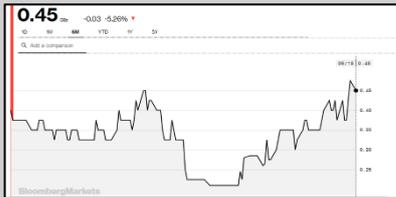




Power Metals have acquired a 49.9% interest in Red Rock Australasia (RRAL), and a JV opportunity with (50.1%) Red Rock Resources. RRAL is one of the largest tenement holders in the Victoria gold fields, and with multiple historic mining operations along known mineralised features, the company is poised to be one of the big players in the New Victoria Goldrush.

POW is an early stage exploration company. POW holds a diversified portfolio of commodities across multiple jurisdictions in high risk, high return opportunities.



www.powermetalresources.com

Stock Data (GBX)

Listing	LON
52-week range	0.45 (0.60-0.16)
Market Cap	£2.49m
No. Shares	553m

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Victoria Gold Fields

The Victoria Gold fields have been world famous since the first gold rush of 1850's where alluvial gold was discovered around Ballarat. This excitement continued up until the 1970's where miners started heading underground. So, with such a prolific gold producing region, why has 2019 seen such excitement?

This note intends to explain why the modern day goldrush has caused such a stir in the markets with highly experienced explorers racing to pick up land.

Key Points

- **Mesothermal and Sulphide-rich Epizonal deposit.** The variations in mineralisation style between the two prevented 'old timers' from developing the latter.
- **New exploration model from discoveries at the Fosterville mine, one of the world's highest-grade, lowest cost producers.**
- **New regional geophysical surveys.**
- **Red Rock Australasia (49.9% POW), ready to test the new 'Fosterville-style' exploration model with the latest geophysical and geochemical surveys having secured highly prospective ground.**

The Model

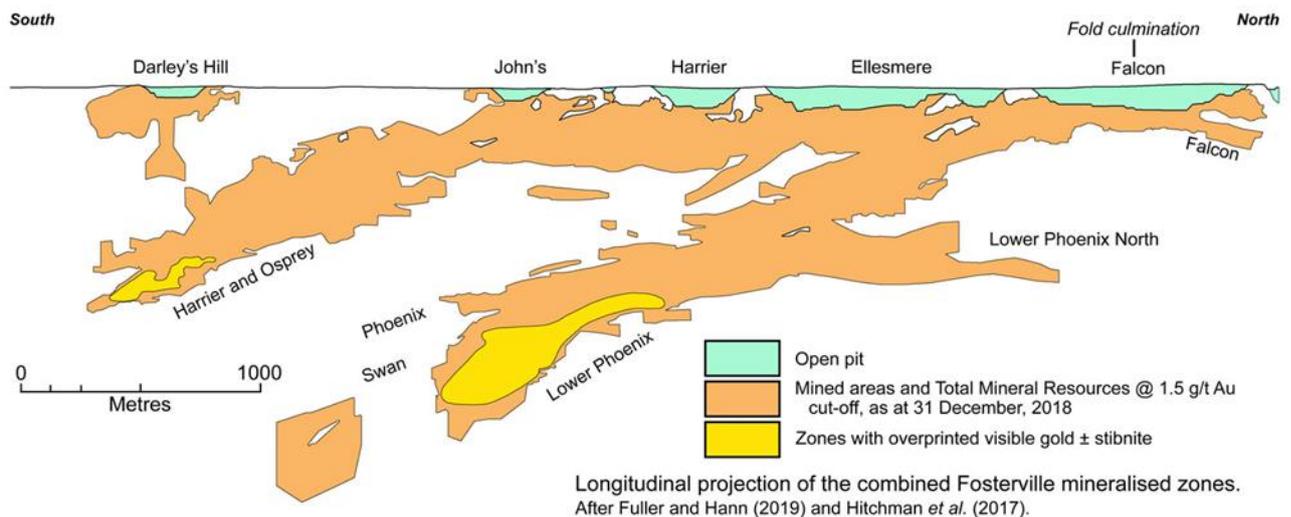
The history of the Victoria gold fields is fascinating, having initially been one of the worlds richest alluvial gold fields, thousands of prospectors from across the globe descended on the region looking to make their fortunes in the 1850's. As the alluvial plains started to 'dry up', miners started to move underground, following high grade mesothermal gold veins. This is the key point to understanding the new gold rush. The Victoria gold fields is fortunate to have had three gold-bearing mineralising, orogenic events. The first two events occurred 455-440million years ago (Ma) and 420-210Ma and formed mesothermal gold deposit of free-gold, hosted within quartz veins. This form of gold mineralisation is simple to process through rudimentary methods. The third gold-mineralising event occurred 380-365Ma. This event produced epizonal gold-bearing deposits that were known by the 'old timers' yet were generally dismissed due to their metallurgically challenging characteristics.

