sarn helen gold

31/05/2023

Dear Shareholders

First of all please accept our apologies for taking so long to send you an update. As you know, none of the directors receive any payment for the time we spend working for the Company (except through the award of options to acquire shares) and we do not therefore have the luxury of being able to commit all of our time to it. We have prioritised the time we have spent on progressing the exploration rather than communication. We will, however, try to do better.

You may recall that when we were in contact in December, we had just closed our 2022 equity financing, we were waiting for gold assay results from two targets we had identified close to the old Dolaucothi Mine on our Carmarthenshire Crown Option Agreement (effectively an exploration licence), and we were in the process of acquiring a new exploration licence in the Southern Uplands of Scotland.

This letter:

- summarises the net results of the 2022 financing and the associated issue of share and EIS certificates;
- provides an Exploration Update on the work completed since December;
- discusses our medium term aims for the Company, and our exploration plans; and
- sets out how we intend raising further finance to fund our plans and how you can take part in this if you wish to do so.

Attached to this email is both an up to date introduction to the Company that we have prepared for Angels Invest Wales (more of Angels Invest Wales later), and our detailed exploration plans for the remainder of 2023 prepared by our two full time geologists (for those of you that might be interested in more detail).

2022 Equity Financing

When we were in contact in December, we reported we had had just closed our last financing, raising £182,250 and welcomed on board 12 new shareholders to the company. In fact, one more slipped though at the last minute that we had not included and so we actually closed our 2022 raise on £184,750 and welcomed 13 new shareholders to our company. We welcome you all and thank you for your support.

Issue of share/EIS certificates

Share certificates have been sent to all investors who took part in the 2022 financing. If you haven't received yours, please let us know. We will apply to HMRC this week to allow us to issue all eligible investors (anyone who pays UK tax) with an EIS certificate. This is the certificate to submit with your next tax return and which allows you to recover 30% of your investment in the Company from your tax. This will be the third round of EIS, the previous two have gone through smoothly and we don't anticipate any problems this time.

Exploration progress

Introduction. As mentioned in December, we were again busy in H2 2022 and have continued to be so in H1 2023. In total we have now collected over 8,000 samples from our licences. All of which have been analysed using a pXRF for gold indicator elements such as arsenic and a subset of which have been sent to the ALS laboratory in Ireland to test for gold.

We have now added two exploration licences, Dolaucothi and Peeblesshire, to our original four and relinquished one, North Pembrokeshire. We are very conscious of our exploration spend and we don't intend to sit on licences, which costs money, unless we believe in their prospectivity. So, in total we now have five licences, two in Carmarthenshire, two in Pembrokeshire, and one in Peeblesshire.

Carmarthenshire (Dolaucothi). We only acquired the Dolaucothi licence on 1st April 2022 since when it has been our primary focus as it encompasses the old gold mine. In fact, our licence area encompasses most of the old mine workings apart from a small area of near surface workings where the National Trust take underground tours (more of the National Trust later).

In addition to the historical mine, the Dolaucothi licence has also been the subject of previous exploration, during the 1970 and 80s. We managed to accumulate a significant amount of data collected by this work in the run up to being awarded the licence which helped us to quickly focus exploration on areas of interest. We also located the core for 19 boreholes which were drilled on the licence and are housed at the British Geological Survey (BGS) near Nottingham. We have visited the core yard where this stored and relogged all 19 and have now been given permission to sample and assay some 120m of this. This should yield some exciting results and will help us target extensions to the mineralisation previously mined, enable us to undertake some mineralogical testwork on the occurrence of the gold (and how it can be recovered) and inform our future exploration targets.

Since April, our full-time geologists, aided by numerus placement students from Cardiff University Geology Dept, have collected and analysed 2,746 soil samples, 23 stream sediment samples, 57 rock chip samples and 15 panned concentrates from streams on this licence from which we have recovered 83 gold grains.

We have also retained the consultancy services of Prof Tom Blenkinsop of Cardiff University who is an expert on structural geology and the type of geology which controls gold mineralisation at Dolaucothi. Most importantly, we have identified several areas which merit follow up and which are discussed under the "Outlook" section below.

Pembrokeshire. Our work here was originally focussed on two areas, Treffgarne/Roch and Clarbeston, and more recently has encompassed two new areas at Newmoat and Minwear. We again collected gold from streams in both Treffgarne/Roch and Clarbeston and analysis of these conducted by Prof Robert Chapman of Leeds University suggests that the grains haven't travelled far from where they were collected. We also found some gold grains in streams at Minwear.

Peebleshire. As mentioned at Christmas we were attracted by the geological setting of this licence and by the multiple recorded gold occurrences on it. The vendors were unable to continue work on it and agreed to our offer of £50,000 payable in shares in SHG at the price of the last raise i.e. £1.25. We welcome them as shareholders. We think this licence is at around the same stage of exploration and has similar potential to our licences in Pembrokeshire, which based on the work we have done and results we would now value at several times what we paid for the Peeblesshire licence.

