

14 July 2020

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

Strategic, Operational and Financial Update

Power Metal Resources plc (LON:POW) the AIM listed metals exploration and development company is pleased to provide a Strategic, Operational and Financial Update (the "Update") to shareholders, following the Company's £1,000,000 financing announced on 06 July 2020 (the "Financing").

The Financing unlocked the potential of Power Metal, by providing the financial capability to push on with existing interests more innovatively and aggressively.

This announcement explains in more detail important elements of strategy, operations and financial management, in light of the funding raised.

HIGHLIGHTS

- Power Metal has two key strategic objectives:
 1. To make one or more major metal discoveries within its gold, base and strategic metal projects and then crystallise the value of such discoveries for shareholders' benefit;
 2. To build its working capital and 'balance sheet' toward financial self-sufficiency and to reduce forward reliance on funding from the market to achieve its business objectives.
- The Company currently has five main projects and two additional projects in the later stage of due diligence and commercial discussions. Each project has discrete operational targets which may lead to operational news flow, an outline of which is provided below.
- Following the Company's Financing announced on 6 July 2020 the Company can confirm its total assets as at 10 July 2020 amounted to £3.04 million. Within total assets, cash, and tradable listed investments amounting to £1.7 million (including monies raised in the Financing).

Paul Johnson Chief Executive Officer of Power Metal Resources plc commented:

"At Power Metal I am striving to build a diversified exploration business backed by a strong 'balance sheet' to drive the Company towards an ability to self-finance its own activities and break the dependency most juniors have on market financings.

I am keen for us to be bold and adventurous with reward weighted risk taking, but with solid underlying principles of risk management covering geopolitical, commodity, operational and financial considerations. In other words, combining boldness with risk management means diversification, which is what we have achieved.

Many companies put their business case forward focused around a single major project and concentrate their energies around that. I understand this, but it's not the Power Metal approach, where instead, in our view, we have numerous major projects, each of which is capable of delivering a transformational discovery and by virtue of this shareholder wealth.

It has not been easy building our diversified project portfolio during the challenging junior resource sector conditions of the last 18 months, but it may not have been possible but for those conditions that meant excellent opportunities remained available.

So now we find ourselves with a diverse and exciting portfolio of project interests, and with the support of shareholders and investors in the recent Financing, a considerable working capital position with which to drive forward those interests. If we are fortunate in making a major discovery in just one of our projects, we could create significant value for our shareholders.

Now to practicality, and how we move forward.

We have published below a step by step guide to our operational plans and our underlying financial position. As shareholders will appreciate, not everything goes to plan, but I believe if we are transparent with the approach we are taking, and utilise the financial resources available to us, we will make our business model clearer and a more attractive investment proposition.

As a final note, all shareholders and investors are invited to provide feedback on Power Metal, and recommendations or suggestions to enhance what we do are always helpful. Likewise if you have any questions please let us know through info@powermetalresources.com or my telephone number is below and at the bottom of all our market announcements. If you have a question about our business, it will likely be shared by many others, so please ask, and that will also help us to further improve our investor information and market communications.

Thanks to all our shareholders for your interest and support. As investors we are all focused on making money from our investments, however following a company's story can also be an enjoyable part of the investing experience. I believe Power Metal has a fascinating emerging story.

Now on with the work!"

STRATEGIC OBJECTIVES

Power Metal has two key strategic objectives:

To make one or more major metal discoveries within its gold, base and strategic metal projects and then crystallise the value of such discoveries for shareholders' benefit.

The Company considers that each of its current projects has the potential to deliver a large-scale metal discovery. The same belief also forms the basis around any selection of new projects brought into the portfolio.

Projects will only remain in the Company's portfolio while they demonstrate the ongoing potential, through exploration findings, to deliver a discovery, and only where the work programmes needed are comfortably within the available financial resources of the Company.

In the remainder of 2020, Power Metal has a number of stand-out opportunities that through exploration, could expose shareholders to a major metal discovery. These include:

- Molopo Farms Complex project Botswana, ("Molopo Farms Project") (Following US\$500,000 earn-in - 50.96% Power Metal) – drilling is planned for the coming months targeting major nickel – copper – platinum group metal ('PGM') targets;
- Haneti Polymetallic project Tanzania, ("Haneti") (up to 35% Power Metal) – exploration drilling plans are being developed to target major nickel – copper - PGM targets;
- Australia Gold JV – out of 11 licence applications in the Victoria Goldfields, proactive exploration may be undertaken in 2020 subject to license grants, local approvals and finalisation of targets following completion of the historic exploration and mining database, which includes specific drill target locations in priority licenses.

