Power Metal Resources: Exploring the Valuation Disconnect

Originally published at MININGAIM.CO.UK

Contents:

Preface

'I am very grateful to Charles for the work he has done here to describe the Power Metal model. He very accurately describes the investment case and highlights what we agree is substantial inherent value in our portfolio.

He demonstrates well how the incubator model, alongside active management of our portfolio and our network of relationships across the capital markets, seeks to unlock that value.

We also appreciate that despite consistently delivering successful corporate actions, active engagement with new investors is crucial for delivering shareholder returns. I am confident that this report will help us access those new investors and I am excited to engage with anyone who finds this report helpful and wishes to learn more about Power Metal Resources.'

— **CEO Sean Wade**

The following report has been edited slightly from original publication due to stylistic differences between a PDF and a webpage. They remain materially identical, though you may access the original at WWW.MININGAIM.CO.UK/power-metal-resources.

Executive Summary

Welcome to this special report into Power Metal Resources, which is designed to take an in-depth look into the valuation disconnect between the company's market capitalisation and the assets on its balance sheet. The table below highlights our findings. In summary, Power boasts a net asset value of circa £41,810,000 against a market capitalisation of around £20,000,000 today.

There is no need to convince you of this disconnect; the numbers are simple, and we have applied conservative figures where there is some ambiguity:

Asset	Estimated Value
Athabasca Uranium	£12.2 million
Guardian Metal Resources	£15 million
Power Arabia	£3.5 million
GSA Environmental	£2.2 million
First Development Resources	£2.5 million
ION Battery Resources	£0.5 million
First Class Metals	£0.6 million
Molopo	£3 million
Tati	£1 million
Silver Peak	£0.4 million
Haneti	£0.25 million
New Horizon Metals	£0.3 million
Additional Interests	£0.36 million
Total	**£41.81 million**

Importantly, this £41.81 million figure is not a price target for Power's market capitalisation — it's what the constituent assets are worth, right now, with no further growth. And the company isn't standing still, having driven significant and proven value creation in the licences now held or to be held within the Athabasca Uranium JV with ACAM, and Guardian Metal Resources.

Further, Power has spent the better part of the past 12 months rebalancing the portfolio, forming exploratory agreements for some assets and disposing of others where they no longer fit the growth model.

With two more IPOs in the pipeline and over a dozen prospective exploratory assets any one of which could deliver catalytic change, the future has never been brighter for Power Metal.

CEO Sean Wade is now turning to the Middle East for further corporate growth and has established a firm foothold in the region, including recently signing a Memorandum of Understanding with the Ministry of Investment of the Kingdom of Saudi Arabia.

Power Metal Resources trades under LON: POW for UK investors and OTCQB: POWMF for US investors.

— **Charles Archer, lead analyst @ MININGAIM.CO.UK**

Introduction

Welcome to Power Metal Resources.

An ongoing theme of 2024 is that many promising companies in London's junior resource sector simply have too many assets to consider in a single article, and instead need to be split multiple segments.

Nowhere is this truer than with Power Metal Resources — which has myriad assets spread all over the world.

Before we get going though, I do think there's a couple of salient points worth highlighting. The first is the investor base — Rick Rule (via Term Oil), Paul Johnson, at least one Saudi Arabian investor, and now ACAM. As financial backing goes, that's not bad at all.

The second is that Power Metal's merchant bank/IPO spinoff/landholding model is a well-known and popular strategy in the US, Canada and Australia — and pretty much an anathema to London. Guardian Metal has of course been a resounding success (thus far), but having done much of the legwork, you would hope more proof of the business model is coming.

I'd also tie in the share price performance to the undervaluation of strategic land packages alongside weak investor sentiment, both of which are finally starting to see some uplift.

POW shares may have further to go, but actually if you take a step back the stock is up by circa 80% over the past five years, 24% over the past year and 26% year-to-date. Of course, at around 18p per share post consolidation, it's valued by the market at less than a third of its January 2021 peak.

But that might change soon.

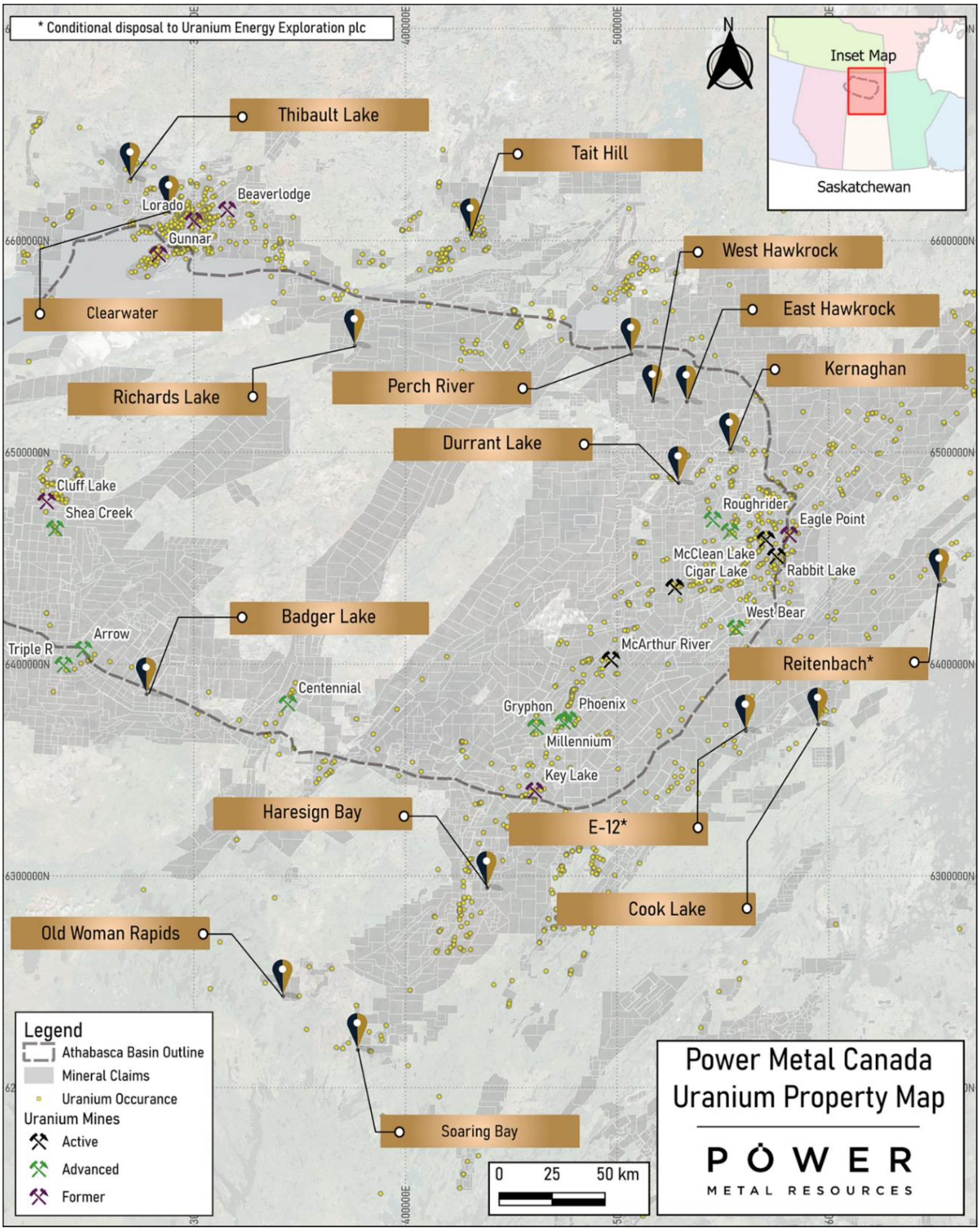
As ever, please remember to consider your risk tolerance, alongside your diversification and financial resilience. The following is not investment advice.

Let's dive in.

Athabasca Uranium: ACAM approved

I've covered many of the Athabasca specifics before — but the barebones you need to know is that Power staked around 100,000 acres of prime real estate before the uranium run — and has done some decent preliminary work on several of the properties.

Interestingly, I'd highlight that uranium and helium are often found together (when uranium undergoes radioactive decay, one of the elements it breaks down into is helium, dependent on the isotope, and uranium deposits can therefore trap helium gas). And POW has found some very early indications that on at least one property helium prospectivity may be in play.



While there was initially a plan to IPO some of these assets into a new vehicle entitled Uranium Energy Exploration, the company noted on 25 March that '*a number of significant potential strategic investors have indicated their preference for alternative deal structures which may include a different combination of assets, or an enlarged asset set with an enhanced business model.'*

On 3 June, investors got the RNS they were waiting for.

POW announced that ACAM LP had agreed non-binding terms to enter into a Joint Venture with all of the company's Athabasca uranium licences. Exclusive negotiations are now ongoing for up to the next eight weeks.

Here's the context: ACAM also helped out financially in the early days at Jubilee Metals and has since converted its debt into equity at a 7.02% shareholding. ACAM is also the Gardaq JV partner with Amaroq — I have also written a seriously in-depth review considering the potential of this Joint Venture.

ACAM only backs winners. And now you can add it to the growing list of POW's backers.

Here's the details:

ACAM has entered into a legally binding subscription agreement to purchase Notes with attaching Warrants for £2 million. The Notes have a term of five years, bearing interest at 10% per annum payable semi-annually, at the option Power in cash or through the issuance of new shares. The 13,333,333 Warrants are exercisable for five years at a price of 15p per share.

A non-binding term sheet has been signed with ACAM, whereby both parties plan to enter into a JV concerning all of the Athabasca licences. ACAM (or an affiliate) will invest £10 million into equity in POW subsidiary Power Metal Resources Canada for a majority interest of 70%.

POW will also receive up to £4 million in cash, 'conditional upon a sale transaction completing or other value realisation by the Investor, subject to the Investor achieving a minimum return threshold on its investment.'

Assuming the JV goes through, it will conduct at least five 'significant, high impact drilling programmes with an experienced financial partner, with significant advancement on several more.'

It's worth noting that the UEE IPO will be aborted, at a cost of £500,000 — to be met through the proceeds of the notes, with the balance for general corporate purposes.

CEO Sean Wade enthused that *'whilst there can be no guarantee that the Joint Venture will complete, we are confident that we will achieve a successful outcome and will update shareholders once the legally binding documentation is finalised. ACAM have already made a significant commitment to the Company pursuant to the Subscription and we look forward to working with them to successfully conclude the proposed Joint Venture.'*

There are of course a few technical details to highlight. Interest payments can be made in shares or cash — as POW's a junior, you can generally assume it will elect to settle in shares — but the terms are fair, simply being the 10-day VWAP prior to the payment date.

While the notes remain outstanding, the company must use 20% of the proceeds of any future raises to redeem the notes for cash. It must also redeem the notes for cash using either 50% or 100% of the proceeds of any asset sale fetching above £300,000, dependent on the VWAP compared to the warrant exercise price.

The warrants are already in the money and will be re-set in proportion to any dilution. I would note though that ACAM has a reputation for exercising its warrants deep in the money.