The work we have undertaken on this licence to date has been limited to one four-week field season during March/April of this year during which we undertook a programme of systematic soil sampling, rock chip sampling and stream sediment sampling. We are still waiting for the assay results of the stream sediment samples but we do have the results from the rock chip samples and these included one area where two samples assayed at 7.95g/t Gold and 6.58g/t Gold respectively. These are economic grades and therefore extremely encouraging and, in our opinion, more than vindicate our investment. These results are hot off the press and not referenced in our attached exploration plan which was produced earlier this month but we have included a slide on this in the Angels Invest Wales presentation.

2023 Equity Offering and future fund raising

In our December email we mentioned that we would likely need to raise more money towards the end of Q2 2023. This need has indeed come to pass (as of today we have just under £50k in the bank).

Given our exploration activities and the exciting progress we are making we intend to raise a further £200,000 to fund our Company through to late 2023. If we obtain the results we hope over the next six months or so, this should enable us to identify drill targets around Dolaucothi. If so, we will be looking to raise a larger amount of money at a higher price at the end of this year to fund drilling in 2024.

Given the successes of our exploration work since our last raise at £1.25 and the acquisition of the Peeblesshire Licence we have re-valued the Company based on this and are proposing to raise money at £1.50/share. We would remind you that as a UK taxpayer the effective cost/share will be £1.05 given our EIS status.

To help with this raise we have contacted a group of investors called Angels Invest Wales. Angels Invest Wales is a network of investors managed by the Welsh Development Bank and which exists to help Welsh-based entrepreneurial companies to raise money from a group of predominantly Welsh High Net Worth investors.

Most of Angels Invest Wales's deals are in the technology space and so we are hopeful that Welsh gold exploration will attract significant interest not least because 2023 marks the 100 year anniversary of when Welsh Gold was first used to make a wedding rings for a member of the British Royal Family.

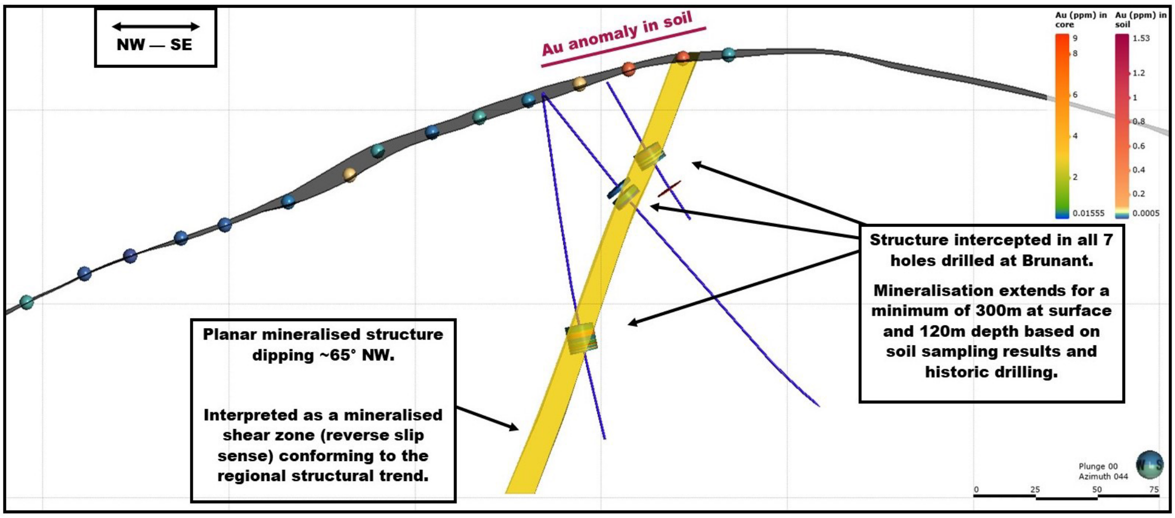
Notwithstanding the above, we will of course ensure that any existing investor who wishes to invest and to maintain or increase their exposure to SHG will get preferentially treated and so we encourage you to let us know if you would like to participate so we can send you a subscription agreement.

Outlook and our exploration plans

We are very excited about the series of catalysts for the Company. Positive developments from any or all these catalysts would materially accelerate the company's move from grassroots explorer to (hopefully) a gold miner. This would also see a significant uplift in the value of the company. Anyone who wants to understand the steps on the journey from exploration to mining should look at slide 13 in the Angels Invest Wales presentation. The main catalysts in the near term are as follows:

1. **Trenching at Brunant**. Work over the last field season and subsequent work has confirmed the continuity of a potential gold-bearing shear zone along a hill side at Brunant Farm to the northeast of the old Dolaucothi Mine. Historic drilling shows gold mineralisation inside the hill (the historical core sampling was incomplete but suggests the structure contains at least 2 g/t Gold over a true thickness of around 5m), and work we have done has identified a gold in soil anomaly in fields on top of the hill where this would likely outcrop (see figure below). Our intention is to excavate a series of trenches on the top of the hill to try to expose this outcrop and then to take rock samples along the length of the trench to determine its average grade at surface. We will excavate several trenches to try to expose the shear along strike for up to 300m (into and out of the plane of the map). If this is successful and the grades continue to be of interest this will be our first drill target and would be big leap forward for the company.

