31/07/2022

Dear Shareholders

We mentioned in our last letter to you that we intended to undertake a new equity financing this summer to fund exploration work over the next 12 months. We also noted that we would produce an updated valuation of the company alongside this to reflect the progress made on the original four option agreements since we raised money this time last year and also the increase in value of our company that the Dolaucothi option agreement delivers.

This letter (a) sets out the work we have now done since we raised money last year and the work we plan to do over this coming year, (b) gives our current valuation of the Company and (c) invites you to express interest in our current financing and sets out the basis of this. Our plan is to approach current shareholders first and then others who have expressed interest in the company but whom are not shareholders currently. If you are a UK taxpayer you will again be eligible for EIS tax relief at 30%.

Work Completed to Date (Phase 1)

In summary since July 2021 we have:-

a) Retained two recently graduated geologists from Cardiff University to do desk-based research and to supervise the Phase 1 Fieldwork Programme which started on July 1st 2021 and finished in late September 2021. One of these, Tristan English, continues to work for us while the other, Jamie Price, left us for a full-time role with SRK Consulting Ltd in Cardiff in August. We then replaced Jamie with another Cardiff MESci graduate, Jasper Thomas, who remains contracted full time by us.
b) Established access agreements with local farmers and other landowners (with the help of initial introductions from National Farmers Union regional representatives) to enable us to undertake the planned fieldwork. This is an ongoing process. We have to date obtained agreement from some 22 landowners, are still engaging with 12 others and have been refused access by 4.
c) Under a close relationship with Cardiff University Geology Department, sponsored six Cardiff University geology students to complete their summer placements and assist us with our 2021 summer programme. Specifically, three students worked with us for the first six weeks of the field season and another three for the second six weeks. In addition to undertaking field work while with us all were required to prepare a field work report on a particular aspect of the project which have also added to our knowledge and helped us plan this year's exploration.

d) During the 2021 field season, collected from our target areas in Pembrokeshire 4,422 soil samples, 149 rock samples and 37 pan concentrates (which yielded 111 grains of gold). All these grains came from the Clarbeston Area and confirm historical work done by the BGS which brought our attention to this area in the first place (we have appended a plan showing the sampling locations and results obtained).
e) Identified several arsenic soil sample anomalies in the Treffgarne Area which is one of our other initial target areas and where drilling by the BGS had previously intersected gold (we are using arsenic as a pathfinder as the XRF cannot be used to analyse directly for gold). We have appended a plan showing the sample locations and results.
f) Submitted around 600 samples to the ALS lab in Ireland for gold assaying and/or ionic leaching.
g) Logged the core from the three BGS drillholes drilled on one of our Pembrokeshire option agreements (which the BGS hold at its core shed in Keyworth) and which we intend to re-sample this year as only a few short lengths of core were sampled when the holes were originally drilled.
h) Similarly logged several holes drilled by previous explorers in the area covered by our Dolaucothi option agreement (and which we are also planning to sample these this year for similar reasons). It is clear from this work that the host rocks to the mineralisation at Dolaucothi are the same as the rocks that contain the gold intersected by the BGS in Pembrokeshire which was the premise that encouraged us to explore there in the first place.
i) Completed the analysis and interpretation of the XRF, fire assay and other results.
j) Developed a database and 3D geological model (using Leapfrog software) encompassing our two option agreements in Carmarthenshire and which is populated by historical drilling, surface geology and the previous underground development at Dolaucothi which we are using to assess the relationships between the geological structure at Dolaucothi and the known gold mineralisation previously mined and which we are then using to target our exploration in all of our areas in Carmarthenshire and Pembrokeshire.
k) Contracted Professor Tom Blenkinsop from Cardiff University, and re-contracted SRK Exploration Services, to help with the interpretation of the data we have collected to help plan the 2022 field season and re-rented a portable XRF machine to undertake the initial analyses.

Phase 2 Work Plan

The work we hope to do over the next year (Phase 2) essentially comprises a continuation of our "Initial Exploration". This will comprise:-

a) Follow up soil sampling of the Clarbeston and Treffgarne Target Areas in Pembrokeshire.
b) Initial soil sampling of the Minwear and Narberth Targets in Pembrokeshire.
c) Structural mapping in Carmarthenshire.
d) Soil sampling in Carmarthenshire focussed down plunge of the known extent of the Roman Lode, Brunant Farm, and Elan.
e) Stream sediment sampling and panning in Carmarthenshire.
f) XRF assaying for a suite of elements and AA assaying for gold.

g) Commencement of environmental data collection.
h) Ongoing stakeholder engagement.
i) Ongoing liaison and negotiation with land owners.
j) Data interpretation and selection of prospective anomalies to be further explored in Phase 3.