What's this deal worth to Power Metal? It's perhaps a bit complex.

Back in July 2023 and as part of an FCA regulated broker note, I calculated the company's uranium portfolio as being worth £11 million to the balance sheet base on a per hectare and peer valuation, though given the uranium bull run and exploratory work in the near year since, the value of the assets will have risen to perhaps £14 million.

Straight off the bat, it's retaining 30% of the JV and therefore £4.2 million in inherent value. These assets were freely staked a few years ago, but you're not getting anything this good anymore without paying for it.

It's then enjoying £10 million of exploration across the properties, and as 30% owner of the JV, you could argue this is worth £3 million directly to POW (though it's exposed to five drilling campaigns for the full £10 million).

Then there's the potential £4 million in extra cash if it all goes to plan. On top of this, if ACAM comes up with the goods, it's probably going to either buy POW out or at the very least plough more money into the JV.

Then there's the £2 million in the notes, though only £1.5 million when you subtract the cost of aborting the UEE IPO. These will likely be paid back in shares. Then there's the warrants — another £2 million of cash coming to POW at some point in the future.

And yes, this is dilution, but to ACAM, which has a strong corporate history of holding onto equity tightly.

But that's a minimum of £9.2 million in balance sheet value, and up to £15.2 million in an upside scenario — excluding the additional £7 million of exploration representing ACAM's 70% of the JV. You also need to consider the intangible benefits of being attached to ACAM and its value as a corporate companion for further partnerships. Like the Rick Rule shareholding, it sends out the message that POW is a company capable of closing serious deals with major players.

Again, Power's market cap is just £20 million — and we've almost reached that in balance sheet terms already.

The valuation disconnect is an anathema.

Guardian Metal Resources: proving the Power model

The value disconnect between Power Metal Resources' market capitalisation and its balance sheet has been a thorn in my side for the better part of a year — so my current mission in life is to get it in front of as many eyeballs as possible until it doesn't exist anymore.

Yesterday we had a crack at the Athabasca uranium assets, and today it's POW's shareholding (and warrants) in Guardian Metal Resources. For those with short memories, GMET was spun out from Power and its long term performance is arguably the litmus test for the parent's business model.

The good news is that the model is working. Guardian Metal shares are changing hands for circa 27p apiece and the company's market capitalisation now stands at around £30 million — tripling since October. Looking at the US OTC trades, it also seems likely a whale might be buying in the background.

Well done to CEO Oliver Friesen.

GMET recently issued shares at a premium to Purebond for a second time — this time raising £506,250 at what was then a premium valuation of 22.5p per share with no warrants attached to the deal— with the funds to be used for further exploration. As a reminder, Purebond is also a TR1 holder in Power.

A premium raise with no warrants is rarer than hen's teeth in this market — and importantly, the March raise with Purebond for £750,000 did come with warrants. This suggests that over the past few months, GMET has been hitting the gym — and is now has a strong enough negotiating hand to set the terms.

I'm not going to go into detail on Guardian Metal but have covered the stock in serious depth at MININGAIM.CO.UK.

But for those of you with poor attention spans, GMET owns 100% of the largest undeveloped tungsten deposit in the United States, which appears likely to benefit from US government grant funding in the near term. Tungsten is becoming an ever more critical mineral, and it is in the strategic interests of the US government that the company's Pilot Mountain is developed.

Drilling to expand the current resource is ongoing and assays are imminent.

But the real question is this: how much is Power's shareholding in Guardian Metal worth?

As per usual, it's a lot more complex than most people think. For example, it's tempting to just say — well, after dilution since the IPO, POW now holds very close to 50% of the enlarged shareholding of

GMET — and therefore with a market capitalisation of £30 million, £15 million can be attributed to Power's balance sheet.

From a simple perspective, this is completely true. But let's consider the complicating factors.

First up, POW has warrants over GMET — at 17p per share, these are worth roughly £150,000 at the current share price. Nice.

Second, a big part of Power's own market cap is derived from investor confidence in its backers. Rick Rule, Purebond, the Saudi investor, Paul Johnson, ACAM; if any one of these were to sell, it would dent confidence in the stock and create selling pressure.

It's exactly the same with GMET; if Power were to attempt to sell a significant portion of its shares in Guardian Metal, the selling pressure as a 50% stakeholder combined with the negative sentiment could tank the stock. Given that Sean and Oliver typically share an office, I expect the water cooler talk might also become a little frosty.

Of course, POW is never going to sell on market, which leaves an off market transaction with either an institution or UHNW investor if the company wants to unlock some of those gains for other corporate purposes — and therefore, there's a question over whether a large investor would pay POW the current market price for shares in GMET.

As an aside, this is the same reason why any government scrapping inheritance tax would be unlikely to affect AIM — too many sellers and no buyers will just make stocks illiquid.

Third, GMET is about to enter what an objective observer may characterise as a critical juncture.

Investors know that assays from the current drilling programme at Pilot Mountain will start landing over the next few weeks — and while grant funding seems likely to be announced at some point over the next few months (being now 12 months since applications went in, and assuming the standard timeline), investors do not know how much cash GMET might initially get.

The well-publicised National Defence Industrial Association presentation seems to indicate that GMET is close to getting grant funding and has some impressive financial figures for other companies who have applied. But a function of US grant funding applications is that GMET is not free to disclose any of the details — and so the share price is at least partially a hedge on a metric we don't have certainty of yet.

Fourth, there's the serious upside potential — while stocks can move sideways, up or down, my view is that GMET may be knocking on the door of 30p before too long assuming the stars align.

But yes, for balance sheet purposes that initial £15 million figure is probably a fair valuation. It's just fair to highlight that this is not liquid capital — but I'd venture that once grant funding lands, it would become relatively easy to find a buyer for a portion of POW's stake.

Now, we came to a between £9.2 million and £15.2 million balance sheet value for the Athabasca uranium assets previously. Let's take the average of those two figures at £12.2 million — and add the £15 million in GMET shares.

We're now on £27.2 million — compared to Power's market capitalisation of just £20 million.

Power Arabia: the new strategic focus

Next, it's time to consider the company's efforts in Saudi Arabia — which it seems clear is the site of the renewed corporate strategic focus.

For context, ACAM is on board with the uranium licences in the Athabasca, spin-off Guardian Metal is running the show at Pilot Mountain in Nevada, and Power now has spare manpower to get cracking with operations in Saudi.

The strategy became public with the attendance of CEO Sean Wade at the 10-11 January Future Minerals Forum in Riyadh, with a booth booked and all. He also participated in a panel discussion on day one, talking all things junior mining.

Wade noted at the time that *'The Future Minerals Forum is one of the world's largest gatherings of senior government and industry representatives dedicated to creating a secure and responsible mineral value chain in Africa, Western and Central Asia.'*

It wasn't a wasted trip. On 12 January, POW announced it had signed an Memorandum of Understanding with MISA — the Ministry of Investment of the Kingdom of Saudi Arabia — and in the presence of His Excellency Bandar Alkhorayef, Minister of Industry and Mineral Resources.

The agreement was to explore JV efforts focused on the Kingdom's natural resources, with MISA's remit to support investment in exploration activities, develop upstream and downstream projects targeting multiple strategic minerals, and attract reputed national and international mining and mineral development companies to drive the commercialisation of Saudi Arabia's mineral resources.

The RNS noted that:

'MISA and POW are looking to complement the activities of each other through establishing a mutually beneficial relationship in order to pursue suitable exploration opportunities in Saudi Arabia. POW will offer highly experienced technical support to potential exploration projects, and MISA will provide project opportunities and potential support for such projects as applicable.'

This is important and requires you to understand two background factors.

The first is Saudi's Kingdom 2030 vision, put forward by Crown Prince Mohammed bin Salman in 2016. You can broadly split the vision into two ideas — social reform and economic plans.

Socially, the country wants to increase women's workforce participation from 22% to 30%, increase tourism, promote cultural events — for example, World Cup 2034 — increase homeownership from 47% to 70%, improve transport networks, advance government efficiency, introduce legal reforms, and implement new anti-corruption measures. It's also got big plans for improving healthcare accessibility, as well as reorienting the education system towards STEM.

Economically, in addition to some fairly major infrastructure ideas including mega-city NEOM, Saudi is painfully aware that its oil will eventually run out. Oil accounts for circa 40% of GDP and 75% of fiscal revenue and is as crucial to Kingdom's economy as the real estate market is to China.

Saudi wants to reduce this oil dependency, including heavily investing in renewables to drag them up to 50% of the energy mix by 2030, and combatting desertification. But the big idea is to encourage private sector investment — aiming for the private sector to contribute 65% of GDP by 2030 to reduce the economic dependence on oil.

Interestingly, a key component of the plan is to strengthen its Public Investment Fund to support corporate growth both abroad and within its borders — POW may benefit from this at some point.

While much of the 2030 vision is not relevant to POW, it's important to understand the context — there are big plans afoot in Saudi and it wants external companies to bring their expertise to the country. And perhaps this is where Power has not explained the strategy.

Saudi Arabia, unsurprisingly, has a lot of money floating around. And it wants to diversify the economy. What it lacks is the expertise to make this happen — there are dozens of potentially exceptional assets in the country that are not being explored or developed simply because there are not enough skilled people in-country to explore the various critical minerals and precious metals assets.

This is the exact opposite of the UK, Canadian or Australian markets where there are plenty of decent teams, but capital is hard to come by. But what you need to break into Saudi is a heavy hitter or two that tells the country you mean business — and for POW, this is Rick Rule and Purebond.

Accordingly, on 1 February, POW announced it had raised £1.3 million at a small premium — with no warrants — 'cornerstoned by UK-based high net worth investors and a **strategic Saudi Arabian investor.**'

The company noted that the financing demonstrated 'the ability of the Company to secure direct funding from strategic investors, helping to move the shareholder register to include a greater proportion of longer term and institutional holders.' Or in other words, POW can get capital without the massive discounts seen over the past couple of years on AIM — without warrants and with shares going into the hands of big picture backers.

This raise mirrors the equity raise with Rick Rule's Term Oil in 2023, and further proves Power's ability to raise capital at fair terms while most other companies in the sector continue to struggle with discounted placings.

POW has put the new capital to good use; on 12 March, the company noted that subsidiary Power Arabia had been established to encompass activities across the Arabian Gulf — including potential JVs outside the Gulf with entities domiciled within the region.

At the time, POW noted that it had several binding MoUs for potential JVs on existing exploration licences in the final stages of negotiation — with initial groundwork to begin in April. It also advised that Power Arabia was going through the pre-IPO funding motions with a plan to list in London when ready.

Interestingly, it also noted that ‘conversations are progressing with investors, both from the Gulf and internationally, who have indicated significant interest in a regionally focused investment vehicle.’

Wade noted that *‘We have now made several trips to the region and are establishing ourselves as a credible partner for a number of existing licence holders. We are currently looking at formal arrangements to acquire suitable exploration opportunities with various separate entities, of which several are currently close to execution.’*

On 26 March, POW signed a mutually binding earn-in agreement with Saudi based RIWAQ Al-Mawarid for Mining, a special purpose subsidiary of EV Metals Group.