Brunant Target – Cross Section



sarn helen gold

Cross section through hillside at Brunant showing historic boreholes, gold in soil on top of hill and interpreted gold-bearing shear-zone in hillside in yellow.

A secondary, parallel structure on Brunant Farm (around 200m NW of the first) which was identified by SHG's 2022 soil sampling is also to be targeted by this trenching. As yet, no work has been done to evaluate this structure further, but it has the potential to represent a second gold bearing shear zone which may also warrant drilling in 2024.

2. **Systematic sampling of old borehole core from Dolaucothi and Pembrokeshire.** After some time and discussion with the BGS we have gained approval to systematically sample 120m of largely previously unsampled borehole core drilled around Dolaucothi and in Pembrokeshire 20-30 years ago and held at the BGS core yard. The sampling of the core from Dolaucothi will help us to understand real *in situ* gold grades at Dolaucothi and potentially help us delineate a second drill target. The sampling of the core in Pembrokeshire will help us determine if some of the gold we have found in Pembrokeshire has a similar source to the gold at Dolaucothi and help guide our further exploration of this.

3. **Deep augering of a gold anomaly at Ynysau southwest of Dolaucothi mine.** Summer 2022 field work has identified a significant gold anomaly in soil with grades up to 1g/t Gold around Ynysau. There is also a small flooded tunnel (winze) in the area which isn't described by any historical geological report and which we have already sampled obtaining potentially economic grades of up to 6g/t Gold. We are unsure whether the gold in soil comes from mine related contamination (as it is downhill of the historical mine) or whether the gold is sourced from rocks beneath the thick soil profile. We hope that augering to the base of the soil profile will answer this question. This may also be represent a third drill target for 2024.

4. **On trend prospecting in Dolaucothi extension licence**. Further work over the last field season has identified a series of targets for field work which are both along the NE-SW running Dolaucothi trend and which have similar structural signatures to Dolaucothi itself. This is a longer-term target than the above three but exciting nevertheless. We are also currently investigating the cost and practicality of undertaking a drone magnetic survey over a wide area which would include this.

5. **Grab sampling from a field visit to the Peebleshire Licence**. The assay results just received from the rock chip samples collected on this licence are extremely encouraging and justify follow up work to find the *in situ* source. This is also a longer-term project but a very exciting one.

6. **Unexplained gold in streams in Pembrokeshire**. There are several areas of Pembrokeshire with gold in streams (some of the gold grains are shown in the attached Angels Invest Wales presentation). We have not yet been able to determine a source for this but work done by Prof. Robert Chapman suggests that in most cases this is close by -- which is tantalising. We think though that there is more than one source to the gold in Pembrokeshire and we hope that the work planned for this year, which will include some sampling of new areas, inclusive of an area immediately to the north of Narberth, will help unravel this and guide our next steps.

The Future

The future of the Company clearly depends on results and on our ability to respond to these (positive or negative) and be open to new opportunities. We feel we have some very exciting targets and a work plan that will help evaluate these and we look forward to updating you on these as our exploration proceeds. At the same time, we will keep our eyes open for new opportunities (such as that we saw in Peeblesshire) and critically review our own projects as these advance and ensure we only spend money where justified by the potential.

One key challenge we would like to overcome is to gain access to explore the land owned by the National Trust at Dolaucothi which surrounds the old mine and lies between our two priority targets at Brunasnt and Ynysau.

We don’t believe that obtaining this access is critical to the success of our exploration at Dolaucothi but we do believe this would open up more opportunities to identify drill targets quicker than will be the case without this as we would be exploring closer to the old mine. We have been in a largely one-sided discussion with the National Trust for some time now but the Crown Agent is now engaging with them on our behalf and so we remain hopeful of a positive outcome.

Notwithstanding the uncertainty, our medium term goal remains to go public at an optimum point for development of the Company and for our shareholders. This point has not yet been reached but if we do identify drill targets the decision may be whether to do this before or after this drilling. Our current feeling is that this may be after the drilling (and we are already in discussion in relation to other sources of finance for this (inclusive of Crowd Funding) but we welcome all your thoughts.

Concluding Remarks

We hope that this update gives you some of the enthusiasm and optimism that we hold for the Company and that you are happy to be a shareholder. We feel the next 6-12 months could yield some exciting results which could add significant value to the Company, and we would be delighted if you want to participate in the current round of investment which I intend to do myself. Either way we welcome your comments and do hope to find time to arrange meetings for our shareholders in Cardiff and London most likely in the Autumn.

Finally, we have also recently spent quite a bit of time developing our website which we hope will go live in the first half of June and which will have an Investors only page through which we promise to communicate better.