The epizonal deposits of Victoria are characterised as fine grained and refractory (gold-trapped within sulphides) giving the deposits highly complex metallurgical challenges to extraction, most were considered sub to uneconomic until recent technological developments. From the 1920's to 1980's Victoria saw a hiatus in both exploration and mining as simple-mesothermal projects started to be 'mined out' and 'easy-pickings' being found in West Australia encouraged miners to emigrate, bringing Victoria's first mining boom to an end.

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In the 80's, Victoria did see a small uptick in production from shallow opencast operations, as technology allowed for oxide-gold extraction. These oxide-gold projects are the result of the epizonal refractory gold deposit being exposed at or near surface, causing the pyrite and arsenopyrite to 'rust' and release the trapped gold within. Again, metallurgical processing restricted the miners progressing below 30 to 60m where the epizonal oxidised zone transition into the sulphide zone.

Fosterville Mine was one such project, where in 1991 oxide mining started, developing a shallow pit 35-60m deep and occurring along a 10km stretch. The oxide material was then processed through simple heap leach technology. During the end of the oxide-zones mine life, technological developments in sulphide processing allowed the operation to start exploration test work, drilling into the sulphide zone and producing a Feasibility study in 2003, which quickly led to operations starting in 2004. But it was only in 2014 when the game changing discovery occurred. Deep exploration drilling intercepted the phoenix zone, where coarse, visible gold in quartz-carbonate veins were consistently intercepted. Kirkland lake Gold, in 2016 merged with the then mine owners (Newmarket Gold) and started increasing output from the mine with additional exploration drilling. With the high-grade gold zone being defined, an updated mineral resource of an additional 66% was developed, with further exploration upside still to go.



Schematic cross section of Fosterville Mine, with the deep, high-grade zones in yellow.

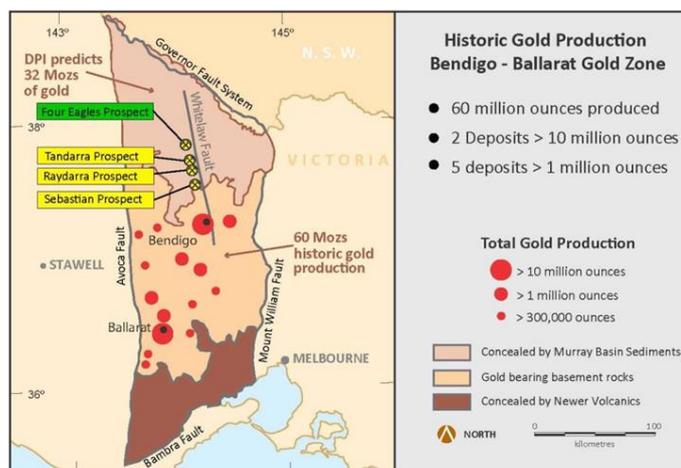
The Fosterville mine's main importance to the new Victoria Gold rush was the re-designed exploration model. Drilling that intercepted the Phoenix zone discovered for the first time, consistent refractory and free gold, giving the deposit its spectacular grades associated with unique geophysical characteristics. Being initially mined as a purely moderate grade, refractory gold deposit, Fosterville was seen like many other projects of the region as a high cost of production with modest grade. From 2009 to 2014, the Fosterville mine was not a particularly standout operation, having reached ~800m the underground mine was pulling out grade of ~4.7g/t. This all changed when in 2014 when diamond drilling intercepted the Phoenix zone with results from the drilling included: **15.15m @ 1,429g/t Au**, **12.5m @ 500.7 g/t Au** and **19.0m @ 112.2 g/t Au**. These grades and form of metallurgy had previously been un-accounted for, and set the precedence that any of the other known gold-bearing sulphide deposits could host such secrets at depth. In 2016, the Fosterville mine mineral resource was completed, giving the projects a **66% increase in total contained Au** and increasing the grade 27% to **9.2g/t Au**.