To build its working capital and 'balance sheet' toward financial self-sufficiency and to reduce forward reliance on funding from the market to achieve its business objectives.

Power Metal is focused on building a large underlying working capital position with which it can move toward financial self-sufficiency and an ability to fund the central and project operational costs through its own financial resources, with reduced dependency on market financings.

This is not a model pursued proactively by many junior resource companies where a more traditional model of cash burn for exploration, then restore cash balances through placings, tends to apply. Power Metal aims to do things differently.

There are three main ways in which Power Metal intends to build its 'balance sheet' working capital:

Adopting a dual approach of taking a position in project holding companies alongside direct project participation.

To date Power Metal have taken this approach three times with Kalahari Key Mineral Exploration Pty Ltd ("Kalahari Key") – Molopo Farms Project, Katoro Gold Plc ("Katoro") – Haneti and with Kavango Resources Plc ("Kavango") – Dita Camp Project*.

**Subject to the completion of successful due diligence*

The aim is that successful project development will drive the value of the ultimate holding company in which Power Metal has a stake, driving the value of our investment in that company higher.

The recent financing has enabled this option to be utilised for further potential transactions should opportunities arise.

Monetisation of existing project interests

Following acquisition of projects Power Metal plans to move each project forward corporately and technically. From our portfolio certain interests may be vended to third parties or into new listings, in exchange for cash, equity and other forms of consideration which will build the Company's working capital.

Investment in other junior resource sector opportunities

In the current climate there are opportunities for significant capital returns to be generated from investment in junior resource equity or related financial instruments.

Power Metal has created an internal fund for making investments in other junior resource sector opportunities, which will be referred to as the Company's "Junior Resource Fund", with a view to building the value of a portfolio of investments to add to working capital. As the vast majority of the Company's working capital is deployed to operating projects and associated investments in project holding companies, only a small amount of initial capital has been deployed for the Junior Resource Fund (up to a maximum in total of £75,000 representing less than 5% of Power Metal's current working capital.)

OPERATIONAL PLANS AND KEY TARGETS

Power Metal provides the following overview of its five main projects and two projects under due diligence.

This includes a rationale for each project, the work underway and planned and the near-term targets for shareholders to monitor as the Company moves forward.

PROJECT	RATIONALE/WORK UNDERWAY/NEAR TERM TARGETS

<p>Arizona US - Alamo Gold Project</p> <p>(GOLD)</p> <p>(Under Due Diligence)</p>	<p>Rationale:</p> <p><i>Power Metal considers Arizona to be a robust mining jurisdiction.</i></p> <p><i>This property is in west-central Arizona, an area with mineral potential though without the historically intensive exploration of other areas of Arizona or Nevada. The local team are experienced project finders, with a clear plan for the project and the potential for a major precious or base metals discovery leading to a commercial mine.</i></p> <p><i>If Power Metal can balance the risk/reward with the right transactional structure and expeditious exploration programmes, Power Metal consider this to be a viable complementary project in the portfolio.</i></p> <p><i>Moreover, there is merit in building a North American gold business within the Company, including the Alamo and other projects, which would come through our established network in the USA and Canada.</i></p> <p>The Alamo Gold Project (“AGP”) opportunity is situated in west-central Arizona USA and originally identified as prospective for gold following the discovery of native gold nuggets (the “Nuggets”) near surface and in numerous locations within the project area.</p> <p>The geological environment supports further exploration to investigate the source of the nugget gold and the potential for a large mineralised gold system.</p> <p>In addition, the region in which the project is situated is prospective for precious and base metals, with regional mines that have produced silver, lead, gold, copper and zinc.</p> <p>The POW team visited the project during January this year and concluded the Alamo gold project was an interesting opportunity worth investigating further. The then project footprint was too small so the Company funded an expansion of ground to cover the potential mineralised system. This funding was part of a deal to extend the due diligence period during the Covid-19 lockdown.</p> <p>Power Metal has since been engaging with the ultimate project owners and the vendors of an option giving a right to earn-in to (“RTEI”) the project.</p> <p>If the discussions conclude successfully the final terms will include commencement of an immediate exploration programme which is important to all parties.</p> <p>NEAR TERM TARGETS:</p> <p>Successful negotiation and completion of transaction with commencement of project earn-in.</p>
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**Australia JV – Victoria
Goldfields**

(GOLD)

Rationale:

Power Metal has been reviewing strategic gold opportunities in the last year. Attention focused on Australia, and specifically the Victoria Goldfields in late 2019. In the first few months of 2020 there was an increase in activity and interest relating to the Victoria Goldfields, driven by many factors, with the notable success of the Fosterville mine (owned by Kirkland Lake Gold (TSX:KL) and the significant success of the listing of Fosterville South (TSX-V:FSX) another junior gold exploration company focussed on the Victoria Goldfields.