RIWAQ controls 15 tenements in the Balthaga Suite, approximately 400 kilometres east of Jeddah in the south of the Arabian Shield, covering almost 1,5000 square kilometres. 11 of these tenements already have exploration licences, while the other four were at the time waiting for approval. 13 of the licences are prospective for hard rock lithium, with one considered prospective for nickel sulphides and the final licence potentially hosting a copper/molybdenum porphyry system.

POW can earn a 20% interest over the tenements by funding $350,000 in expenditure within 12 months (i.e. by 26 March 2025), and a further 10% interest if POW spends an additional $150,000 in the six months thereafter (i.e. by 26 September 2025).

And once an interest is earned in the tenements, the two parties have signed a non-binding agreement to form a contributing joint venture in proportion to their tenement interests.

Wade noted that *‘Our intention is to form a long-term partnership with EVM, RIWAQ's majority owner to provide upstream opportunities for EVM's growing midstream processing operations. RIWAQ have a number of other licences currently under application, highlighting further growth opportunities beyond this initial agreement.’*

It’s also probably worth noting POW’s acquisition of GSA — where a MoU with a major Saudi Arabian supplier of fly ash is in place, with several further discussions ongoing — but this is the topic of the next section.

The question, of course, is one of what Power Arabia is actually worth to Power Metal Resources — and this isn’t particularly easy to decide. I think we could perhaps consider First Class Metals and Guardian Metals for some clues; FCM launched its IPO at 10p per share for a £6.56 million market capitalisation — GMET launched at 8.5p per share at a £7.16 million market capitalisation.

Assuming the parent retains 50% of Power Arabia, and the company is targeting a circa £7 million valuation, then you can probably assign circa £3.5 million to the balance sheet. There is of course uncertainty around this figure, but then we’re not including qualitative data including presumably significant further progress on signing more deals which may be close to being announced.

Add this to the previous figure of £27.2 million and we’re up to £30.7 million.

GSA Environmental: securing future revenue streams

Welcome to the grilled tomato of the Power Metal Resources breakfast — a POW asset that fits the portfolio but is nevertheless a little different to the rest of the items on your plate.

I'm talking, of course, about GSA. This acquisition — first announced on 29 February — concerns a little-known engineering technology provider and process licensor. I'm sure you may be scratching your head attempting to wonder what on earth CEO Sean Wade was thinking.

I'll explain, because I enjoyed a lively discussion with Sean earlier this year in which he it made pretty clear that he's had enough of the dysfunctional capital markets in London. At least that was my interpretation.

And if as an explorer you don't want to raise cash through brokers, you either need to go directly to strategics, family offices or UHNWs, which the company has done successfully several times now, or create your own free cashflow.

And this is what GSA is all about.

Understanding GSA

Power Metal officially completed its acquisition of 75% of GSA on 17 May 2024 — following due diligence and the standard pre-conditions.

GSA Environmental specialises in the extraction of critical and strategic metals from 'secondary sources' including power station ash, refinery waste, titanium dioxide waste and spent catalysts — by creating a suite of by-products rather than industrial waste.

It 'aspires to be the first-choice global provider of technological solutions to environmental problems posed by toxic metals in waste products.'

Wade enthused:

*'I am delighted to announce the completion of this **seminal transaction for Power Metal**. We have very exciting plans for this business and are looking forward to updating shareholders soon on contract signings and progress towards a **significant revenue contribution** to the Power Metal portfolio.'*

Agreement Terms

Straight off the bat, the absolute maximum POW is going to be paying is £1 million. Here's the breakdown:

1. POW paid £75,000 in new ordinary shares at the 5-day VWAP price of circa 14.6p each, comprising 514,357 new Ordinary Shares on 24 May.

2. If at any point GSA executes a commercial agreement with a third-party of at least £160,000, a further £75,000 in POW shares is due on the same terms.

3. On 17 May 2025, £250,000 in cash or POW shares (same terms) at GSA's discretion, on the condition that GSA generates a profit of at least £450,000 in the period.

4. On 17 May 2026, another £250,000 in cash or shares, on the condition that GSA generates a profit of at least £650,000 in the period.

5. On 17 May 2027, another £350,000 in cash or shares, on the condition that GSA generates a profit of at least £1 million in the period.

What does this mean for the bottom line? Well, there are two ways to look at this. The first is that POW is giving GSA shares in the company in exchange for 75% of GSA's shares (and therefore profits).

The thing is, as GSA is almost certainly not going to sell any shares, all this does is increase the market capitalisation of the company without damaging the effective free float. And you'd imagine POW plans to buy out that remaining 25% at some point in the future.

While GSA has the right to demand cash from term 3 onwards, I'd expect the founders will only ask for cash if they need it to grow the business — and remember, POW is now the majority shareholder.

Of course, you might think this is all a bit too clever, so I'm happy to reduce the contract to the lowest common denominator. If GSA generates £1 million in profit by 17 May 2027, POW will have paid £1 million in either cash or shares. Assume it's mostly shares, but £750,000 in cash would be POW's share of the profits and the most GSA can ask for in cash is £850,000.

So the worst case scenario is that POW pays £100,000 in cash more than its share of the profits (£850,000 to £750,000), and then has a positive cash flow asset for the ever after. You'd assume if GSA is doing that well, £100,000 in cash would be worth it — even if they wanted cash which seems unlikely.

And for those of you thinking this is all very well, but why spend money on an asset that may only be profitable three years from now — POW will still exist in three years. It's similar to pushing off going to university because it takes three years to do — you'll still be three years older in three years' time whether you choose to improve your life/corporate chances or not.

What does GSA do?

GSA was founded back in 2003 and specialises in metals extraction from secondary sources including refinery residues, Titanium Dioxide waste, fly ash and spent catalysts. It can get economic quantities of metals like scandium, yttrium, niobium and other rare earth elements, in addition to vanadium and nickel out of waste.

As you might imagine, this is likely to be high margin activity as the company is literally making profits from the rubbish produced by other companies — who are likely more than happy to be rid of it. Accordingly, the theory is that the tech will undercut the production costs of traditional mining.

I love new mining techs, and GSA uses hydrometallurgical techniques via its meta extraction technology to reduce harmful environmental impact by preventing harmful compounds from going to landfill — and perhaps even negating the need for landfill at all in some cases.

It's even working with a 'major Saudi Arabian mining company' to analyse processes to extract REEs and other metals from the tens of millions of tons of tailings in Saudi Arabia — and is in discussions with several mining and smelting companies to find solutions for their current and future mine tailings and slag residue.

GSA even has two MoUs with major Saudi Arabian suppliers of vanadium and nickel bearing fly ash. This is still in the early stage, though research to optimise the metal extraction process route (read figure out a flow sheet) is in progress.

The idea is to create a detailed plant design, and perhaps go down the construction, commissioning and operation route for '**potentially several** treatment facilities initially in Saudi Arabia.' Remember, POW is launching Power Arabia's IPO at some point soon — and is already now well established in the country.

There is a carefully crafted plan being painstakingly delivered behind the scenes.

But does the tech actually work? That's the real question — more and more companies seem to have developed technology specifically for tailings — simply because you can buy assets for pennies and processing costs so little.

GSA has a UK government grant through Innovate UK within a research consortium with partner the University of Lincoln and commercial supplier MLC and metals trader Lipmann Walton. GSA supplies the tech for metals extraction/concentration, the university supplies the tech for polymer manufacturing and filtering — and MLC supplies the waste samples and offers practical technical advice.

There are two million tons of metal containing waste in the UK, and GSA is already working with one firm to develop 'a demonstration scale plant in the UK to process two types of industrial waste for extraction of critical metals from a single plant in the region of 20,000 ton per annum throughput.' If this plant works, the plan is to build a much larger 200,000 tons per annum capacity plant also in the UK.

So short answer — it appears the tech has been proven to work in the lab but needs to be put through its paces in practice. For perspective though, GSA does bring on board a lab with significant testing capacity, reducing lead times and costs for soil sampling and rock chip sampling in early-stage exploration, and therefore there is an additional advantage.

But if it was already proven in the field, it would cost a lot more than £1 million.

What this all means for Power Metal

The idea is that GSA could become a significant revenue generator, which has long been one of Wade's primary objectives. It's a planned departure from the traditional early-stage exploration projects and will hopefully reduce the reliance on asset disposals and fresh equity capital — which are both typically expensive and unpredictable.

But the bigger picture is Saudi Arabia. The acquisition immediately strengthens the Saudi presence in-country and will likely make JVs and project acquisitions easier.

I want to highlight two quotes from Wade's 1 March BlytheRay interview:

- 'We think this is a **highly profitable business with fantastic growth potential**, and we're very, very excited about doing this deal.'
- 'This is a major step forward for us in respect to our relationships not just with the government but really our profile and our status as a **serious player and operator** in the region (Saudi).'

What's it worth to the balance sheet? We're assuming £1 million in profits over three years, so let's say circa £330,000pa in profit. Use a typical 8x multiplier and take away 1x for risk and this leaves circa £2.3 million. I'd also remove that £100,000 potential cash payment in excess of the profit share for a £2.2 million value at present.

Of course, there is significant upside potential as well, but better to account small and dream big.

Add this to the £30.7 million we were at previously, and we're at a £32.9 million for the balance sheet.

First Development Resources: IPO pipeline

By now, one hopes you get the picture — Power Metal is languishing with a market capitalisation of circa £20 million and it should be at least 50% more than this. I don't even need to convince you of this, simply present the company's constituent parts, provide a simplified valuation — and then add them up.

First Development Resources enjoys 100% ownership of three promising projects in the Paterson Province in Western Australia, which is a region we all know for its world-class gold-copper deposits.

However, the Paterson remains largely underexplored, offering ample exploratory opportunities for new discoveries — and FDR has three of them.

First, there's the flagship Wallal Project, on which FDR is gearing up to conduct drilling on several high priority 'bullseye' targets. These targets exhibit geophysical similarities to two nearby deposits — Greatland Gold's Havieron discovery and Rio Tinto's Winu deposit. FDR already all the necessary permissions and approvals in place to start exploration immediately post-IPO.

Second, the Braeside West Project, which shares some similarities with the adjacent Braeside project operated by ASX-listed Rumble Resources. The parallels suggest that the wider area could host promising the potential for significant mineral deposits. Third, the Ripon Hills Project — situated to the west of Braeside West, adding to the strategic positioning of FDR's projects.

Outside of Paterson, FDR also owns 100% of the Selta Project, within the Arunta region of Australia's Northern Territory. The area is famous for its historical uranium mining and high-grade uranium and rare-earth element deposits — and the asset itself is located near ASX-listed Arafura Rare Earth's world class Nolans project.

Desktop analysis for Selta has previously identified encouraging results from historical data, including elevated uranium and REE levels in both soil and rock samples. Add in the similarities to Nolans, alongside extensive outcropping pegmatites with potential lithium mineralisation, and this asset could be far more valuable than what the book suggests (though with that standard early-stage risk warning).

What's FDR worth to Power Metal?

