

## Power Metal Resources — Ready to Drive Value in 2024

14<sup>th</sup> December 2023

### Proven multi-commodity project generator across three continents

Power Metal Resources (LON: POW) is perhaps symbolic of the wider FTSE AIM junior resource sector in 2023. The share price fell to just 0.50p on 4<sup>th</sup> December but has since recovered to 0.74p — despite changing hands for 0.715p at the time of our initiation report on 25<sup>th</sup> July.

POW has been driving advances across much of its asset base over the past few months, as has its investments and spin-offs, Golden Metal Resources (LON: GMET) and First Class Metals (LON: FCM). As a base floor price, it's worth remembering that in May 2023, POW raised £2.715 million at 0.85p per share cornerstoned by legendary investor Rick Rule (through the Term Oil vehicle).

While we reiterate our Strong Buy stance and target price of 3.3p, it's important to note that the company has made significant progress in developing its asset portfolio. Many of the most important catalysts for value creation are expected to be seen within the first half of 2024, at which point we fully expect to have the opportunity to revise our target higher.

#### ■ Athabasca Basin Uranium Portfolio advancement and pre-IPO financing

Power Metal has made significant advances in its understanding of its uranium portfolio, which is now being prepared for an IPO launch within H1 2024. These assets constitute the largest uranium portfolio held by a London-listed company, at an advantageous time when uranium prices are surging.

#### ■ Golden Metal Resources asset development

With a 62% shareholding in this excellent spinoff, Power Metal benefits from positive exploratory work across the company's portfolio, in addition to the increased political significance of GMET's flagship Pilot Mountain tungsten asset, given Chinese export bans of certain critical minerals.

#### ■ First Class Metals Zigzag drilling

With a 23.25% interest in this spinoff, POW is benefitting from multiple advances, with all eyes on the promising Zigzag lithium asset. Initial drilling has commenced, with results to be reported to investors within Q1 2024.

#### ■ Molopo Farms drilling plans

After announcing the discovery of an exceptional conductor in October, POW is finalising negotiations to sign off on a drilling contract, intending to commence drilling operations early in Q1 2024. It has received third-party interest in exploring complementary, joint venture and other project-level partnerships.

#### Financial overview. Source: Company accounts & Resolve Research

Year to end June	2020A	2021A	2022A	2023E
Profit/Loss	(-1.4m)	(-0.62m)	(-0.14m)	(-0.14m)
EPS	(-0.25p)	(-0.05p)	(-0.15p)	(-0.15p)

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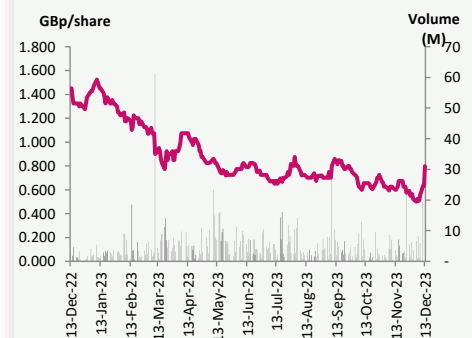
## STRONG BUY

### Target price 3.3p

#### Key Data

POW	Multi-commodity
Share price	0.74p
52 week high/low	1.825p/0.50p
Listing	AIM
Shares in issue	2,083.47m
Market Cap	£15.33m
Sector	Mining

#### 12 month share price chart



#### Shareholders

Jarvis Investment Management	21.83%
Hargreaves Lansdown	13.54%
Interactive Investor	10.62%
Term Oil	4.46%

