

4 February 2020

Power Metal Resources plc ("POW" or the "Company")

Arizona USA – Alamo Project Update

Power Metal Resources plc (LON:POW) the AIM listed metals exploration and development company is pleased to announce developments in respect of the Alamo project (the "Project") in Arizona, USA.

Readers are advised to review the Company's announcement in respect of the Alamo Project dated 3 December 2019 and which can be viewed through the following link:

<https://www.powermetalresources.com/n/n169/arizona-usa-alamo-project-opportunity>

HIGHLIGHTS:

- Initial due diligence in respect of the Project has been completed successfully, including a site visit by the POW Chairman, POW CEO and the Company's Competent Person.
- Project shows evidence of possible epithermal mineralisation possibly related to a deep-seated porphyry intrusion. Evidence of intrusive dykes and structural conduits support the Project's prospectivity.
- Presence of gold nuggets within the Project area was confirmed during the POW visit. Under POW oversight an approximate 3m² test pit, up to 30cm deep, was excavated in an area of undisturbed vegetated ground coinciding with the perceived trend of intrusive dykes. Using a metal detector supplied by a local prospector, three small gold nuggets were recovered from the material excavated.
- This sampling demonstrated the presence of coarse, near-surface gold while the topographical surface morphology supports a likely proximal hard-rock source for the gold. The findings also provide some support to reports that some 60 ounces of gold nuggets have been recovered within the Project area (the largest nugget reportedly weighing approximately 5 ounces).
- Findings of the POW visit also indicate that the package of claims should be extended to include a sufficient buffer around the prospective area.
- The vendors have waived the previous extension fees (comprising the issue of a further 2,911,387 new ordinary shares of 0.1 pence each ("New Ordinary Shares") to the vendors at a price of 0.4p per share (£11,646) for an additional 30 days added to the due diligence period), and POW have agreed to spend a minimum of US\$20,000 to complete additional exploration work and secure additional ground, in exchange for an extension to the due diligence period to 20 April 2020.

- Additional exploration work is likely to include the acquisition and assessment of satellite remote sensing datasets to obtain additional information on structure and alteration mapping.

Paul Johnson Chief Executive Officer of Power Metal Resources plc commented: “We are pleased with the progress made regarding our assessment of the Alamo Project. The identification of a potential porphyry engine for the phenomena seen at surface is of particular interest.

In addition, we are encouraged by the confirmation of near-surface gold nuggets, through a very limited metal detecting exercise and the potential for a proximal bedrock gold source within the Project area.

We now need to ensure that the claims package is complete and covers the prospective ground with a sufficient buffer and will undertake some additional work to ratify our assumptions to date.

We will discuss in greater detail the terms of a potential transaction upon conclusion of our due diligence.

I look forward to providing our shareholders with further updates in due course.”

VENDORS AND FORMATION OF SPECIAL ADVISORY COMMITTEE

The right to earn into the Alamo Project is held by the vendors Joe Carrabba and Murray Nye (see below and the “Vendors”)

Subject to successful completion of project due diligence and POW exercising the right to earn into the Alamo Project, the Company will form an advisory committee on which the Vendors will collaboratively work alongside POW in the development of the Project.

The respective experience of the Vendors in both operating and developing mining projects through all phases of the development curve, as outlined below, will prove valuable when assessing how best to augment value in the Alamo Project.

Joe Carrabba

Mr Carrabba is a seasoned mining executive, who has held senior positions in the industry including as a director of Newmont Goldcorp Corp and as former President and Chief Operating Officer of the largest independent iron ore producer in the U.S., Cliffs Natural Resources Inc.

Murray Nye

Mr Nye has extensive experience in international corporate finance and currently serves as the Chief Executive Officer of Winston Gold Corp (CSE: WGC). Prior to Winston, Mr Nye was the former CEO of RX Exploration Inc. (“RX”) where he brought the historic Drumlummon Gold/Silver mine back into production. During Mr Nye’s tenure, the market valuation of RX increased from a base of circa \$1.5m to circa \$80m

REVISED TRANSACTION TERMS

The Project is currently 100% owned by Frisco Gold Corporation, Bullhead City, Arizona, USA.