Power Metal aims to launch a London IPO for FDR as soon as possible — likely within 2024 — using the listing to raise capital to further advance its exploration projects. FDR has raised £1,125,000 in pre-IPO financing already, both to fund the IPO and also for operational expenses.

And Power Metal Resources has a 58.59% interest in the company.

The closest exploratory comparator (in my view, there are many) is the May 2023 farm-in and JV between Greatland Gold and Rio Tinto, to explore 1,884 square kilometres of its own Paterson tenure. Terms included an initial minimum of AU$1.1 million of exploration expenditure comprising at least 2,000 metres of drilling before 31 December 2024.

A second comparator used elsewhere is the July 2019 AU$2.7 million acquisition of Rincon Resources by Artemis Resources. This 708 square kilometre package of three projects included South Telfer, close to Newcrest's Telfer operations.

We know that the last transaction in FDR shares before being acquired was 8p per share — with a market capitalisation of £3.1 million. Add in the £1,125,000 in capital raised thus far and you have a value of £4,225,000 — £2,475,427.50 of which can be attributed to POW's shareholding. Given the hugely improved economics of both gold and uranium since then, we will round this up to £2.5 million though arguably this is an underestimate.

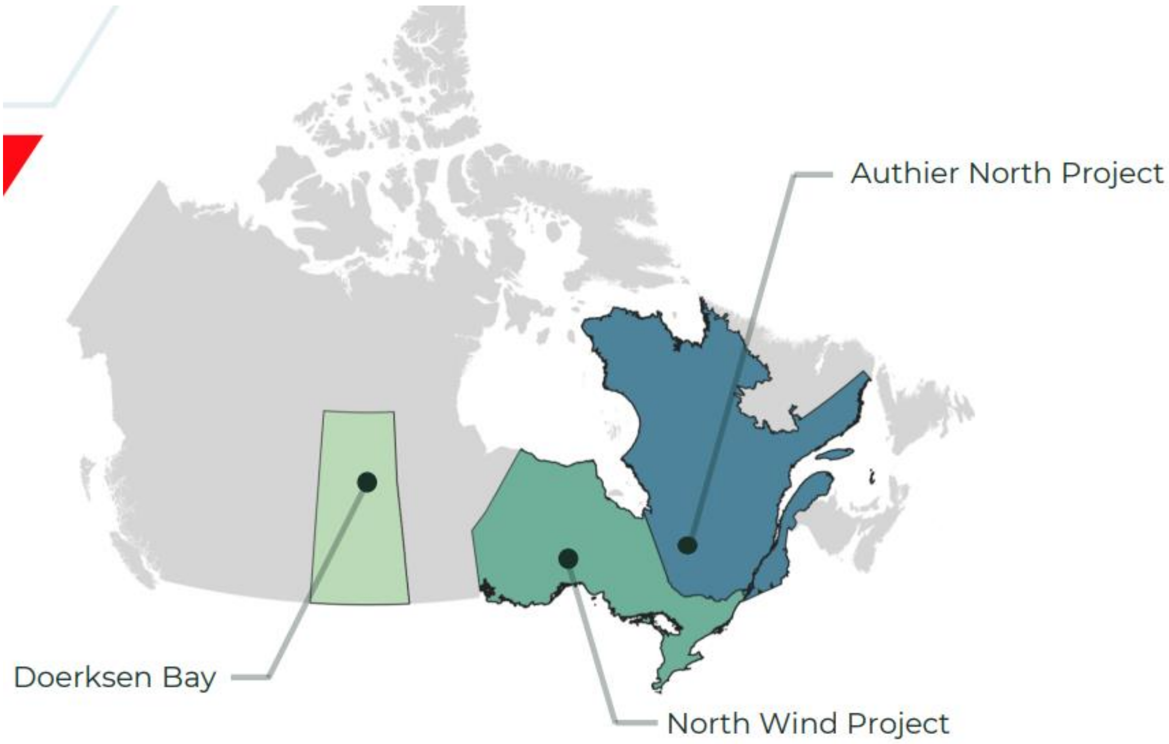
Add in the £32.9 million comprising the Athabasca portfolio JV with ACAM, Guardian Metal shareholding, Power Arabia and GSA — and we're up to £35.4 million.

ION Battery Resources: strategic lithium-graphite assets

Just before we have a look at ION, I wanted to briefly highlight Power's appointment of Tamesis Partners as joint corporate broker.

It's not like hiring Tamesis is some kind of watershed moment, but the broker is attached to some big names. This is yet more evidence of the corporate buildout, with POW signaling to the market that it's ready to play the game on a higher level — including listing on the OTC market and getting Purebond, Rick Rule and ACAM in the puzzle.

ION is a 100% owned Canadian subsidiary focused on early-stage exploration across three projects in Canada, covering lithium and graphite.



1. Doerksen Bay Graphite Project

This asset is centred around five Saskatchewan Mineral Deposit Index graphite occurrences, including historical rock samples that have returned graphite grades of up to 45% carbon from coarse-grained graphitic gneiss.

Previous operators have identified three high priority geophysical targets, and a further three secondary targets, these are untested. A modern airborne geophysical survey highlighted numerous untested very low frequency electromagnetic conductors, which are broadly coincident with the SMDI occurrences.

2. North Wind Lithium Project

Covering some 5,788.5 hectares in northern Ontario, with easy access in an established exploration district. The property hosts seven instances of highly anomalous lithium sediment results, and elevated results of caesium and tantalum along a 16km long trend, within the same water body suggesting a nearby mineralised source.

The project represents a highly prospective target for lithium, caesium, and tantalum bearing pegmatite occurrences — which make up the majority of hard rock lithium extracted. Exploration from last year saw ION collect 389 soil geochemical samples — covering five pegmatites. Analysis is ongoing.

3. Authier North Project

This asset is just 800m from Sayona's Authier lithium project which hosts a JORC resource of 17.1 Mt at 1.01% Li_2O. Sayona's April 2023 Definitive Feasibility Study confirmed an AU$2.2 billion pre-tax net present value.

ION has identified two targets; a northern target focused on a possible extension of Sayona's pegmatite, and an eastern target focussing on potential further occurrences of lithium pegmatites along the perimeter of the La Motte Batholith. Grab samples from the previous licence owners came back with up to 0.42% CR203 and 0.21% Nickel.

Power Metal's original 2021 agreement to acquire the Authier North and Duval East lithium properties valued the properties at £243,000 — though the agreement was subsequently changed to POW's favour.

If you add on the other projects, some cash spent on exploration, and inflation since then, there's probably a value of circa £500,000 for these assets

While I'm generally very fairly positive on the broader portfolio, as part of the ongoing corporate tidy-up, Power needs to either find another asset to be ION's flagship, sell these ones for what they can, or get any kind of deal over the line with a local partner.

We ended previously with a £35.4 million running total and are now up to £35.9 million.

First Class Metals: building value in Ontario

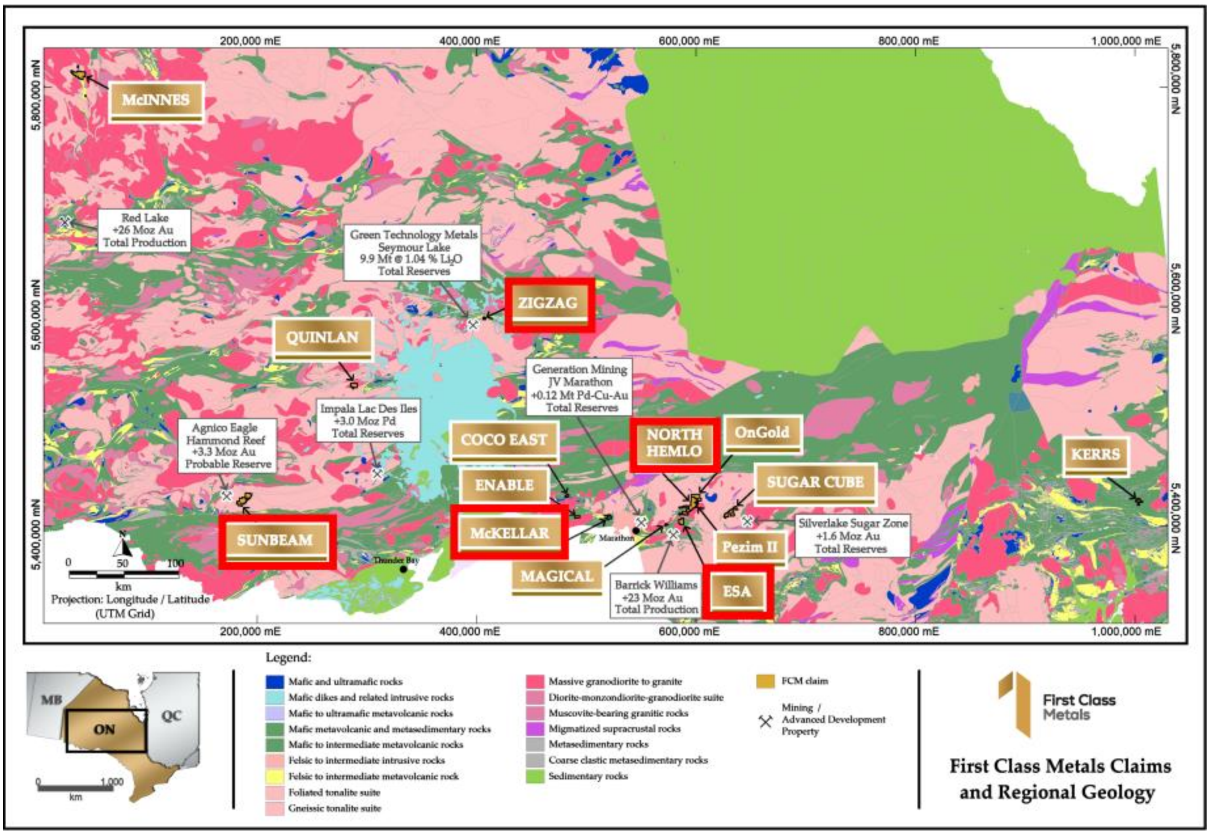
Next, we are going to consider the portfolio value of POW's 23.24% shareholding of First Class Metals.

FCM investors will know that the company launched its IPO at 10p per share in July 2022— rising to as much as 17.25p by December 2022. Since then, the stock has fallen to circa 3p, having recently unsuspended due to missed accounts.

On that particular note, there is no point blaming FCM in particular. The new auditing and ESG requirements are more time consuming (and more expensive) than I suspect many imagined, and forced suspensions will become more common. There are only so many auditors.

But regardless, FCM has a market capitalisation of £2.5 million at present, and on this basis POW's shareholding is worth circa £600,000. However, this is arguably a significant oversimplification — on one hand, POW cannot realistically sell these shares on market (even if it wanted to), and on the other, the intrinsic value of FCM's assets is almost certainly worth more than £2.5 million.

For context, the company raised £1.85 million at the IPO alone.