#### Analyst Details

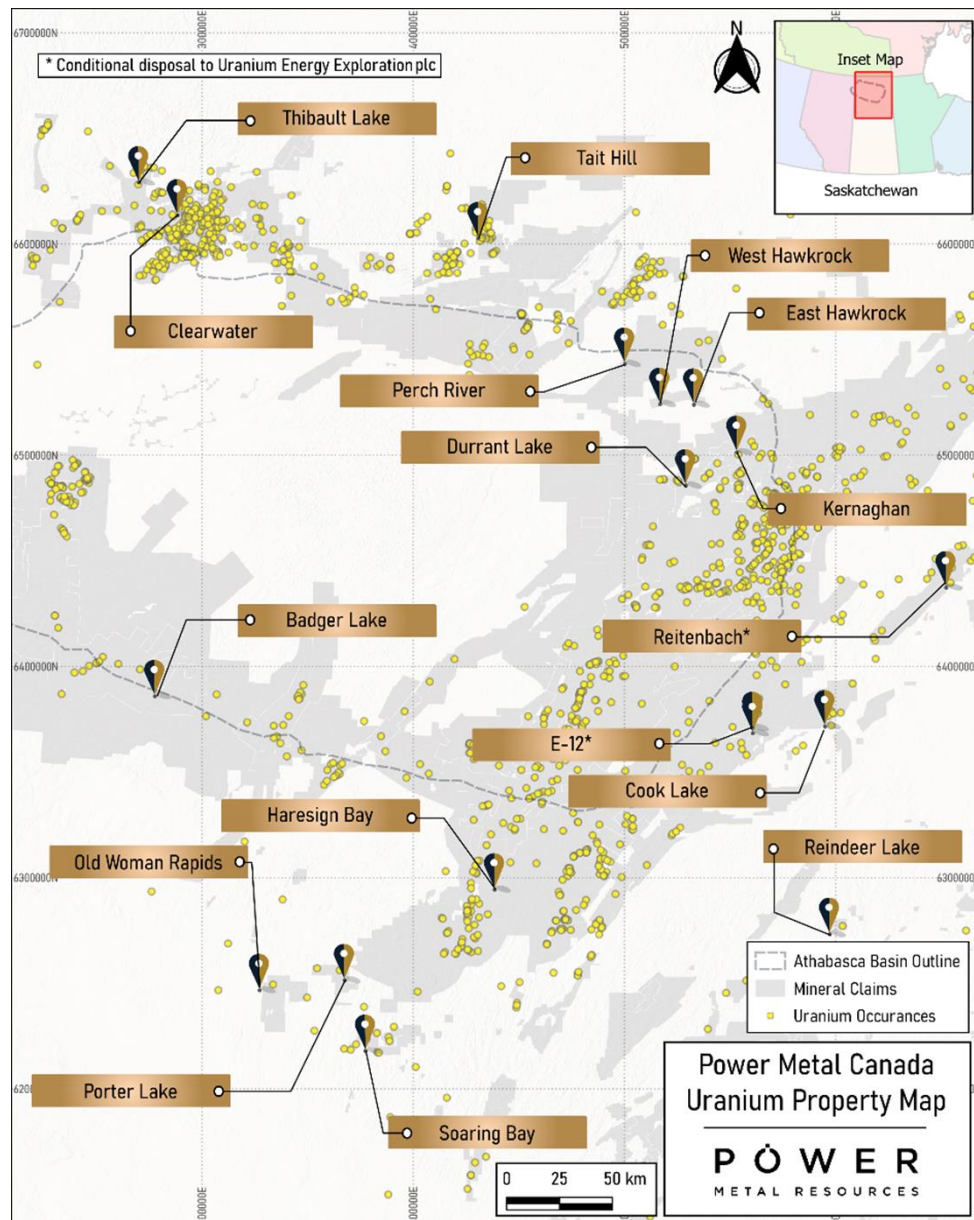
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## Multiple commodities, multiple jurisdictions, multiple assets

### 1. Athabasca Uranium Portfolio

Power Metal Resources controls a 100,514 hectare portfolio within the Athabasca Basin in Northern Saskatchewan, Canada — the largest uranium portfolio held by a London-listed company. The portfolio is held by a 100%-owned subsidiary, Power Metal Canada, which owns 100% of its subsidiary, 102134984 Saskatchewan Ltd.



Power Metals Uranium Property Map in the Athabasca Basin, located in Northern Saskatchewan, Canada.

Source: Company

The portfolio covers 17 properties, all of which are highly prospective for uranium mineralisation. For context, uranium prices have risen above \$80/pound for the first time since early 2008 and are now above Fukushima disaster levels.

This price action is being led by decarbonisation goals on one side and supply issues on the other. China plans to build another 32 nuclear reactors by 2030, while supply from Russia has been shunned through sanctions. Meanwhile, Niger-based mines have suspended operations due to a coup, and uranium major Cameco has revised production expectations sharply downwards.

This is a good time to be in uranium exploration and may remind investors of the 2007 bull market.