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Between 2016 and 2019 gold exploration in Victoria took off, increasing by ~250% and with a substantial number of new exploration licence applications looking to replicate the success of Kirkland Lake. With distinct geophysical characteristics, clear structural related mineralisation and correlations to surface oxide deposits, the 'Fosterville-like' exploration model has become an exciting development in exploration.

Exploration Activates

The discovery at Fosterville was in-fact not the first re-discovery of the Victoria Gold fields. In 2006, the Victoria government started a 'Gold under cover' initiative to bring in regional gravitational and even 2D seismic surveys to look beneath the sediments covering much of the northern gold fields. This regional data has been used to follow the continuity of known mineralised structures and identify major faults. Through a Monte Carlo simulation, extrapolating the gold endowed region of the south northward below the Murry Basin cover, the Victoria Government predict an estimated 32Moz of gold that has yet to be discovered. This has led to two green-field discoveries: the **Tandarra gold discovery** by Leviathan Resources in 2006 and **Four Eagles gold** project by Providence Gold and Minerals in 2010.



Map of the Ballarat gold zone with a focus on large gold deposits of Victoria. Northern pink area covered in Murry Basin sediments.

Such exploration campaigns can be costly as they require substantial amounts of AC drilling, but with the upside of discovering 'monster' deposits that have never been identified before. In addition to green-field, explorers turned back to the historically mined operations for brown field potential. Nagambie resources began using geophysical air-magnetic and gravity surveys at the Nagambie mine and some of their other prospects to help to develop a new structural model. Shallow drilling in 2007-8 intercepted exciting results of relatively shallow intercepts including 17m @ 7g/t Au from 66m and 10m @ 2.5g/t from 22m. Follow up induced polarisation (IP) indicates that deep extensions to these orebodies could be of substantial interest to what is now being referred to as a 'Fosterville-like' ore-deposit.

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The land grabs

One of the main exploration strategies has been to focus around the Fosterville mine, however this form of ‘near-ology’ is only part of the story. Strong, well defined geophysical features have been identified as regional faults across the goldfield, and with coincident surface gold-oxide occurrences, many of the other major fault structures are being considered as significantly de-risked exploration targets, being that they fit nicely within the epizonal ‘Fosterville-like’ exploration model.

Fosterville South (MCap C\$145m), who listed on the TSX-V in Q1, 2020 saw its share price rocket after acquired ground along strike to the Fosterville mine, as well as other adjacent regional features. With their \$15m capital raise, the company has been aggressively obtaining additional ground in the region, with an AUD2.5m deal with ECR Metals (MCap £4m) to obtain three of their five licences in Australia. Fosterville South are now currently carrying out a drilling campaign at the Gold Mountain license and are expecting to start drilling at the Lauriston prospect in the near future.

Mawson Resources (MCap C\$91m), a very successful group who have been developing their late stage asset in Finland, have also at the beginning of the year announced an earn-in agreement with Nagambie Resources (MCap A\$30m), north-east of Fosterville Mine. Mawson have planned to conducted ground magnetic and microgravity surveys, with follow up, localised IP surveys that are focused around known mineralised occurrences. This will lead to a planned 5,000m drilling campaign for in the second half of 2020.

Power Metals (LON:POW) (MCap £2.5m)

Red Rock Australasia (RRAL) is one of the most recent companies to make significant moves in the new Victoria gold rush. RRAL is a private company held between London listed companies Red Rock Resources (50.1%) and Power Metals (49.9%). Red Rock Australasia have been able to acquire a number of properties of significant size, predominately focused on the non-sedimentary cover region with tenements that hold historical activities including shallow drilling, regional geophysics, and even historic mining activities. The RRAL properties sit in close proximity to the Ballarat East Mine (414kt @ 10.2g/t Au) and Pearl Croydon (571kt @ 2.9g/t Au) and on strike with Costerfield Mine (1.64m @ 6.5g/t Au), the Tandarra Au project and the Four Eagles Project. Within the extensive land package, RRAL will over the next few months be compiling this data for project ranking, where follow up geophysical programs will then be conducted to test the ‘Fosterville-Style’ exploration model.



Map of the RRAL tenements in perspective to comparison companies. The image puts into perspective the extent of the land package that has been obtained.

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