

14 September 2020

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

Canadian Silver Project - Option Exercised

Power Metal Resources plc (LON:POW) the AIM listed metals exploration and development company is pleased to announce the Company has exercised its option (the "Option") to earn-in to the Silver Peak Project (the "Silver Peak Project" or the "Project") in British Columbia, Canada. The Project includes the Eureka-Victoria Silver Mine, the first Crown-granted mineral property in British Columbia.

HIGHLIGHTS:

- Review of Project data, including a recently conducted due diligence exploration programme, has provided positive outcomes enabling Power Metal to exercise the Option within the 30-day Option period;
- Exercise of the Option enables Power Metal to earn-in to a 30% interest in the Project on terms outlined below and including an additional CAD\$225,000 committed by POW on ground exploration;
- Power Metal are now working with the Project vendors to continue a technical review focused on launching next stage exploration work including a Project drilling programme;
- The Project earn-in, when complete, will provide Power Metal with an interest in a high-grade silver exploration property in Canada, including a former working silver mine;
- Further updates to the market are anticipated in the near term in respect of the ongoing technical review and further exploration programme.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Paul Johnson Chief Executive Officer of Power Metal Resources plc commented *"The decision to exercise this Option, on schedule, provides Power Metal with its first, potentially high impact, silver exploration project interest.*

The cash component costs of earn-in exploration and Option exercise payments are fully covered by recent warrant exercises that have brought additional cash into Power Metal, meaning the exercise of warrants and the money generated has been applied to the expansion of our business. This is a theme we intend to continue with warrant monies enabling growth in the Power Metal business model.

The Silver Peak project is a material addition to the Power Metal portfolio, bringing a strategic silver project into our business, and one that offers much potential upside from positive future exploration work.

Power Metal, alongside the vendors, intend to push ahead expeditiously with exploration on the ground.

I would like to thank the vendors and the ground operational team for their work and commitment and it is a pleasure to work with proactive and supportive partners. We have achieved much in just a month and look forward to continuing progress as we gather more Project knowledge through imminent planned exploration.”

FURTHER INFORMATION

Option Agreement and Due Diligence Exploration Programme

<p>Background</p>	<p>On 17 August 2020 the Company announced it had entered into an option agreement (the “Option Agreement”) in respect of the Project.</p> <p>The Option Agreement provided Power Metal the Option of a 30-day exclusivity period for due diligence in respect of the Project providing Power Metal, on Option exercise, with a right to earn-in to a 30% interest in the Project.</p> <p>As part of this due diligence process the Company undertook an exploration programme at the Project to gather further information and to assist the Company in its assessment of project prospectivity and potential.</p>
<p>Project Overview</p>	<p>The Silver Peak Project consists of a portfolio of mineral claims (the “claims”) over a system of high grade, intrusion related, polymetallic Ag-Pb-Zn-Cu veins, part of the historical Eureka-Victoria Silver Mine, at Silver Peak in southern British Columbia, Canada.</p>
<p>Due Diligence Exploration Programme</p>	<p>The work programme included various elements including channel sampling at close intervals perpendicular to the existing known high-grade veins and grab samples from a main target area between the lower elevations and the Victoria Adit.</p> <p>The work also included enhancement of road accessibility to the exploration area, and the collation of detailed photographic and video evidence of the project area for cross referencing to existing project technical information.</p> <p>A portable X-ray fluorescence analyser (pXRF) was utilised to provide in-field, geochemical analyses, in conjunction with confirmatory laboratory assay testing where appropriate.</p> <p>The work programme cost totalled C\$25,000 (£14,512) and the amount expended will be deducted from the C\$250,000 12-month project exploration spend as Power Metal has exercised the Option.</p>

Option Exercise	Power Metal has now exercised the Option and can earn-in to a 30% Project interest. The transaction costs relating to Option exercise and the earn-in to the Project interests are outlined below.
Next Steps	Continue ongoing technical review and plan, prepare and launch an exploration drilling programme at the project, subject to the receipt of relevant approvals and permits.

THE TRANSACTION TERMS

The Vendor

The Project is currently 100% owned by private vendors Michael Nugent and Jo Shearer (the "Vendors").

Right to Earn-in

Power Metal will now make a payment of £129,683 to the Vendors comprising CAD\$30,000 (£17,183) cash and £112,500 through the issue of 9,000,000 new Ordinary Shares (the "Option Exercise Shares") at a price of 1.25p per Option Exercise Share.