**Recent highlights include:**

- Perch River — hyperspectral data analysis using Sentinel-2 satellite data has identified several helium anomalies, including the discovery of one extremely strong helium response in the centre of the project. As helium is a radioactive decay product of uranium, this could indicate significant buried uranium mineralisation or leakage of helium from a buried helium reservoir at depth. POW has completed a high-resolution soil sampling grid on this target with geochemical samples delivered to the Saskatchewan Research Council Environmental Analytical Laboratories for assay testing. POW has also secured a further 1514.8-Ha at Perch River (38% increase).
- Badger Lake - hyperspectral data analysis shows distinct similarities between Badger Lake and the world-class Arrow Deposit, located 30km northwest. There are 30 spectral targets for investigation at Badger Lake given the strong similarities when comparing the SAR data Dielectric Constant estimates (the measure of relative permittivity of a material). POW plans to expedite a planned high-resolution electromagnetic UAV survey over Badger Lake.
- Tait Hill — the Mullis Lake Target contains very significant uranium anomalies (up to 164ppm U) in soil, strongly coincident with the radon anomalies. POW believes this target has geological similarities to Namibia's Rössing uranium deposit, and the results obtained from this soil and radon gas sampling point to a large target for future exploration.
- Soaring Bay — soil geochemistry results highlight areas of strong anomalism which supplement and support strong radon results presented on 11<sup>th</sup> October 2023, together highlighting a >3km long northwest-southeast trending mineralised shear zone.
- Kernaghan and Durrant Lake - High-resolution airborne electromagnetic geophysics surveys have now been completed on the Kernaghan and Durrant Lake properties with results pending.

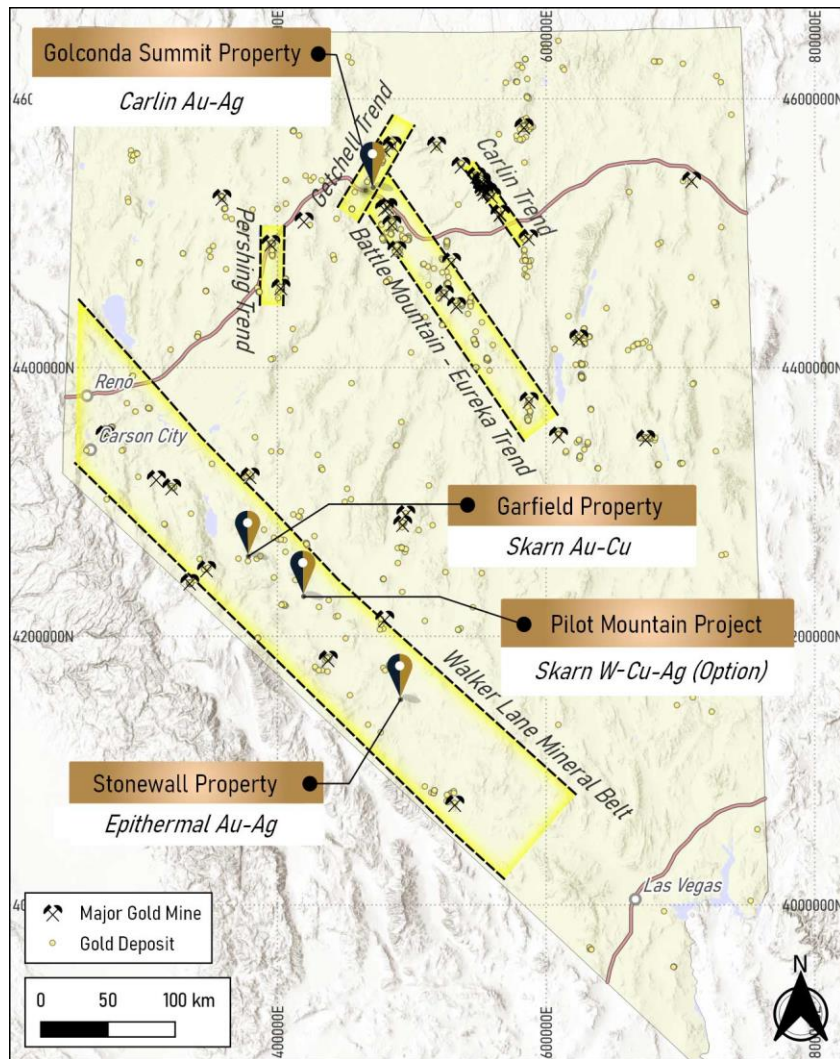
The longstanding plan is to dispose of these high quality uranium assets into a spin-off portfolio company, currently named Teathers but to be renamed Uranium Energy Exploration. POW has received *'third party interest across our uranium portfolio and further commercial transactions are anticipated.'*

Teathers has now raised a significant £421,500 through pre-IPO financing undertaken at circa 1.24p per share, allowing the spin-off to self-finance its costs including project expenditures. A listing is expected in Q1 or Q2 2024, with POW expected to retain a significant shareholding — and this would constitute the third successful IPO, further proving the business model viability.