As a result Power Metal joined forces in a joint venture (‘JV’) with Red Rock Resources plc (LON:RRR), and utilising their longstanding vehicle Red Rock Australasia (Pty) Limited set about submitting license applications.

Power Metal considers the Victoria Goldfields to be a highly attractive opportunity in a secure jurisdiction offering considerable potential for multiple gold deposit discoveries. This view is backed by the considerable interest in the area in what the Company believe amounts to a “Gold Rush” with a high volume of new license applications submitted in 2020 to date. There is now insufficient free land from which a strategic land package of substance can be constructed.

Power Metal holds a 49.9% interest in Joint Venture company Red Rock Australasia (Pty) Ltd (“RRAL”) with partners Red Rock Resources plc (50.1%).

RRAL has submitted 11 license applications for tenements covering 1,839 sq km in the Victoria Goldfields of Australia, centred around long-established mining centres.

The JV is undertaking an immense amount of work to progress the applications in various work streams including:

- Utilising a team of Victoria-based geologists and local experts to finalise a project database confirming the extent of gold mineralisation and historical production across all eleven licence application areas;
- Using this database to develop a ‘Geological Review and Development of Exploration Strategy’ report to further enhance and target expeditious exploration plans in readiness for licence grants;
- Preparation of a National Instrument 43-101 Technical Report in respect of the land package;
- Formation of a Technical Advisory Board including Victoria-based geologists to advise and co-ordinate on technical matters in connection with a possible listing and has appointed initial members.

<p>Botswana – Ditau Camp Project</p> <p>(RARE EARTHS)</p> <p>(Under Due Diligence)</p>	<p>Rationale:</p> <p><i>Power Metal considers Botswana to be a premium destination for exploration in Africa, with transparency and good practice embedded at all levels.</i></p> <p><i>The demand for sources of rare earths from secure jurisdictions make strategic rare earth projects inherently attractive. The extensive alkali ring structures on the Ditau Camp Project (the “Ditau Project”), and the association with carbonatites make Ditau an interesting exploration target of some size and scale.</i></p> <p><i>Moreover Power Metal has team members and advisors experienced in rare earths exploration enabling the Company to structure our exploration planning in an efficient and targeted manner.</i></p> <p>The Ditau Project comprises two prospecting licences in Botswana covering a combined 1,385 sq km of ground in south-west Botswana.</p> <p>Power Metal is currently conducting due diligence with current project owner Kavango Resources plc (LON:KAV).</p> <p>Kavango has reported the Ditau Prospect is considered to host at least 10 alkali ring structures aligned along a SW trend. There is strong evidence that these structures are associated with post Karoo age Carbonatites that lie at shallow depths beneath 60 to 70m of Kalahari sand cover. Carbonatites are the primary source of Rare Earth Metals (REEs), niobium and other minerals</p> <p>Power Metal and its technical advisers are now expediting the Ditau Camp project due diligence which if successful will see the Company holding a 51% interest and partner Kavango Resources plc (LON:KAV) holding 49%.</p> <p>The recent financing enables the Company to fully consider all the options in respect of this project, and to potentially accelerate ground exploration to further enhance the current geological understanding.</p> <p>NEAR TERM TARGETS:</p> <ul style="list-style-type: none"> - Complete due diligence and conclude a commercial transaction. - Launch ground exploration programme.
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**Botswana – Molopo Farms
Complex Project

(Nickel Copper PGMs)**

Rationale:

As noted above, Botswana is a leading African jurisdiction for exploration opportunities. Power Metal team members have been following the progress of Kalahari Key Mineral Exploration (Pty) Limited and the Molopo Farms Project (the “MFC Project”) in Botswana for some time and have been impressed with the commitment, dedication and thoughtful geological approach taken to reach each stage and narrow down to drill-ready targets where we are today.

The Kalahari Key team, including a number of experienced geologists, are large shareholders in Kalahari Key Mineral Exploration (Pty) Limited where as shareholders their returns will come from a discovery that they feel confident the project may deliver.

Power Metal is backing the Kalahari Key team, an extensive amount of work and an application of geophysical targeting where the feedback has been that the high-profile targets absolutely justify the investment in drilling.

