



19 January 2022

**Scotgold Resources Limited ("Scotgold" or the "Company")  
Q4 2022 Production, Sales, and Operations Update – Cononish Gold and Silver Mine, Scotland  
2023 Strategy/Outlook**

***2023 production guidance set between 11,500 and 13,500 ounces of gold – mine plan to facilitate higher gold grade and gold ounce production continuity and achieve sustainable ramp up to 2,000 ounces of gold per month.***

Scotgold Resources Limited (AIM: SGZ), Scotland's first commercial gold producer, provides its Q4 2022 results for the period 1 October 2022 to 31 December 2022 and its strategy and outlook for 2023 for its Cononish Gold and Silver Mine in Scotland ("Cononish").

**Q4 2022 and full year 2022**

***Production - see table 1.***

- Q4 2022 gold production as concentrate and doré totalled 1,805 ounces an additional 324 ounces were mined in December but had to be stored underground as weather conditions didn't allow for the mining trucks to move the ore to the ROM pad safely.
- Reduced guidance for Q4 2022 announced on 21 December 2022 was primarily due to changing the short-term mining schedule to expedite continuous long hole stoping in the western areas of the mine in 2023, and weather conditions in December.
- Moving ore from the mine to the process plant during December was also restricted due to harsher than expected weather conditions in December, however this ore was processed in the first week of January 2023.
- Year to 31 December 2022 gold production totalled 8,564 ounces of gold (2021: 2,623 ounces of gold).

***Sales – see table 1.***

- Q4 2022 gold concentrate shipments totalled 236 tonnes with a sales value of £2.2 million.
- Year to 31 December 2022 – gold concentrate shipments totalled 1,078 tonnes with a sales value of £11.9 million.
- Scottish gold doré sales made to Scottish jewellery companies during Q4 2022 totalled £25,420.

### ***Mining and Processing***

- 8,523 tonnes of ore was mined from the underground mine and transferred to the ROM pad during Q4 2022 and 26,102 tonnes of ore in 2022.
- Grade mill feed for processing plant averaged 8.96g/t of gold for Q4 2022 and 10.35g/t in 2022.
- Processing plant gold recovery levels were above 92% for Q4 2022 and 93% in 2022.

### ***Mining development***

- Mining development over 2022 has continually increased as a result of improved availability of the mine fleet and capital works invested in 2022, including underground power and ventilation upgrades, resource definition and grade control drilling et al. See fig 1.
  - Underground power and ventilation upgrade allowed further access to the mine ramps and tunnels at higher productive rates.
  - Resource definition and grade control drilling in western area of mine in Q4 2022 was undertaken and will further enable our understanding of the gold vein variability and structure once logged and modelled allowing higher certainty in grade prediction for 2023 mining.
  - The capital received from Fern Wealth in 2022 along with the new mine design completed in 2022 allowed three development headings of mining, allowing the Company to drive to the first stope mining area planned for Q2 2023, as well as inclining to the 445 level to open even further development headings.
- Majority of capital project works were completed over Q3/Q4 2022 and focussed on increasing the mine production rate. The capital works program in combination with the changes to the mine design and development plan are expected to underpin increased development productivity and ore extraction. However, until long hole stoping forecast to commence in Q2 2023 commences mine production will be the limiting factor for gold production.
- Change to the short-term mine schedule in December 2022 including the focus on the 430 development level was implemented to expedite the transition to long hole open stoping in Q2 2023.

### ***Processing Plant Optimisation***

- Successful optimisation initiatives in 2022 have allowed increased throughput of ore in the processing plant to increase gold recoveries.
- Tailings thickener project is ready and will allow higher quality of tailings as well as further increased throughput of ore in the process plant once long hole stoping commences.

### ***Working capital***

- As a result of impacted Q4 2022 gold production and sales the Company's financial and working capital position has been adversely affected – the Company is working on additional funding to support delivery of 2023 mine plan.
- The Company's current cash balance is c.£350,000 with a net debt position of £12.6 million.