## **2. Golden Metal Resources**

62% owned by Power Metal, Golden Metal Resources' (LON: GMET) flagship remains the 100% owned Pilot Mountain, where investors are still waiting to hear back about potential US government grant funding. China's export ban on graphite and certain rare earth elements makes it possible that a tungsten export ban will also be in place soon, making funding more likely. The company was admitted to trading on the OTCQB market in October.





Golden Metal Resources Property Package Overview. Source Company

This 5,908-acre project is located just 20km from Mina in Nevada and part of the world-famous Walker Lane Mineral Belt. It's the largest undeveloped Tungsten deposit on US soil and ideally situated for power, water, skilled Nevadan mining labour, transport, and pro-mining politics.

**Other than Pilot Mountain, recent highlights include:**

- Kibby Basin Lithium Project — a historical data review has identified a substantial 10 square kilometre conductive zone, holding immense promise for lithium brine mineralization. Correlating anomalies from drill holes completed outside the company's lithium properties suggest a high likelihood of lithium brine continuity within the company's assets. Drilling assays have revealed impressive lithium content, with intervals containing up to 924 ppm Li and over 300 ppm Li over thicknesses exceeding 450m.
- Garfield Project — significant copper mineralisation. The 'Power Line Zone' and the 'High-Grade Zone' have displayed historic rock sampling results indicating substantial copper deposits. Follow-up analyses have confirmed the potential for large-scale porphyry and skarn-type copper mineralised bodies. In particular, analysis of the 'High-Grade Zone' has returned copper results exceeding 1%. Over 11 of the 32 samples collected returned greater than 1% calculated copper equivalent, with select samples showing CuEq values of 23.92%, 4.70%, and 3.47%. Moreover, gold and silver results have been equally impressive, with some samples returning over 1g/t Au and exceeding 37.1g/t Ag.

- Golconda Summit Gold Project —promising indications. Strong arsenic anomalism along the Golconda thrust fault suggests the potential for Carlin-Type gold mineralisation at depth. Recent rock sampling near the ‘Trench Zone’ has exhibited samples returning >500ppm with values including 7.6m @ 19.7g/t gold and 15.2m @ 7.1g/t gold. GMET has engaged an expert geochemist to review and interpret these findings.

### 3. First Class Metals

First Class Metals (LON: FCM), in which POW has a 23.25% interest, has achieved significant milestones in its Canadian ventures, but the West Pickle Lake Project and the Zigzag Lithium Properties are possibly the current highlights:

- West Pickle Lake Project — Palladium One has successfully completed the earn-in rights to acquire an 80% interest, paving the way for a Joint Venture Agreement. Exceptional drill intercepts during Palladium One's 2022/23 campaign highlighted high-grade nickel/copper sulphide finds, including 10.4% Nickel, 3.4% Copper over 2.3m (TK-22-070) & 10.3% Nickel, 2.9% Copper over 1.8m (TK-22-073).
- Zigzag Lithium — FCM has conducted a placing of circa 12 million shares to raise gross proceeds of £603,000, used to repay the Sanderson Capital Partners Convertible Loan Note (£500,000), and also to facilitate a drilling programme at Zigzag as its immediate focus. For context, recent channel samples found significant Li<sub>2</sub>O content, including 2.36% Li<sub>2</sub>O over 5.5m and a zone with more than >1% Li<sub>2</sub>O.

The initial 500m of drilling has commenced at the Zigzag property, with an emphasis on FCM's commitment to responsible resource development, signing an Early Exploration Agreement with Whitesand First Nation and collaborating with the well-known Rodren Drilling. Drilling results should be announced in Q1 2024.

### 4. African Developments

Power Metal's key African interests include the Molopo Farms complex in Botswana, alongside the Tati Gold Project, also in Botswana, and the Haneti Project in Tanzania.