Covering the entirety of the FCM portfolio in depth is beyond the scope of this series of articles, but it's worth considering some of the highlights:

FCM's clear flagship remains **North Hemlo** where a high-grade gold sample with a concentration of 19.6 grams per ton (g/t) was announced a few months ago. This is the highest graded sample to have been taken in the wider North Hemlo area.

Remember, the ground was already subject to historic blasting, and the 23 million ounce — and still producing — Barrick-Hemlo mine lies just 20km from Noth Hemlo's Dead Otter Lake trend.

For the sceptical among you, who will rightly be questioning whether there's anything left worth finding in the area, there are two simple reasons why nobody else has considered the project in depth before.

Principally, FCM is the first company to pull together the disparate set of licences covering the area, gathering data to take a broader overview than was previously possible. And second, the Dead Otter trend is in a fairly inaccessible area (think glaciers and forest) with little outcrop, and geologists have previously focused on easier picking in the south.

I'd add to this that you need decent relations with the First Nations. FCM, despite their market cap, have decent ties with the indigenous people and this is critical to exploration in the area. The company is also well connected to the Canadian government, having received the maximum 2023 Ontario Junior Exploration non-dilutive grant of CAD$200,000. The company has also already applied for 2024.

FCM is the only UK company to have received this Grant — last year the focus was on Zigzag and this year, any cash received will be spent on North Hemlo.

The business now plans to undertake a stripping programme in the area of the Dead Otter showing, including at the site of the '19 grammer' as well as one or two locations along strike. Given the potential for 'coarse gold,' FCM also plans to identify up to thirty samples for photon assay for gold with ALS Thunder Bay. Thereafter, the company proposes to secure a drilling permit, with a view to put at least a couple of thousand metres into the asset.

I view North Hemlo as by far the most important asset in the portfolio and the company should prioritise exploration here over anything else. It's the flagship for a reason.

Sunbeam is also interesting — it's very close to Agnico Eagles 3.8 million ounce Hammond Reef deposit. With three separate 10km long structures on the property, Sunbeam now encompasses some 70 square kilometres — stripping at the Roy prospect saw one channel sample come back at 18.8 g/t gold (Au) / 0.3m, while a grab sample at Pettigrew reported 13.0 g/t Au from quartz rubble dug up beside the stripped outcrop.

Historical drilling at Pettigrew is also encouraging, with one hole returning 19.4 g/t Au over 0.63m at 5.33m. FCM plans to eventually drill at both Roy and Pettigrew.

Then there's **Zigzag**, within the Seymour-Falcon corridor. We know offers have been made for the asset after its 500m drill programme — where 10 diamond drillholes from December intersected the lithium pegmatite at the property. Drilling evidences that the structure remains open along strike — with one hole coming back @ 1.5% Li20 including 0.2m @ 5.19% and 5.75m @ 0.21% Rb20.

Elevated levels of side credits including gallium, rubidium, caesium and tantalum were also found, and the company sees the potential for the expansion of the geochemical envelope along strike in both directions and down dip. Further, geochemical results suggest there may even be a second structure at the property.

I'd also briefly mention the West Pickle Lake Joint Venture with Palladium One. The JV now thinks that feeder dyke structures extend over more than five kilometres of strike length. And drilling along the eastern margin of the West Pickle Zone targeting bore hole electromagnetic anomalies returned 1.8% Ni and 1.0% Cu over 1.5 meters in the most distinct hole.

It's worth remembering though that FCM unofficially stands for 'first curve mover.' The business model is to stake or buy assets cheaply, do some of the initial exploration work, and then sell for a profit.

The company recently sold McKellar and Enable to 79th Group for £270,000 — and also took out a drawdown facility with the group for £230,000. 79th is also conducting due diligence on further FCM properties — you may hope further sales are in the pipeline.

You might be thinking this is pocket change; it's a fair charge. However, these assets have seen very little expenditure and cover 107 claims between them, they have never been drilled and have seen only limited surface exploration; Sunbeam alone covers 1134 claims and has seen far more expenditure.

In area terms, the two sold assets cover 21.2 square kilometres out of out of some 258.05 square kilometres held by the company. But as a general rule, larger individual claims such as those found on these two assets tend to be less valuable than smaller claims (as smaller claims indicate a fight to grab territory).

Or in other words, Sunbeam by itself could be worth almost as much as the current market capitalisation of FCM. And 79th is planning to launch its own IPO soon — it will need more assets.

In terms of the current focus, investors were treated to an RNS update today. Read it for full details, but I've picked out the key details to focus on:

- North Hemlo — FCM reconfirmed plans to undertake a stripping programme in the area of the Dead Otter showing covering the '19 grammer,' as well as one or two locations along strike. Again, it's also identifying up to thirty samples for photon assay for gold with ALS Thunder Bay.

- Sunbeam — FCM reviewed historic 1,500m TerraX cores. The company drilled five diamond holes in 2010 and a further three holes in 2011. This historical information will help decide future exploration.

- Zigzag — updated exploration permit application submitted to the Ontario Ministry of Mines with the full support of Whitesand First Nation community. This will allow stripping and drilling along the main trend both to the east and west of the 'core 400m zone,' in addition to initial stripping and potentially drilling on the southern, possibly subparallel trend.

- Kerrs Gold — Prospectair has been commissioned to undertake a low level hi-resolution magnetic survey over the property in late June / July. This will give a total survey distance of 736 l-km.

What's First Class Metals worth to POW?

If you consider the 2023 accounts, the company views its total assets as being worth £3.67 million (including cash at the time of circa £140,000). It remains loss-making, but the exploration thus far and ready-made buyer in 79th means that it will be capable of realising value and proving the business model further out into 2024.

Therefore, even after the increase in market capitalisation today to circa £2.5 million, there is significant further upside to POW over the next few months. I suspect FCM will be trading closer to 5p per share within six months.

However, one thing I cannot stand when analysing portfolio values is using the different criteria to measure value. We used GMET's current market capitalisation previously, and will also do this for FCM, leaving a portfolio value of around £600,000 for this asset.

Add this to the £35.9 million running total and we're up to £36.5 million. As a reminder POW's market capitalisation continues to flirt around the £20 million mark.

Molopo: the quest for nickel

Next up, we're going to take a look at what was once the flagship — Molopo. Perhaps it still is, though the corporate focus seems to be shifting to Saudi Arabia.

Power acquired an equity stake in Kalahari Key Mineral Exploration Pty Limited in 2019, which holds a 100% interest in the Molopo Farms Complex in Botswana. In April 2021, POW earned a 40% direct project interest by funding $500,000 in exploration. POW later increased its interest in KKME, and now holds 87.71% of the company and therefore the MFC Project.

The primary target at the complex is nickel-PGM mineralisation within the major ENE-WSW trending Jwaneng-Makopong shear/feeder zone. Historical drilling at three of the target areas previously resulted in intersections of ultramafic rocks, with visible magmatic nickel sulphides identified one of the holes.

Mineralogical testing of one of these cores by the University of Witwatersrand has confirmed the presence of nickel sulphides. Assay testing further confirmed the presence of magmatic nickel sulphides, of up to 1.69% nickel alongside encouraging PGE mineralisation.

In 2022, Power completed four moving loop electromagnetic surveys over target areas T1-6, T1-14, T2-3 and T1-3. Four large, untested conductive bodies were identified within all areas tested. The results from the 2022/2023 drill program then yielded up to @ 0.81 g/t Pt+Pd+Au & 0.18% Ni from 498.7m in DDH 1-6B.

On 7 February 2024, POW started drilling for the high-priority conductor at target area T1-14, with a target depth of 700-800m — having completed ground Audio-frequency Magnetotelluric in addition to magnetics, to refine the perfect drill target.

On 23 April, POW announced the completion of drillhole DDH1-14C to a final depth of 832.6 metres, with the successful intersection of the targeted steeply dipping geophysical superconductor at T1-14.

The company has identified the conductor as a sulphide mineralised carbonaceous to graphitic mudstone, where the mudstone contains significant levels of pyrrhotite-quartz-calcite veining and localised sulphide dominated veins of what appears to be pyrrhotite. Further, mostly vein-hosted sulphides are present throughout the intervals including dominantly pyrite.

For perspective, previous drillholes completed into this area were unsuccessful in intersecting this key conductor.

With the drillhole complete, the in-country geological team selected eight samples from the intervals for certified laboratory multielement and PGE assay testing, with the assay results released on 27 June.

POW identified significant sulphur assays of up to 3.46%, alongside one sample which returned anomalous nickel (IMK-05242: 0.128% Ni). This evidences the company's long-held view that the combination of carbonaceous mudstones and ultramafic intrusives at Molopo could lead to the formation of nickel sulphide deposits.

On this particular mineralisation, there are advantages and drawbacks — like any other.

Pyrrhotite itself isn't particularly valuable (especially at 800m), but it's a very good indicator that there may be nickel and copper nearby. Nickel and copper can be present within the pyrrhotite structure itself, but more importantly, other minerals like pentlandite (nickel) and chalcopyrite (copper) are often found together with pyrrhotite.

More broadly, carbonaceous mudstone can sometimes concentrate nickel and copper to high levels due to the organic matter acting as a natural trap. In some cases, the nickel and copper may be finely disseminated throughout the mudstone, making the extraction process fairly simple.

The other common nickel-copper deposits include Magmatic Sulphide Deposits and Laterite Deposits. The former represents the 'gold' standard (similar to rutile for titanium, or spodumene for lithium ore), and are typically developed into large scale mines due to the ease of extraction. However, they are rare already and new finds even rare.

The latter is typically near-surface and therefore easier to mine, but the nickel and copper content might be lower, and the processing can be more energy-intensive.

What POW has at present — sulphide mineralised carbonaceous mudstone — may require some complex processing, but grades are typically higher than with laterite deposits. There's arguably enough evidence that the asset is large enough to justify the 800m depth, but the grade will need to be relatively high to justify exploitation.

However, the presence of abundant sulphur suggests that there may also be a magmatic sulphide deposit at Molopo. This would be a complete game-changer for Power Metal, and therefore the deposit certainly warrants further exploration.

The thorny problem is that the asset is so large — in the CEO's own words, a 'potential district-scale deposit' — that what it really needs is a large scale $10 million drilling campaign to definitively demonstrate viability — the hope is that this most recent hole will provide sufficient evidence to the various potential JV partners in the area that this could be worthwhile.

What is Molopo worth to POW?

This is a gigantic 1,723 square kilometre project, and Rio Tinto among others, has a similarly sized exploration portfolio very close to Molopo. Utilising the recent acquisition of 56.7% of Kalahari Key Mineral, POW's 87.71% has a value of circa £3 million, to include the purchase price and drilling costs thus far.

I'd venture that Molopo may be worth significantly more, but to prove this will require a Joint Venture of some kind.

But the bottom line is that Molopo is worth circa £3 million to Power right now; add this to the £36.5 million of yesterday and we've up to £39.5 million in portfolio value.

