase Production	Q3 2022	51,000 tonnes	16,500 - 17,500oz
Phase2/Expansion Phase	Q1 2023	72,000 tonnes	23,500oz

### **Mine Optimisation and Development**

In Q2 2022 Scotgold continued to focus on the development of the mine, opening further underground mine faces for cut and fill – stope mining. Stope mining allows for faster and more effective extraction of ore and gives improved detailed grade control definition to the mine plan, increasing gold recoveries and production.

In late April 2022, the second cut and fill stope placement and extraction commenced and continued through May and into June 2022. Highly defined grade control information has allowed the preparation of a third cut and fill stope for extraction through Q3/Q4 2022, if required. The third cut and fill stope will again improve exploitation of higher-grade areas efficiently and will allow sufficient tunnel development to continue in the mine to support the original mine design method of long hole stoping, whereby Scotgold expects further improvements in performance, gold grade accessibility, stability of production and reduced costs per tonne mined.

Mine optimisation initiatives are planned through Q3 2022 with ventilation and power upgrades and underground definition drilling. These will allow Scotgold to mine faster and have continued improvement in grade control granularity as is standard practice in mining.

### **Cononish Resource/Reserve Exploration and Upgrade**

As part of the Company’s vision to grow, Scotgold plans to continue exploration activities in and around its current Cononish mine and within its licenced 2,900km<sup>2</sup> area in preparation for exploratory drilling.

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\*\***

<b>Scotgold Resources Limited</b>	<b>Shore Capital</b>	<b>Celicourt Communications</b>
Chief Executive Officer	Nomad and Broker	Financial PR
Philip Day	Toby Gibbs / John More	Felicity Winkles / Josh Funnell
Via Celicourt Communications	Tel +44 (0)20 7408 4090	Tel +44 (0) 208 434 2643 Tel +44 (0) 774 8843 871

## **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.