The MFC Project is a nickel-copper-PGMs project in south-west Botswana owned outright by Kalahari Key. It is Kalahari Key’s single project focus at present.

Power Metal owns 18.26% of Kalahari Key, (the single project ultimate holding company).

By expending US\$500,000 in 2020 to undertake the drill programme Power Metal will earn a 40% direct project interest in the MFC Project. That will give Power Metal an effective economic interest of 50.96% in the MFC Project. Power Metal has this spend commitment in the bank and foreign currency accounts, ready to deploy when required.

Kalahari Key has submitted the Environmental Management Plan (“EMP”) for the MFC Project to the Department of Environmental Affairs (“DEA”) and subject to approval being received Kalahari Key can complete final preparations including contractor selection and mobilisation.

Drill targets and holes are well defined and the programme will seek the discovery of a major nickel sulphide deposit. Drilling is currently planned to commence in the coming months however this is subject to receipt of EMP approval, drill contractor finalisation and mobilisation arrangements.

NEAR TERM TARGETS:

- **Receipt of Environmental Management Plan approval.**

<p>Cameroon Project</p> <p>(Cobalt – Nickel)</p>	<p>Rationale:</p> <p><i>The Cameroon project licenses sit near or adjacent to the large scale Nkamouna cobalt-nickel deposit.</i></p> <p><i>From a nearology perspective the project had some attractiveness whereby further exploration may demonstrate similar potential mineralisation to Nkamouna.</i></p> <p><i>Being a large-scale project located in a remote and challenging location considerable financial resources would be required to prove up a deposit.</i></p> <p><i>That said Power Metal considered that by the application of reasonably targeted exploration, a greater understanding of our licenses could be achieved. If our work programme demonstrated geological similarity to Nkamouna, this could considerably enhance the project’s valuation for the Company.</i></p> <p><i>Note : With respect to Nkamouna, Geovic published an NI 43-101 compliant Mineral Resource ¹ on the Nkamouna deposit with a total Measured, Indicated and Inferred Mineral Resource of 323mt of 0.21% cobalt, 0.61% nickel and 1.26% manganese .</i></p> <p><i>¹ Source: NI 43-101 Technical Report, Geovic Mining Corp by SRK Consulting, 02 June 2011 (viewable at Edgar Online)</i></p> <p>Exploration work undertaken in 2019 identified elevated vanadium and titanium within the project area and also provided further information for targeting of additional exploration to seek cobalt mineralisation at higher elevations than previously, within thicker lateritic cover.</p> <p>Review work is now to be accelerated to outline the next steps for the 100% owned project.</p> <p>There is an argument, given the flexibility provided by the recent financing, to undertake a further reasonable cost programme in Cameroon. This would principally target cobalt mineralisation through additional pitting but also further investigate the vanadium and titanium anomalies. We are considering this at present.</p> <p>There is also interest in Cameroon from other organisations who are more active in the country and there may be the possibility for corporate transactions including joint ventures and/or disposal of our interests.</p> <p>NEAR TERM TARGET: Launch of a further exploration programme, at reasonable cost and/or the completion of a commercial transaction in respect of the interests.</p>
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<p>The DRC – Kisinka Project</p> <p>(Copper – Cobalt)</p>	<p>Rationale:</p> <p><i>The Kisinka project is located within the Democratic Republic of the Congo ('DRC') a known location for large scale copper-cobalt deposits and within an interesting region geologically within the DRC.</i></p> <p><i>Review of the available project data in early 2019 indicated the potential to implement reasonable cost initial exploration programmes to test the geological structures and potential copper-cobalt mineralisation.</i></p> <p><i>On a risk-reward basis, and given the local knowledge held by the members of the Power Metal team and their advisor network, it was considered viable to invest in initial exploration.</i></p> <p>In mid-2019 Power Metal undertook a termite mound sampling programme at its Kisinka Project in which Power Metal has a 70% interest. This programme demonstrated a 6.8km copper anomaly which has been followed up by a recently completed and successful pitting and mapping programme.</p> <p>Following the confirmation and extension of the 6.8km copper anomaly recently and positive X-ray fluorescence ('XRF') results indicating the presence of copper and cobalt, the company is awaiting receipt of assay results.</p> <p>This will complete the exploration dataset from the H1 2020 programme and help drive the next steps, which are expected to involve geophysics and further pitting, leading to drilling of key targets.</p> <p>The recent financing enables the company to accelerate this next programme should this be considered the best course of action.</p> <p>NEAR TERM TARGET:</p> <ul style="list-style-type: none"> - Receive and interpret assay results from the recent pitting programme. - Design and implement an early follow up exploration programme.
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<p>Tanzania – Haneti Project</p> <p>(Nickel – PGMs – Gold – Lithium)</p>	<p>Rationale:</p> <p><i>In 2019 the Haneti project (“Haneti”) provided Power Metal with exposure to a large strategic opportunity in the Haneti Itiso Ultramafic Complex at a time when large scale nickel projects were increasingly becoming of interest, particularly to larger size mining companies.</i></p> <p><i>Katoro Gold and previous owner Kibo Mining plc spent a number of years developing their understanding of the large Haneti land package and geological system to the point of identifying two high profile targets for drilling.</i></p> <p><i>As such the Company entered the Haneti project at a key point in its development and on the cusp of a value inflection as the project moved into drilling and the prospect of a major nickel sulphide discovery.</i></p> <p>In May 2019, Power Metal exercised an option with Katoro Gold plc (LON:KAT) to acquire an initial 25% stake in the Haneti project.</p> <p>The Haneti Project covers an area of circa 5,000 sq km and is a polymetallic system with identified potential for nickel (sulphide and laterite), Platinum Group Metals ('PGMs'), copper, gold, lithium and rare earth elements ("REEs").</p> <p>The principle target zone is an 80 km long ultramafic belt with grades from surface sampling of up to 13.6% nickel and 2.33 g/t combined platinum and palladium.</p> <p>Within the 80 km ultramafic belt is the principle target, Mihanza Hill, where 2015 geophysical work identified significant extensions to nickel sulphide prospective target rock formations and geochemical interpretation has identified prospectivity for chonolith type nickel-copper-PGM mineralisation.</p> <p>Power Metal is working now with joint venture partner Katoro Gold plc (LON:KAT) in respect of operational plans for Haneti which is 25% held by Power Metal, and 75% by Katoro Gold. Power Metal may increase its holding to 35% by paying Katoro Gold £25,000 in cash by 31 August 2020.</p> <p>Power Metal is now financed to a level where it can stand alongside Katoro Gold in a further exploration programme at Haneti and thus maintain its project interest.</p> <p>Power Metal also notes the interest of third parties in respect of Haneti and therefore that third party involvement in the project, if occurring, could materially change the joint venture partners’ plans.</p> <p>NEAR TERM TARGETS:</p> <ul style="list-style-type: none"> - Work with Joint Venture partner Katoro to launch a maiden drill programme targeting the high-profile Nickel-PGM targets, including Mihanza Hill and Mwaka Hill, seeking a large-scale nickel sulphide discovery.
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FINANCIAL REVIEW