Tati: free carry to production

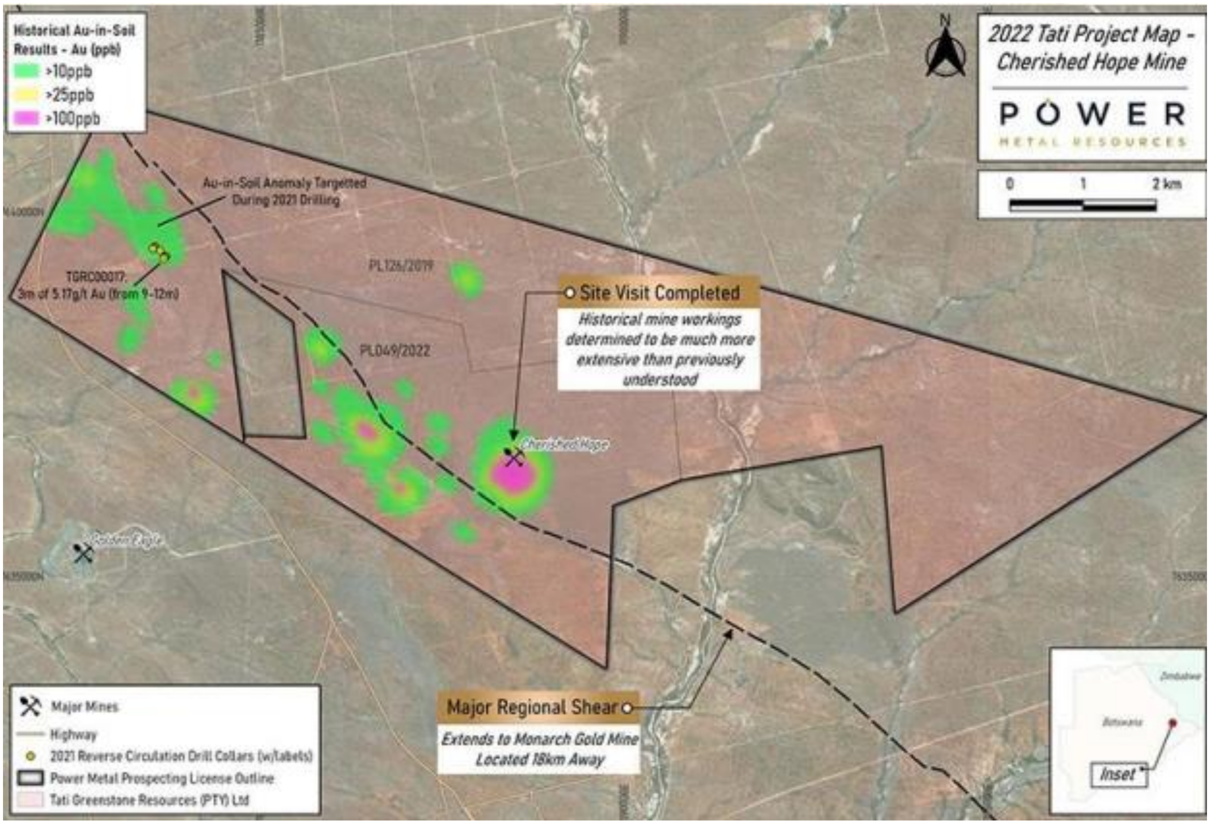
Now we're taking a look at Tati — Power has a 100% interest in three prospecting licences comprising some 91.14km2, where the company is targeting gold and nickel discoveries. Tati contains several untested arsenic and gold-in-soil anomalies, as well as historical and artisanal gold mine workings.

Power Metal has completed two drill programmes, with a third programme currently ongoing. The asset is in heart of the famous Tati Greenstone Belt, nearby Francistown in northeastern Botswana. With a total strike length of 65km and up to 20km in width, it hosts a large number of orogenic style gold deposits and several economically significant intrusive magmatic Ni-Cu-PGE rich sulphide deposits.

Within the project area, there are several features worth noting:

- A mineralised quartz reef structure which has been intersected by drilling over a 175m strike-length.
- Multiple historical gold-in-soil anomalies with individual results up to 2,150ppb (2.15g/t). Follow up sampling confirmed two significant gold-in-soil geochemical anomalies and continuity within the 8km gold trend at Tati.
- A regional scale shear structure across the entire project. For context, greenstone hosted gold deposits are known to be associated with major shear structures.

Power Metal has completed several drilling programmes within Tati Project. Maiden drilling targeted the western part of an 8km long gold-in-soil anomaly, with results included up to 3m of 5.17g/t Au. The second campaign was completed in Q3 2022 and returned gold grades up to an impressive **47.1g/t and 40.6g/t Au over 1m.**



An exploration program during 2023 improved POW's geological understanding of the asset, including the potential relationship with dolerite dykes and gold mineralisation. Results of up to 1.9 g/t Au were also identified in trenched intercepts.

Recent soil sampling (reported on 6 February 2024) has also returned results including 568ppb, 831ppb and 1,076ppb gold – all well above the regional 'anomalous' level for gold and spread over a wide area. 29 samples in total samples returned 100ppb Au or above, the vast majority of which form part of the Cherished Hope Anomaly, a now greater than 600m-wide zone which remains open in multiple directions.

Described by CEO Sean Wade as 'quite remarkable…extremely positive findings,' 446 soil samples were taken from four grid areas, to test for gold within the 8km-long gold mineralised trend which extends in a northwest-southeast direction through Tati. The results confirmed the presence of three significant gold-in-soil geochemical anomalies, proving further continuity within the 8km-long gold trend at Tati — including Northwest, Southwest and Cherished Hope targets.

Option agreement signed

The reality is that as wonderful as exploring is, at some point you need to convert money put into the ground into cash out of the ground.

And yesterday, Power took a big step into making this happen, with its 100%-owned subsidiary Tati Greenstone Resources Pty (TGR) entering into an option agreement with Tuscan Holding Pty. Subject to exercise of the option Power Metal will retain a **25% interest free carried to production** in Prospecting Licence 049/2022 (which covers the Cherished Hope Mine and the best gold targets as established by previous exploration).

Cherished Hope was acquired via low cost staking back in April 2022, covering the historical Cherished Hope gold mine. Again, there has been reverse circulation drilling, fines dump sampling, trending and soil sampling. This has been years in the making.

The general idea is that Power will eventually enjoy dividends from its 25% of TGR, paid for through gold production. Like GSA, this is another part of a clear long-term plan to create a company that can sustain itself without going to London for finance — even if it has managed several ex-broker raises over the past year.

Power will retain the right to a 100% interest in all other Tati licences, though presumably Tuscan will look to expand the partnership into these in the future (and perhaps is looking at Molopo too).

Wade enthused '*Tati is a very important Project for us and it is great to be able to take it forward with a partner which is able to make such a **substantial financial investment**, giving Power shareholders a significant share of the upside without the additional cost.'*

Tuscan now has a 730-day (two-year) period to get cracking on prospecting, which could include:

- Fly drone lidar/photogrammetry.
- Handheld lidar of the excavations in order to create a 3D model of the current underground working if access and safety permit.
- Sinking a shaft to an approximate depth of 60m.
- Drilling with the goal of establishing a mineral resource suitable for a Feasibility Study.

Tuscan is paying the bill, not only for this work but also in the event this exploration turfs up the goods. If during the next two years Tuscan decides the gold merits ‘commercial exploitation’ it’s contracted to draft a Feasibility Study at its own expense.

This is expensive.

If Tuscan pays for the study, and can demonstrate financial viability to construct a mine, it can then exercise its option to subscribe for 75% of the shares in the subsidiary — at which point the shareholder agreement kicks in.

Importantly, TGR should be self-financed by its own cash flow if it gets to this point. But if it needs more capital, ‘it shall in the first instance seek loan facilities from its bankers or other third parties on normal commercial terms and following that will be funded pro-rata based on the ownership of TGR namely 75% Tuscan 25% Power Metal.’

But before we get ahead of ourselves, the next step is for Tuscan to get on site and get motoring. Updates will be provided through the usual RNS channel.

Tuscan is a SPV held by Medici Mining Investment LLC of the US. Most recently, it acquired Zimbabwe’s Lonestar mine in April 2023, and wants to become market leader in identifying these early stage opportunities.

History buffs will know that the House of Medici was a famous banking family and political dynasty that originated in Tuscany and consolidated power in Florence under patriarch Cosimo. Let’s hope this new partner is similarly ambitious!

While there may be some pushback for signing off 75% of such a promising project, 25% of a feasibility study project majority funded by a deep-pocketed partner is going to be significantly more valuable than 100% of a patch of extremely prospective dirt.

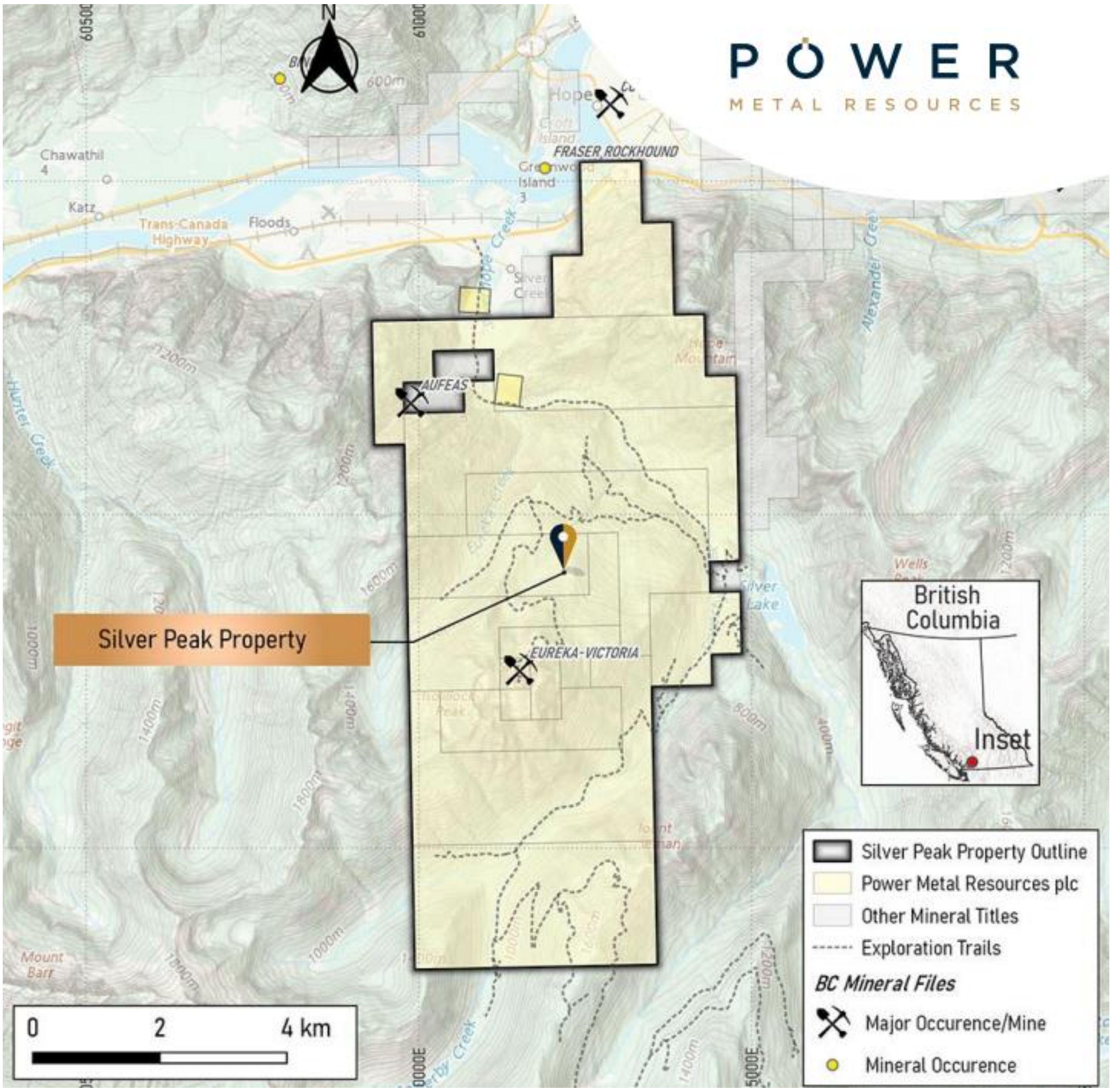
But what’s it worth to Power Metal? It’s hard to say as concreate figures are not available.