## **2023**

### ***Outlook/Guidance***

- 2023 production guidance set between 11,500 and 13,500 ounces of gold.
- 2023 mine plan will facilitate predictability of higher gold grades and gold ounce production for the year.
- Mine plan focused on achieving sustainable and continued ramp up to 2,000 ounces of gold per month.
- 2023 mining to date has commenced well, achieving to date 78 meters of mining development as well as c.500 ounces of gold mined, and 1,600 tonnes of ore mined and processed through the process plant.

### ***Mine Plan***

- Finalised detailed mine plan for 2023 using granulated data from the grade control model and resource definition drilling information once logged and assayed undertaken in 2022.
- Transitioning from tunnel development to long hole stoping.
- In addition to commencing long hole stope mining in the western areas of the mine in Q2 2023, further areas of long hole stope mining will open over 2023 supporting ongoing improvements in gold production.
- Long hole stoping is a widely used mining method in underground mining that supports a cost effective and efficient mass extraction of ore. Once long hole stoping is achieved, minimal dilution and increased ore recovery will be realised.

### **Strategy**

- Continue to focus on three pillars of Scotgold's strategy: optimising value at Cononish; growth through resource expansion and regional exploration; and investment in people and commitment to sustainability
- Optimising value at Cononish – 2023 focused on achieving sustainable and continued ramp up to 2,000 ounces of gold per month with a target AISC of £610 per ounce in Q4 2023 with the mine running an average grade through the processing plant of c.12g/t Au year to generate increased cash generation.
- Resource expansion firstly through increasing knowledge of the gold vein in close proximity to the existing Cononish vein by commencing a drill campaign off the back of the Very Low

Frequency (VLF) work conducted in 2022 and then to extend the same methodology to the other areas within the 2,900km<sup>2</sup> of area held by Scotgold.

- Continue investment in people and commitment to sustainability through continuous improvement.
- Vision to build an intergenerational mining company as a multi-asset gold production company in Scotland.

**Scotgold Resources CEO, Phil Day said:** “2022 has been a year of significant development at Cononish. Advancing a mine and transitioning from development through to a long-term mining method, such as stoping, is always challenging, however I am pleased with the significant progress that has been made over the past year and would like to again thank our dedicated team that has helped build Cononish into the operational mine it is today, with over 100 employees.

“December 2022 has been by far our most challenging period in terms of the underground mine development, as announced on 21 December, which has put significant short-term strains on the business. However, mining in the New Year has been progressing well and in line with the mining plan, achieving 78 meters of mining development as well as c.500 ounces of gold mined, and 1,600 tonnes of ore mined and processed through the process plant.