Current Financial Position (unaudited)

Following the subscription financing of £1,000,000 announced on 6th July 2020 Power Metal had total assets of £3,036,970 as follows:

Total Assets	£
Intangible Assets (project related)	1,144,750
Listed Financial Assets	363,726
Unlisted Financial Assets	185,171
Trade and Other Receivables	66,680
Cash and Cash Equivalents (including £1m financing)	1,276,644
Total Assets	£3,036,971

The above 'Total Assets' data includes:

- Intangible Assets and Unlisted Financial assets from the Company's Interim Results release on 30 June 2020.
- Listed Financial Assets based on the valuation of the underlying financial instruments on 10 July 2020.
- Cash and Cash Equivalents drawn from bank and currency account balances on 10 July 2020, together with the 6 July 2020 net subscription financing included.

For normal day to day operations Power Metal relies upon its cash balances and listed investments to provide the resources to fund operations. As at 10 July 2020 Power Metal had Listed Financial Assets of £363,726 and Cash and Cash Equivalents per above of £1,276,644, making £1,707,050 to deploy in business operations.

Power Metal has the ability to sell or joint venture or otherwise monetise its project interests to generate additional working capital to build its 'balance sheet' and to fund its business operations. That is an implicit part of the Company's financial strategy as outlined above and will in the Company's view be an important constituent in the building of the Company's financial strength in the future.

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.

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Notes to Editors:

Power Metal Resources plc (LON:POW) is an AIM listed metals exploration and development company seeking a large scale discovery of precious or base metals.

The Company has a portfolio including key interests in Australia, Botswana, Cameroon, The DRC and Tanzania. The interests represent large scale exploration projects targeting mainly cobalt, copper, gold, nickel and platinum group metals. Project interests range from early stage greenfield exploration to later stage drill ready prospects.

The Board and its team of advisors have expertise in project generation, exploration and development and have identified an opportunity to utilise the Company's position to become a leader in the London market for investors wishing to gain exposure to proactive metals exploration.