2023 audited results had a £384,000 value on Tati, but there have been significant soil results that have drastically altered the upside — and on top of this, the project now represents a 25% free carry all the way up to the feasibility study.

I’m placing a portfolio value of £1 million on Tati under this option agreement but this is with low confidence on accuracy and there could be seriously significant upside over the next few years, with the asset’s value growing with further exploration.

Add in the £39.5 million of yesterday and we’re up to a cool £40.5 million — more than double the current market cap.

Silver Peak: exceptional grades



Power Metal Resources has a 30% interest in the Silver Peak Project, located in southern British Columbia in Canada. The Project consists of a portfolio of claims over a system of high grade, intrusion-related, polymetallic silver-lead-zinc-copper veins, which were once part of the historical Eureka Victoria Silver Mine.

Originally discovered in the late 1800s, the Silver Peak mines exploited near-surface oxide material ranging from 500 oz/ton to 658 oz/ton silver (based on limited historical evidence). Underground mining was conducted via adits of the two main veins, varying in width from 1.5 to 6 m, continued on a small scale under various ownership until 1981.

Underground sampling back in 2011 along the strike of the Victoria vein returned a grade of 8,889 g/t silver with a grab sample from the vein face assayed at 15,517 g/t Ag, 4.3% Pb and 2.94% Cu. A Q4 2020 drilling campaign then delineated very high-grade silver (5,270 g/t or 169.5 troy oz/t silver).

Power initiated a diamond drilling programme in 2021, composed of 19 individual drill holes designed to test for extensions of the Victoria vein along strike and down dip. Highlights included:

- 0.76m of 10,131g/t AgEq (incl. **0.35m of 12,373g/t Ag**, 3.44% Cu, 9.45% Pb and 8.63% Sb)

Former CEO Paul Johnson noted at the time that *'the results are highly impressive and demonstrate the incredibly silver rich veins at Silver Peak. Without question this is an important asset for Power Metal and our partners, particularly in a world where high quality silver projects are hard to secure.'*

What is Silver Peak really worth to POW?

The exploration earn-in cost the company a total of CAD$250,000 a few years ago — and Johnson argued that 'material value can be generated for Power Metal through the listing of Silver Peak.' At present, the company line is that POW is:

'currently working with its partners to undertake a potential listing of the Silver Peak project on a recognised stock exchange and to review other commercialisation options for the project.'

Of course, it's been a long time coming. There is a tension in this particular project, because on one hand, some of the silver grades (and associated by-credits) are inarguably exceptional, and on the other, the asset is correspondingly difficult to explore. There is a video on the company's site which gives investors a scale of the size of the project — but also the practical complexities.

As a side note, it's in a beautiful location.

For Power, as a minority owner, Id venture that it makes little sense to spend capital on Silver Peak when other assets in the portfolio — several of which are just as prospective — are likely to enjoy a better return.

If the owners of the other 70% of Silver Peak wished to spend their own cash, they would be, and therefore this particular asset potentially no longer fits well within the portfolio unless a deal can be reached for further exploration.

My view is that Power would be best off selling its 30% share in Silver Peak; the earn-in requirement cost the company circa £150,000 in GBP terms — add in some inflation and drilling expenses, and POW's 30% of the asset could likely fetch somewhere in the region of £400,000.

However, the company has kept it on the books for a reason. Perhaps that IPO, and by extension a self-funding company, may be in the pipeline?

Add in the £40.5 million of yesterday and we're up to £40.9 million.

Haneti: ongoing strategic review

Let's get our teeth into the Haneti Polymetallic Project, based in Tanzania.

POW holds a 35% interest in the project in a long-standing Joint Venture, with Katoro Gold holding the remaining 65%. Haneti comprises tenements covering a 5,000 square kilometre strategic area prospective for nickel, PGEs, copper, gold, REEs and lithium.

The key target is an 80 kilometre-long ultramafic zone, which is part of the Haneti Itiso Ultramafic Complex. POW notes in its corporate presentation that:

'The Haneti project has received considerable interest from mid-tier and Tier 1 mining companies, demonstrating the strategic value of the Haneti project.'

These aren't just words: Power said the same for Tati and the Athabasca uranium assets.

As the junior partner, there has been few updates from POW on Haneti, though Katoro has some information — and is engaged in a corporate turnaround in 2024 that may include Haneti as the keystone of the strategy.

For context, former Katoro CEO Louis Coetzee has stepped down as Executive Director, POW CEO Sean Wade has taken the reins as Katoro's Non-executive Chairman, and the hunt for a new CEO is well underway.

The JV is targeting a large-scale nickel sulphide discovery and has previously committed to rotary air blast and diamond drilling, with results released at the end of May 2022.

A technical committee is currently reviewing the project's exploration data, historical information and geology to plan a cost-effective future exploration plan — including individual input from Power, Katoro and external experts. This includes a possible new approach targeting the potential for nickel and copper mineralisation within the gabbroic lithologies within the project licence boundaries.

In February, Katoro brought former POW CEO Paul Johnson on as a consultant — and raised some £750,000 in capital. Happily, KAT's broker SI Capital also managed to lock down an additional £75,000 in cash from a 'single institution,' leaving the company with £825,000 (minus expenses). This backer might be Purebond, given the company's backing at POW, GMET and KAV.

Wade noted at the time that 'this influx of funds will provide a solid foundation for implementing the revitalisation plan and propelling Katoro towards a more robust and sustainable future.'

We can therefore assume there is a very good chance that a significant chunk of this capital will be deployed into drilling at Haneti.

It's also worth noting the detail in Katoro's new opportunities plan — first that 'going forward the Company will seek additional opportunities to broaden its portfolio of interests in Africa, North America and Australia.' And second, that 'target projects are available and may be secured in a wide range of commodities, however a particular focus will be on critical metal opportunities, including uranium.'

Given that the entirety of Power's Athabasca uranium portfolio will now be JV'd with ACAM, this may be a tangential reference to Selta. This asset is currently part of POW's proposed First Development Resources IPO, but it really doesn't fit well with the other three assets — Wallal, Braeside West and Ripon Hills — and there may now be a better home for it.

There could also be uranium opportunities in Saudi Arabia that could benefit from some exploratory cash once the Power Arabia IPO launches.

What is Haneti worth to Power?

Katoro notes that all projects in its portfolio are 'carried at £nil in the Company's last published Balance Sheet.' However, there is arguably at least some value in Haneti today.

POW acquired an initial 25% economic interest in the project back in 2019, which cost the company a total of £100,000 (simplified). It then upped its stake to 35% for an additional £25,000 in August 2020. POW has also input capital into exploration on a pro rata basis.

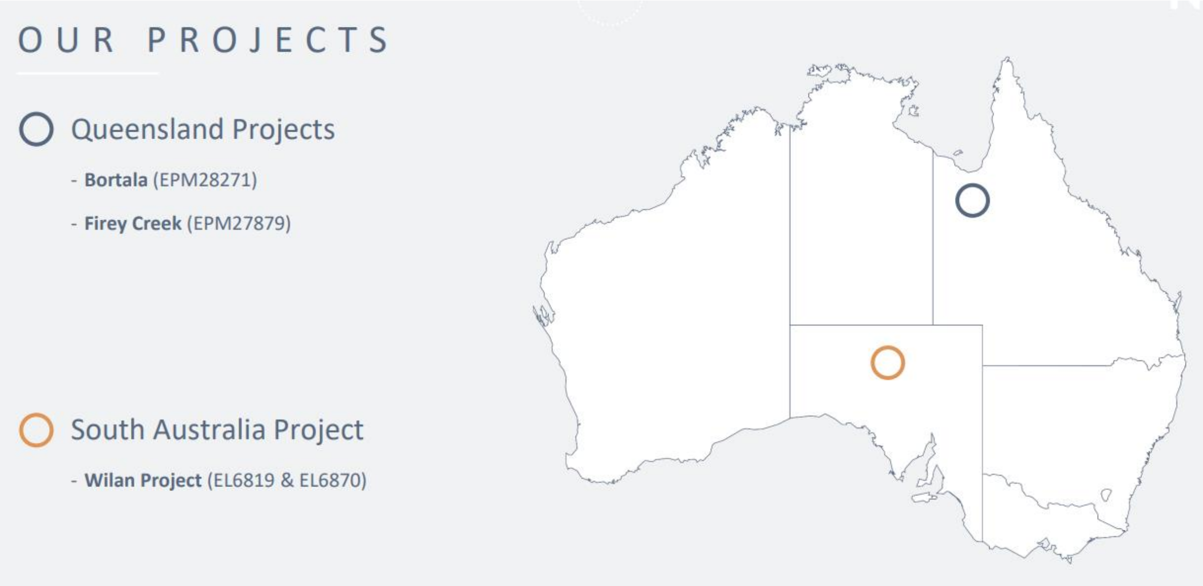
At the time of the acquisition, it's worth noting there was already enough data to demonstrate 13.59% nickel in sampling of outcrops. With a new drilling campaign likely in the medium term, it's fair to attribute the initial £125,000 cost, some of POW's expenditure, and the likelihood of a new drilling campaign to the asset's value to the company — let's say £250,000 today.

However, while the project has reportedly seen considerable external interest, the reality is that this portfolio value is not truly liquid.

Add in the £40.9 million total, and we're up to £41.15 million.

New Horizon Metals: further incubator proof

Portfolio company New Horizon Metals holds three assets:



South Australia

Wilan Project — 140km from BHP's Olympic Dam IOCG deposit (the world's largest source of copper-gold-REE and uranium), and also close to the major's Prominent Hill Copper Project acquired as part of its Oz Minerals takeover.

IOCGs have been identified, with magnetic anomalies coincident to gravity anomalies, one of which has been identified in the south-east of the property and has never been drill tested. In addition, a potential Playa Lacustrine uranium-vanadium occurrence is in the west of the property while diamonds-kimberlite tracer minerals have been found in the north.