#### Recent highlights include:

- Molopo Farms — with an 87.71% interest through a holding company, in early October, POW announced the identification of the highest priority conductor at Molopo to date. This conductor (T1-14) exhibits robust characteristics; steeply dipping, multi-kilometre in length, and co-incident with the keel of the feeder zone intrusion within target area T1-14. Crucially, the geological positioning of this conductor aligns with areas conducive to the accumulation of substantial nickel sulphides within a mafic/ultramafic complex. POW is finalising negotiations to sign a drilling contract, with the intent to commence drilling operations early in Q1 2024, and has received third-party interest to explore complementary, joint venture and other project-level partnerships.
- Tati — this wholly owned asset is also seeing third-party interest, as ongoing exploration endeavours have consistently confirmed the presence of gold mineralisation across an 8km long gold trend. The current exploration phase involves intensive infill sampling in recently discovered target zones within this trend. Pending the final analysis of these results, the company is considering a reverse circulation or diamond drilling campaign. Evidence strongly suggests the existence of a sizable and economically viable gold deposit, though the proof will be in the pudding.

## 5. Other Material Developments

Power Metal has recently divested its entire 69.5 million shareholding of non-core investment Kavango Resources, generating £556,000 in cash at 0.8p per share. However, it has retained 60,000,000 warrants to subscribe for new Kavango shares and maintains a 1% net smelter return royalty in the Kalahari Copper Belt and Ditau Camp projects.

The raised funds will bolster existing cash reserves and fuel accelerated exploration efforts, including drilling in core exploration projects targeting substantial metal discoveries. Further specifics regarding these exploration programs are slated for future announcements — though arguably, Molopo and Tati will be prime beneficiaries after the UEE spinoff.

### There are two further assets to consider which have seen material developments in H2 2023:

- First Development Resources — POW holds a 58.59% stake, and the company is planning to launch its long-delayed IPO (a result of weak market conditions that do not reflect the assets).

FDR's Wallal Project in Western Australia now looks particularly promising given the discovery of the Eastern Anomaly, a magnetic target with a geophysical signature akin to Greatland Gold's significant Havieron discovery in the Paterson Region. FDR has secured £110,000 in co-funding from the Western Australian government under the Exploration Incentive Scheme, offsetting Wallal drilling costs. The company has all the essential approvals and has now contracted DDH1 Drilling Ltd to execute Phase I of the diamond drilling program.

A second catalyst could be the Selta Project, where its recent study revealed a substantial increase in exploration target areas for REEs and lithium, along with specific zones earmarked for orogenic gold and base metals. It also hinted at potential iron-oxide copper-gold and iron-sulphide copper-gold mineralisation within the project area. The REE potential may be analogous to Arafura's Rare Earths Nolans Project, though exploration remains at an early stage.

- ION Battery Resources — a subsidiary of Power Metal, which boasts complete ownership of the North Wind (lithium), Authier North (lithium), and Doerksen Bay (graphite) projects. Collectively, these projects present a promising group of battery metals assets concentrated in Canada's top mining jurisdictions.

The North Wind Project appears especially promising, and ION has now mobilised lithium exploration crews at the asset, embarking on geochemical sampling, prospecting, and rock sampling across zones of interest. The crucial initial output from this exploration program will be a geochemical dataset, offering insights into the potential location of covered lithium-caesium-tantalum-bearing pegmatites within the North Wind claim boundary.

## Understanding the Price Target

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As noted above, we are pleased to see Power Metal Resources develop its asset base and corporate activity over the latter half of 2023 in a manner which makes our 3.3p price target eminently attainable. While we fully expect to see this target achieved, especially given the improving markets, what we want to see over the first half of 2024 is the successful crystallisation of corporate targets, creating a framework to build further shareholder value.

Key targets to consider in H1 2024 include the successful launch of the Uranium Energy Exploration IPO, potential US government grant funding for Golden Metal's Pilot Mountain Project, alongside a clearly focused plan to develop its other assets along the value curve. We are also looking for results from First Class Metal's initial drill programme at the Zigzag Lithium Project, the initiation of a drill programme to target the T1-14 conductor at Molopo, a decision whether to drill at Tati, a successful IPO launch of First Development Resources potentially alongside Wallal drill results, and a dataset from the North Wind Project.

Our view is that much of the most complex activity needed to achieve these catalysts has already taken place in H2 2023; the majority of core assets — and in particular the uranium portfolio — are now more valuable than in July 2023 as a result of a careful, cost-conscious programme of activity.

In other words, the company has already successfully teed up events and now needs to effectively sink the putts over the next six months. From a value perspective, as long as the majority of these targets are met, we expect to see a corresponding increase in the share price and will be adjusting our target accordingly.

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