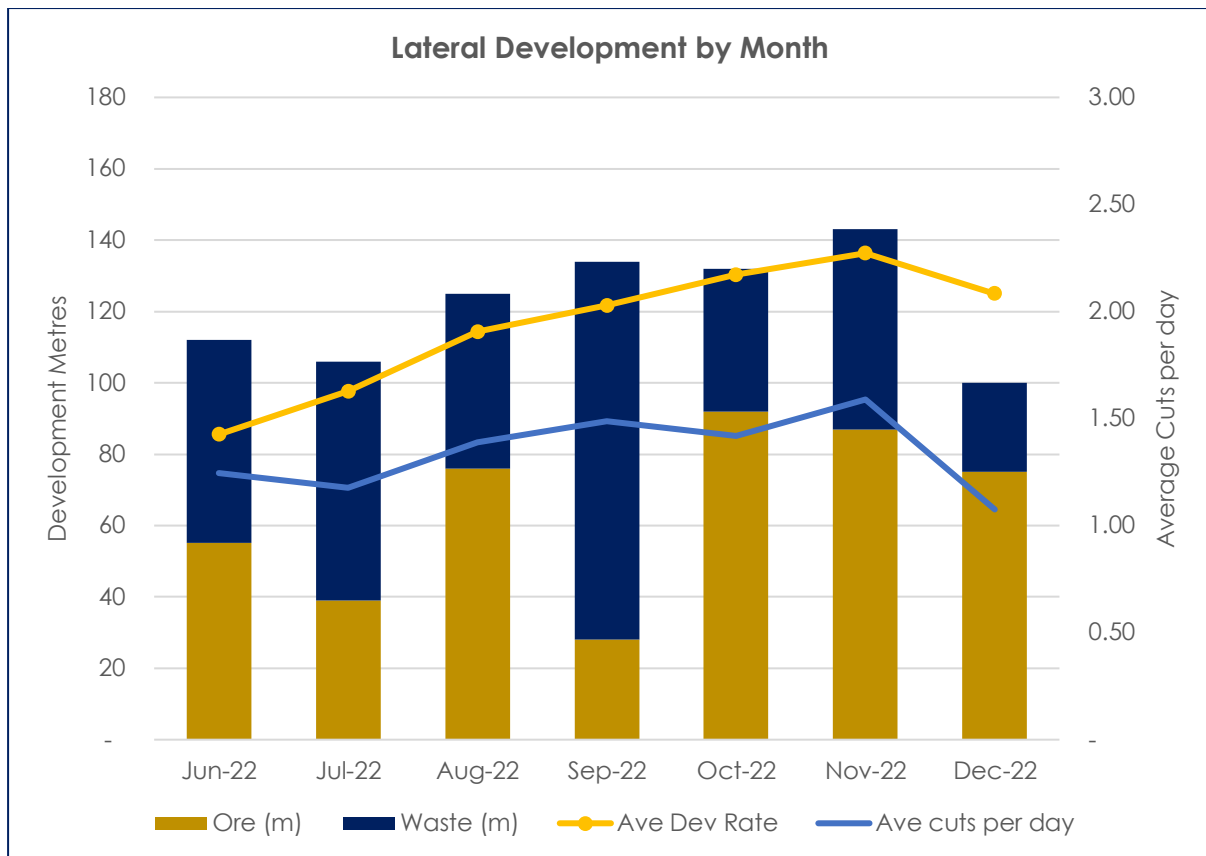
“Our 2023 mine plan is focused on high grade and increasing ounce production, which in turn with lowering cost per ounce as the mine moves towards full production will generate significant cash generation per ounce. In line with this, management’s guidance for production has been set between 11,500 and 13,500 ounces of gold.

“I look forward to 2023 and reporting on our progress at Cononish as we move through the final development stage of the mine, into continuous long hole stoping.”

**Table 1: The following table summarises quarterly gold production and sales at Cononish on a calendar year basis:**

	<b>Gold produced (ounces)</b>	<b>Silver produced (ounces)</b>	<b>Gold Sales (ounces)</b>	<b>Gold sales price (£/ounce)</b>	<b>Gold sales (£ million)</b>
<b>Q1 2022 31 March</b>	1,224	5,881	854	1,522	1.3
<b>Q2 2022 30 June</b>	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>
<b>Q3 2022 30 September</b>	2,004	10,265	2,202	1,544	3.4
<b>Q4 2022 31 December</b>	1,805	8,179	1,412	1,558	2.2
<b>H2 2022</b>	<b>3,809</b>	<b>18,444</b>	<b>3,614</b>	<b>1,550</b>	<b>5.6</b>
<b>12 months to 31 Dec 2022</b>	<b>8,564</b>	<b>42,706</b>	<b>7,502</b>	<b>1,586</b>	<b>11.9</b>

**Fig 1. Lateral Mining development by month**



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

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**Notes**

Scotgold Resources Ltd (AIM:SGZ), is Scotland’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. 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. The mine has anticipated forecast operating costs of c.£610 per ounce in Q4 2023, 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.