

THIS ANNOUNCEMENT RELATES TO THE DISCLOSURE OF INFORMATION THAT QUALIFIED OR MAY HAVE QUALIFIED AS 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.



11 September 2023

Scotgold Resources Limited ("Scotgold", the "Company" or the "Group")
Geological review, mine plan and operations/production update
Suspension of trading on AIM

On 10 July 2023, the Company announced that, among other things, it was undertaking a third-party review of the Cononish mine plan for the next twelve months, encompassing a geological review of the Cononish Mine mineral resource estimate ("MRE") and grade control ("GC") process, mine design, schedule and production forecasts. Initial findings have been fed back to the Board.

As announced on 10 July 2023, H1 2023 was disappointing in terms of gold production and development of the underground mine at Cononish. The ability of the Group to continue as a going concern over the long term would remain dependent on the quantity and grade of ore mined and processed being within a reasonable tolerance of the forecast quantity and grade and adherence to the previously planned product shipment schedule.

While the Geological data and documentation suggested 'no fatal flaws' in the MRE and GC modelling process, the draft mine plan and associated cash flow forecasts are currently being reviewed by the Company, but they indicate that to deliver to the plan, a significant capital investment is required. The Company is actively seeking additional financing and discussions are in an advanced stage and, should they materialise, are expected to provide sufficient funding for the Company to continue as a going concern. The outcome of the funding discussions is highly uncertain and if the Company cannot conclude a significant fundraise, it will cast material uncertainty for the Company to continue as a going concern.

The Company has been managing its creditors including debt providers. Debt providers have not been paid interest as it has fallen due, but they have agreed to payment plans and as such to date there have been no events of default. One unsecured creditor has (recently) demanded full payment of outstanding interest, and although the Company has sufficient funds to make this payment, it does not believe that to do so would be in the best interest of all stakeholders. As such an event of default

is possible if such creditor does not agree to a new payment plan. In the event of default there is a material risk the business could be placed into administration in the next few weeks.

The Board therefore continues to explore its options and pending clarification of its financial position, trading in the Company's shares on AIM will be suspended with effect from 7.30 a.m. on 11 September 2023. Notwithstanding the suspension of trading in the Company's shares, the Company will continue to make announcements as and when there are any developments that require announcement in accordance with its obligations under the AIM Rules.

Forward Mine Planning

A mine plan until July 2025 has been received and is under internal review. This plan supports the use of long hole open stope mining ("LHS"). The cash flow implications of this plan are also under review. Even though the plan is under review it is clear that Cononish needs significant new funding in order to increase ore production to a level which would achieve sustained profitability. The underground work envisaged includes significant development, a drilling programme and further upgrades to power and ventilation.

The suspension of mining on the 430 OD due to lower than expected grade combined with the current level of power available underground, and associated ventilation has restricted the rate of mining below the level envisaged in the mine plan presented in January 2023, with a knock-on effect of delivery of less mineralised ore to the plant than planned. Further work is required before the Company can present new production guidance.

Operations and Production update

LHS mining commenced on 5 April 2023 with gold concentrate production steadily increasing in Q2 2023, with a total of 1,556 ounces of gold being produced, of which 818 ounces was attributed to June 2023. For H1 2023 total gold production totalled 2,314 ounces. LHS and production continue to perform well and in line with management's expectations.

In July 2023, stope block 2 was backfilled, 2,561 tonnes of ore were delivered to the ROM pad for processing at an average grade of 13.0g/t. 2,455 ore tonnes were processed at an average grade of 13.2g/t, with 1,033 ounces of gold produced for the month.

In August 2023, drilling and production blasting of stope block 3 (planned to be 37m) commenced and is currently 60% through with first 5 days of assays in line with expectations. 630 tonnes were mucked from stope block 3 with an unreconciled grade of 20g/t. 1,984 tonnes of ore were delivered to the ROM pad for processing during August at an average grade of 10.8g/t, with 692 ounces of gold fed through the plant (figures undergoing reconciliation).

In September 2023, the last month of Q3 2023, the Company continues to produce from stope block 3 and develop the incline towards the 460 level. The Company will update on Q3 2023 production in October 2023.

Sales

July and August 2023 gold concentrate shipments totalled 235 tonnes with a sales value of £1.9m. Scottish gold doré sales made to Scottish jewellery companies during July and August totalled £46,160.

****ENDS****

Scotgold Resources Limited

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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.

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.