In addition, the Vendors will be granted 9,000,000 warrants to subscribe for new Ordinary Shares in the Company at a price of 1.75p with a three-year life to expiry.

Power Metal must then spend CAD\$250,000 (£143,193) on Project exploration, within 12 months (the "Exploration Spend") and of this amount CAD\$25,000 has already been expended on the due diligence exploration programme, leaving CAD\$225,000 (£128,874) outstanding.

Acquisition of Project Interest

Subject to meeting the Exploration Spend and the receipt of satisfactory findings from exploration work, and by 31 August 2021, Power Metal may elect to acquire a 30% interest in the Project by making a final payment of CAD\$200,000 (£114,554 and the "Final Payment") with Power Metal having a choice to pay this in cash, or in Company shares, as follows.

Final Payment payable in cash:

- Power Metal can make a final cash payment of CAD\$200,000.
- Should Power Metal make the Final Payment as cash, warrants will also be issued to the Vendors in such volume as equates to CAD\$100,000 divided by the 7-trading day volume weighted average price of ("VWAP") of Power Metal shares immediately preceding the day of announcing the acquisition of the Project interest and at a price that equates to a 30% premium to the 7-day VWAP and with a three year life to expiry.

Note: by way of example if the Acquisition of Project Interest Final Payment is paid as cash.

If the CAD/GBP translation rate on the acquisition date is 0.57277 then CAD\$100,000 equals c.£57,277. If at that time the 7-day VWAP of Power Metal is 3.0p, then £57,277 divided by 3.0p would equate to 1,909,233 warrants to be issued, and the warrant exercise price would be 3.9p.

Final Payment payable in shares:

- By payment of CAD\$200,000 (£114,554) through the issue of Power Metal shares at a price based on the 7-trading day VWAP preceding the date of announcing the acquisition of the Project interest (“Final Payment Shares”).
- Should Power Metal elect to make the Final Payment in Power Metal shares then the Vendors will be granted warrants to subscribe for new Ordinary Shares in such volume as equates to 50% of the Final Payment Shares and at an exercise price equating to a 30% premium of the issue price of the Final Payment Shares and with a three year life to expiry.

Note: by way of example if the Acquisition of Project Interest Final Payment is paid as shares.

If the CAD/GBP translation rate on the acquisition date is 0.57277 then CAD\$200,000 equals £114,554. If at that time the 7-day VWAP of Power Metal is 3.0p, then £114,554 divided by 3.0p would equate to 3,818,467 new Ordinary Shares being issued to the Vendors.

In addition, 50% of the new Ordinary Shares would equate to 1,909,233 warrants to be issued, and the warrant exercise price would be 3.9p.

After the Acquisition of Project Interest

After completion of the Final Payment the ownership structure will be the Project Vendors 70% and Power Metal 30%. Both parties must contribute to exploration costs thereafter, in line with their ownership percentage, or dilute in accordance with standard industry dilution provisions.

The Vendors will retain a 2% Net Smelter Royalty over the total Project.

Summary of Transaction Costs

For ease of reference the Option exercise and earn-in costs are summarised below:

When payable	Benefit Earned	Vendor Payments £	Exploration Spend £	Overall Total £	% of Total
Option Exercise	Right to Earn-in	129,683		129,683	33.5
Within 12 months	Right to Earn-in		143,193	143,193	37.0
On acquisition of Interest	30% Project Interest	114,554		114,554	29.5
	Overall Total ⁽¹⁾	244,237	143,193	387,430	100%

⁽⁴⁾ Excluding warrants issued in respect of the transaction, further details of which are provided above.

NEXT STEPS

Continue review of Project technical information, leading into an exploration drill programme at the Project.

COMPETENT PERSON 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.

ADMISSION AND TOTAL VOTING RIGHTS

Application will be made for the 9,000,000 Option Exercise Shares to be admitted to trading on AIM which is expected to occur on or around 21 September 2020 ("Admission"). Following Admission of the Option Exercise Shares, POW's ordinary issued share capital will comprise 810,066,542 ordinary shares of 0.1 pence each.

This number will represent the total voting rights in the Company, and following Admission, may be used by shareholders as the denominator for the calculation by which they can determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rules. The new shares will rank pari passu in all respects with the ordinary shares of the Company currently traded on AIM.

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 seeking a large scale metal discovery.

The Company has a global portfolio of project interests including precious metal exploration in North America and Australia together with base metal exploration in Africa. 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 global metals exploration.