Queensland (Mount ISA copper-belt, within the region of Mt Oxide, Lady Loretta & Capricorn)

Bortala Project — contiguous to 29 Metals' Capricorn Copper Mine which has a Mineral Resource Estimate at 62.5Mt @ 1.8% copper equivalent. The tenure is prospective for Mount Isa/Mammoth-style breccia copper deposits and epigenetic uranium mineralisation within the Eastern Creek Volcanic Formation.

An east-north-east trending linear fault in the south of the project has copper-gold mineral occurrences/historic workings, identified by the Queensland Geological Survey. The geophysical features on the eastern portion of the property signal key target areas for future exploration, adjacent to already known magnetic high zones.

Firey Creek — Fifteen historical targets prospective for primarily copper mineralisation have been identified including historic grab samples of between 7.5% to 15.2% copper in the south east and up to 11.2% copper in the north west of the asset, potentially associated with east-west faulting.

Previous drilling has intersected anomalous copper including 4m @ 1.4% Cu and 2m @ 1.8% CU. Castillo Copper has comparable underlying geology to Firey Creek, 10 km to the east.

Aruma Resources acquires NHM

On 28 May, ASX-listed Aruma Resources finally acquired these licences after a deal was first announced in late 2022. A new vehicle — NHMHA — has been formed whereby Aruma owns 80% and Power 20% of the new company, which holds the three projects.

Power CEO Sean Wade was enthused to *'report an important crystallisation event in respect of the NHMHA acquisition by Aruma Resources. This further demonstrates the value of our incubator model and how it serves to add value to shareholders. This transaction represents a continued streamlining of our portfolio and allows for concentration on our highest-value opportunities.'*

Another example of tidying up the portfolio and reducing operational manpower requirements.

Aruma plans to commence targeted, systematic field work programs across the new projects to define priority drill targets, with the aim to progressively drill testing priority targets to unlock value.

What is this asset now worth to POW?

As consideration for the acquisition Aruma is to issue:

- 26.5 million fully paid AAJ ordinary shares, which will be subject to escrow for 6 months.
- 24.5 million options each non-transferable and exercisable into one ordinary AAJ share for a nil exercise price upon Aruma securing PEPR approval (and any others required) for drilling at the Wilan Project.
- 28 million options each non-transferable and exercisable into one ordinary AAJ share for a nil exercise price upon AAJ reporting an aggregate drilling intercept (in one drill-hole) of 3m at >600ppm U308, or at least 20m at >0.8% Cu or metals equivalent at one of the new projects.
- AAJ will also pay a 2% net smelter royalty to NHMHA shareholders over any minerals extracted and sold from the tenements.

It's worth noting that Aruma also holds the Mt Deans Lithium Project within the lithium corridor in south-east WA, which hosts multiple significant hard-rock lithium projects. Aruma thinks it sits within the same host rocks and structures as the nearby and world-renowned Mt Marion, Bald Hill and Buldania Lithium projects. Aruma also controls a variety of exploratory gold projects, giving POW exposure to some additional exploratory upside.

Aruma notes that this is a *'pivotal acquisition…It will see the Company expand its focus into key high-demand commodities, copper and uranium, via a portfolio of high-potential exploration projects in two of Australia's pre-eminent, active mineral precincts.'*

Managing Director Glenn Grayson noted the *'company-changing potential of this acquisition. In seeking to expand our asset portfolio we have assessed a number of projects against key criteria designed to drive market support for the company and value accretion for shareholders. We see the combination of quality exploration asset portfolio in high-demand commodities, located in active tier-1 mineral belts in progressive mining jurisdictions as the clear right-fit for Aruma Resources.'*

In sterling terms, the total package of 79 million combined shares and options over Aruma is worth a reasonable sum — there's circa 197 million shares in issue at present and the company has a market capitalisation of £2 million. The company spiked to tenfold this market capitalisation two years ago — and therefore there is also significant potential upside.

This requires something of a judgment call as the options will only ever be exercised in the event the assets come much further along the path to commercialisation (and therefore Aruma's share price will be substantially higher).

But we can place a value of circa £200,000 on the deal and a further £100,000 for potential upside (though clearly this could be much higher or lower) to give a £300,000 portfolio value. Add it to the £41.15 million running total and we're up to £41.45 million.

Additional interests: financial optionality

To conclude this overview of Power Metal's assets, there are two additional interests to consider.

The first is the company's interests in Red Rock Resources — Power recently disposed of its 49.9% interest in the New Ballarat Gold Corporation, which wholly owns Red Rock Australasia, the local operating company holding highly prospective exploration interests in the Victoria Goldfields.

The disposal concluded on 19 June 2024 after the initial announcement in mid-March.

In return for transferring its interest to Red Rock Resources, Red Rock Resources issued 166,666,667 new ordinary shares to POW — representing 3.87% of Red Rock's enlarged shares in issue. POW was also issued 100,000,000 warrants exercisable into RRR ordinary shares, for three years at a price of 0.15p per share.

Red Rock Resources has also issued £250,000 in convertible loan notes to POW, with a conversion price equal to the price of any placement of new ordinary shares of RRR raising proceeds of over £200,000.

And should conversion not be undertaken by 8 September 2024, the CLNs of £250,000 then become repayable immediately as cash.

Red Rock currently has a market capitalisation of circa £1.6 million, leaving the shares with a value of circa £60,000. Assuming the CLNs are converted to shares, this disposal would leave Power with circa £310,000 in value — though accessing this capital in full would require an off-market buyer which seems unlikely at this stage — and further new shares created could put pressure on market sentiment. On the other hand, the warrants could also be converted if Red Rock strikes gold.

But we have used market capitalisation for GMET and FCM holdings as our value model, and therefore will assign £310,000 in value to the Power portfolio — cash that can be liquidated if needed. Perhaps the more important effect is that this disposal has freed up resources, both financial and operational, for efforts elsewhere.

The second interest to briefly mention is Power's warrants and NSR over Kavango Resources' assets. POW sold its shareholding for cash last year — but retains 60,000,000 warrants to subscribe for new Kavango shares with 30,000,000 warrants at an exercise price of 4.25p and 30,000,000 warrants at an exercise price of 5.5p, both with an expiry date of 8 January 2025.

While these warrants are unlikely to be in the money by this time next year, the company has enjoyed the beginnings of a strong turnaround in 2024. This is important because POW retains a 1% net smelter return royalty in respect of the project licence footprint in the Kalahari Copper Belt and Ditau Camp projects previously held in joint venture with Kavango.

I've placed a £50,000 value on this NSR for portfolio valuation terms — though this is the median of a large range of estimates — and could well worth be more should Kavango deliver on its plans.

Together these special interests are worth some £360,000 to Power — add the £41.45 million of the running total and the total portfolio value of Power's assets is worth some £41,810,000.

Summary

I hoped you enjoyed this special report on Power Metal Resources, which is by any measure one of the most undervalued companies in the junior resource sector today.

I have worked with the business, including CEO Sean Wade and various members of the board and corporate strategy team for a significant period of time — including authoring broker notes and introducing the company to a wider investor audience.

However, this report is a little different to your typical note. Instead of presenting a price target based on potential growth, I've instead focused on breaking down the constituent assets within Power's portfolio to assess their true value today, to highlight the true value disconnect BEFORE any potential growth.

I've come to a net asset value of £41,810,000 against a market capitalisation of circa £20,000,000 today. There is no need to convince you of this disconnect; the numbers are simple, and I have applied conservative figures where there is some ambiguity.

There are several threads running through this report that are worth highlighting initially:

First, the strategic rebalancing. Wade inherited a disparate portfolio of projects of varying value all over the globe — and has spent the better part of the past 12 months working out deals of all kinds for the non-core assets — designed to reduce POW's financial expenditure and lighten the operational workload.

You can see this in the Athabasca Uranium Joint Venture with ACAM, the Guardian Metals Resources spin-off, the option agreement over Tati, the New Horizon Metals deal with Aruma, and the disposal of the Victoria Goldfields interest to Red Rock Resources.

While these various ventures could yield fruit over the medium-longer term, the corporate focus is now on Power Arabia — and crucially, these deals allow Power to retain significant interests in its global portfolio but with exploration expenditure and management met externally.

Second, not only does this help prove the business model, as Power Metal continues to realise significantly more value from assets acquired than it has paid into them, but it means that management can focus exclusively on higher value assets.

In terms of value creation, let's consider POW's successes. In rounded figures, the company paid just £200,000 for the licences now held within First Class Metals. It paid £1.9 million for the licences/interests now held by Guardian Metal Resources. It paid £1 million for licences/interests held by First Development Resources.

And it acquired the Athabasca Uranium licences now held within the ACAM Joint Venture for staking costs only — a feat of foresight that has yielded tens of millions of pounds of potential value add.

Third, the valuation gap between the company's market capitalisation and its portfolio value should close soon enough. The catalysts are varied and plentiful — for example, the dozens of 'lottery tickets' where any one parcel of land could hit the jackpot are ever present.

But beyond this, more successful IPOs are already in the pipeline, including Power Arabia and in time First Development Resources. Should these perform at a similar level to Guardian Metal Resources, this will provide further proof of the business model.

A further value catalyst may be in Power realising the value creation in its spin-offs, potentially through an off-market sale of a portion of shares in Guardian to an institutional investor. Undeniably, a major component of Guardian's success is Power's steadfast backing — and therefore a sale of a small part of its circa 50% shareholding would have the twin effect of both proving the real value of a paper market capitalisation — and could even boost GMET further through additional institutional validation.

It's important to note that the £41,810,000 figure does not represent the growth potential of Power Metal Resources. Instead, it's simply a rough approximation of the value of the assets on the balance sheet.

However, it's fair to argue that the company's market capitalisation should be at least double the current £20 million. Even if corporate activity ceased tomorrow, POW's constituent interests would be worth far in excess of what the market currently judges the company to be worth.

And Power Metal continues to develop new opportunities. While you can already point to the value created at almost every portfolio of assets on the books, you only need to read through this report to see where further value add could be derived from:

- ACAM may discover a uranium jackpot in the Athabasca, the world's most prospective uranium address.
- Guardian Resources will likely see US government grant funding land shortly and continues to drill the largest undeveloped tungsten deposit in the US.
- Power Arabia will soon be ready to launch its IPO, and any asset in the POW Saudi portfolio could deliver the goods.
- GSA Environmental will soon start to deliver profits as it converts theory into practice.
- First Development Resources is also almost ready to launch its IPO.
- ION Battery Resources could see an offer of some kind from North American asset-adjacent explorers.
- First Class Metals could see further asset sales, driving value.
- Molopo assays could further increase project value and invite JV offers.
- Tati offers a free carry to production at its most promising prospect.
- Silver Peak could be sold for several hundred thousands pounds, further realising value.
- Haneti is undergoing a detailed technical review in advance of further drilling.
- New Horizon Metals has been acquired by Aruma which plans to explore the assets in depth.
- Additional interests in Red Rock Resources and Kavango Resources offer further financial optionality and chances to profit.

Power Metal Resources.

The valuation disconnect will close.

Charles Archer, 28 June 2024