The Vendors currently hold an option for a right to earn in to 60% of the Project by covering property payments over a four-year period and exploration expenditure over a three-year period, (the "Option") as outlined below. POW has signed an agreement to acquire the Option, subject to the satisfactory completion of due diligence.

- On 3 December 2019 POW entered into a 45-day due diligence period to enable Project inspection and an initial work programme including Nugget verification and geochemical sampling to validate Project prospectivity (the "Due Diligence Period"). The fee payable to the Vendors to enter into the Due Diligence Period is US\$25,000 payable through the issue of 4,852,125 New Ordinary Shares (the "Due Diligence Shares") at price of 0.4p per share (£19,409).
- The Due Diligence Shares are subject to a period of 4 months where they may not be sold without the written approval of the Company. Should POW shares trade at a volume weighted average price ("VWAP") of 1.5p or more for seven consecutive trading days, or should POW decide not to acquire the Vendors' Option, the Due Diligence Shares and Additional Due Diligence Shares would become freely tradable.
- The Due Diligence period has been extended to 20 April 2020, to enable the acquisition of additional claims in the area of the original claims package thus covering the zone of prospectivity identified and to enable certain additional exploration work to be undertaken to increase knowledge of the prospective mineralisation.
- To acquire the Option from the Vendors, on satisfactory completion of due diligence, POW would pay the Vendors a further US\$250,000 payable through the issue of 38,814,500 New Ordinary Shares (the "Consideration Shares") at a price of 0.5p per share (£194,073) and grant a warrant over 38,814,500 New Ordinary Shares (the "Consideration Warrants") at an exercise price of 1.0p per share and with a three year life to expiry.
- The Consideration Shares shall also be subject to a period of four months where they may not be sold without the express written approval of the Company. Should POW shares trade at a VWAP of 1.5p or more for seven consecutive trading days, the Consideration Shares would become freely tradable.
- Upon acquiring the Vendors' Option, POW will be the operator of the Project, working in conjunction with a newly appointed advisory committee including Joe Carrabba and Murray Nye and will seek to form an Operating Committee with the current project owners.
- Upon acquiring the Vendors' Option and establishment of the advisory committee POW will award share options over 2,500,000 New Ordinary Shares to Joe Carrabba and Murray Nye respectively (5 million options in total). The share options will be awarded for advisory

committee services and will be exercisable at 1.0p per New Ordinary Share and have a life to expiry of three years. These share options may however only be exercised if the share price of POW exceeds a VWAP of 1.5p for seven consecutive trading days.

- After acquiring the Vendors' Option, POW can earn into a 60% interest in the Alamo Project by expending US\$1,100,000 (circa £850,000) on property payments over a four year period and exploration work costs over a three year period. First year costs are modest and would amount to US\$150,000 (circa £116,232).
- Upon completion of the earn into the Project, POW must contribute to 60% of ongoing Project expenditure to maintain its 60% interest. Likewise, following the POW earn in, Frisco Gold Corporation must contribute to 40% of Project expenditure to maintain their 40% holding. If either party does not contribute in line with their percentage ownership, they will dilute their ownership percentage in line with a standard industry dilution formula.

Competent Person's Statement

The technical information contained in this disclosure has been read and approved by Mr Nick O'Reilly (MSc, DIC, MAusIMM, FGS), who is a qualified geologist and acts as the Competent Person under the AIM Rules - Note for Mining and Oil & Gas Companies. Mr O'Reilly is a Principal consultant working for Mining Analyst Consulting Ltd which has been retained by Power Metal Resources PLC to provide technical support.

The information contained within this announcement is considered to be inside information prior to its release, as defined in Article 7 of the Market Abuse Regulation No.596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

For further information please visit <https://www.powermetalresources.com/> or contact:

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Notes to Editors:

Power Metal Resources plc (LON:POW) is an AIM listed metals exploration and development company exploring for the key metals used in power generation, transmission, storage and utilisation. The Board and team of advisors, who have proven expertise in exploration, mining and project generation, have identified an opportunity to utilise the Company's position to become a leader in the London market for investors to gain exposure to the power metal commodity suite, particularly cobalt, lithium, copper and nickel.