We have a working document that sets out the above in more detail which we can send you if you would like to see this. Please let me know. Comments on this would be very welcome.

This work has already commenced, and we have established two teams, one located in Pembrokeshire which will follow up on the gold we panned in streams around Clarbeston Road but will also investigate anomalies to the south-east of this. This team will be based in the flat we rent in Haverfordwest and will be managed by Tristan English one of our longer-term contracted geologists.

The second team will be based in a house we have managed to rent on good terms in Lampeter and will be led by Jasper Thomas our second longer term contract geologist. This team will focus on the Dolaucothi area and will follow up on the considerable amount of historical data that we have managed to acquire over the last few months.

In addition to Tristan and Jasper, each team will consist of one recent graduate (in both cases one of the students that worked for us last Summer) and two undergraduate students. The pairs of undergraduates will spend six weeks working and then be replaced by a second pair of undergraduates for a further six weeks. This system worked well last year and we expect it to do so again. Interestingly all four of the graduates now working for us obtained first class honours degrees.

Note also that although we are paying our young team of geologists we aren't intending for any directors of the Company to be paid. SHG has however granted 6,207 options to Roger and 10,483 options to me to compensate us work we have done for the company. Please let me know if you would like to see more details on this.

A breakdown of budgeted expenditure is given below. It is possible we will also undertake a drone magnetic survey but this depends on access to National Trust land which we don't yet have and we don't yet a have a cost for this. We currently have some £70k in the bank account so the shortfall is some £110k and we would like to raise in the order of £200k so we can do the drone survey and retain a balance.

Crown Option Agreement Fees -	£30k
Geologist salaries	£60k
Flat/House Rental/Council Tax/Services	£30k
Assaying Costs	£30k
Consultants/Advisors	£10k
Equipment	£10k
Expenses/Incidental	£10k
Total	**£180k**

Revaluation of SHG
We have conducted a valuation exercise for the Company using a standard cost based approach which essentially derives a value based on money spent that has added value to the assets both historically and by us, plus money planned to be spent that is justified by the potential. The value derived using this approach was £1.1 -£1.2 Million. The increase compared to the previous price reflects the work we have done and results obtained plus the acquisition of the Dolaucothi option agreement and all of the drilling data that we have on this.

We obtained two second opinions on this valuation (one of whom is a shareholder and one not) both of which suggested a value range of £1.1 – 1.3 million. For the purpose of the share offer we have therefore decided to set a share price of £1.25 which, given we have 886,350 shares in issue, values the Company at just over £1.1 Million and represents a 71% increase on the 72.5p at which you all invested last year.

I am happy to provide the workings of our valuation if anyone would be interested in seeing this.

Outlook
We are really excited by the historic data we are accumulating around Dolaucothi. As we know the mine closed at the outbreak of WWii, in ore, was allowed to flood and has not since been reopened. The orebody was not exhausted and its full geometry and depth extent is not fully understood. Historic work also picked up gold and arsenic anomalies in soils in the area. There is a lot more work to be done to understand these but no one has ever properly explored the area around the mine for parallel structures which do not reach surface i.e. the potential for a second Dolaucothi which doesn’t “day-light” or outcrop in the area is real and we would like to find it.
We intend that the money we are raising now will take us to a position where the next raise will be larger and hopefully to fund diamond drilling to investigate targets for gold mineralisation which have been identified by this work programme.

We should also not lose sight of the potential in Pembrokeshire which is why we are continuing to explore there. The rocks where we are exploring are the same as those round Dolaucothi and there is gold in streams with suggestions of gold elsewhere. The excitement and value we would generate if we found something there is significant.

Finally, we have also been approached by a Company with some interesting gold exploration assets elsewhere in the UK which is looking to do a transaction involving these and which we are in the process of reviewing. We will however revert to our shareholders before committing to any deal involving these.

2022 Equity Offer
In summary, we are planning to raise up to £200,000 at £1.25/share. We do not of course need all this money immediately since it is intended to fund the company up to a Summer 2023 field season but we do need to raise sufficient to fund us to the end of the year if we

want to do the work we have planned. As noted above anyone who pays UK tax can claim EIS tax relief at 30% making the effective purchase price 87.5p.

Please let us know if you would like to take part in this, and to what level, in which case we will send you a subscription agreement. I will be taking part myself. Once we have determined the level of commitment from existing shareholders we will then approach those who have indicated interest but who are not currently shareholders.

In summary, I feel we have made much better progress than we expected and have an exciting summer ahead of us and look forward to keeping you up to date as the Company continues to grow.