

ALBA MINERAL RESOURCES plc (ALBA.L)*

15 June 2020

Market's Gold Stampede Overlooks Alba's Gold Production Potential?

Over the last two months we have witnessed the share prices of many gold-focused AIM listed companies appreciate considerably as investors seek to profit from safe-haven gold exposed stocks with capital appreciation prospects. One company, Alba has been overlooked. It holds a 90% interest in a key gold project at Clogau, in North Wales. Along with benefiting from exploration upside and an opportunity to add value by applying modern exploration techniques, Alba could be within 24 to 36 months of re-opening the mine which last produced in 1998, when gold traded at only 20% of its current price.

In addition to Clogau, as we will examine in this research note, Alba has many other projects holding potential to be 'Company Makers' across a range of commodities, including those where a JORC resource could be delivered within the near term, and one or more assets which could potentially be sold for a consideration comfortably exceeding Alba's current market cap.

Key Project Points

- * At **Clogau** we believe the re-opening of an initial small-scale gold mining operation could be accomplished within the next 24 to 36 months. Mining at Clogau will provide Alba with the opportunity to sell 'Welsh' branded gold at above spot prices.
- * Along with exploration upside on the target rich Clogau licences, where 80,000 ounces of gold were historically mined, there is also potential to prove up a maiden JORC resource within the near term.
- * Results from the pre-feasibility at BlueJay Mining's Dundas Ilmenite deposit last year, which is along the coast to Alba's **Thule Black Sands** (TBS) project, should improve Alba management's ability to pursue off-take discussions with strategic investors and industrial groups.
- * On the high-grade graphite project at **Amitsoq**, we look forward to completion of the next field season, the objective of which is to define a maiden JORC resource.
- * A rebound in oil prices should improve the Group's prospect of disposing its 11.765% **Horse Hill** stake to attain what could be a sizeable windfall, well over the current market cap. If Alba chooses to keep its stake it will benefit from cash flow and advancement of the project as it scales up to a six well 3,500 bopd operation.

Recommendation & Valuation Summary

As explained further in this note, we value the Group's projects at a total of £23.2m, major contributors being Horse Hill (£11.1m), TBS (£6.2m), Clogau (£3.1m) and Amitsoq (£2.3m).

Alba's Horse Hill stake value is based on our estimated NPV for a long term oil production operation of 3,500 bopd, which comes to \$236.7m (£189.4m) at the 100% project level, along with a 50% project to equity value for the Group's 11.765% interest. An asset disposal at Horse Hill that achieves a value near our estimated £11.1m is more than three times Alba's current market cap. TBS is based upon a comparison with the pre-feasibility study at Dundas, whilst Clogau's value is determined by its gold exploration upside. Upside to our valuation could come from defining a maiden JORC resource at both Amitsoq and Clogau.

A £23.2m project value equates to 0.56p per share, representing a sizeable uplift from the current share price of around 0.08p (market cap £3.3m). Considering this valuation disparity and the many catalysts that could lift our valuation and share price higher, such as the disposal of Horse Hill, maiden JORC resource at Amitsoq, news on plans to re-open the Clogau mine or TBS off-take discussions, we recommend the shares as a '**Buy**', with a **Target Price of 0.56p**.



TP: 0.56p

MARKET DATA:

Name:	Alba Mineral Resources plc
Ticker:	ALBA.L
Price:	0.08p
SII:	4142.1m
Market Cap:	£3.3m
Sector:	Resources
Listing:	AIM – London

FINANCIALS:

Cash:	£0.2m (at 30/11/19)
Last Placing:	Nov '19 - 0.16p- £0.35m + up to £1.05m BGO Facility
Last Results:	31/03/20 – Finals YE Nov '19
Last AGM:	28/04/20

ACTIVITIES:

Exploration & development of mineral and oil projects, in UK, Greenland and Ireland.

KEY PROJECTS / ASSETS:

Clogau (UK) – Gold - 90%
HHDL (UK) – Oil – 11.8%
Amitsoq (Greenland) – Graphite – 90%
TBS (Greenland) – Ilmenite - 100%

DIRECTORS & MANAGEMENT:

George Frangeskides (Exec Chairman)
Mike Nott (Non-Ex)
Manuel Lambole (Non-Ex)
Sarah Potter (HOF)#
Feroz Sultan (Tech Dir)#
#Non-Board Directors

SHAREHOLDINGS: (>3%)

Victorian Gold Limited	4.6%
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***First Equity Limited acts as Broker to Alba Mineral Resources Plc.**

ANALYST/BROKER

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Clogau, Wales – Gold (90%)

The project area covers 107 sq.km. and includes the historic Clogau-St David’s mine which has produced at least 80,000 ounces of gold and lies within the Dolgellau Gold Belt, from where 131,000 ounces of gold are believed to have been produced between the early 1800s and late 1990s. Clogau-St David’s was closed in 1998, in a much different gold price environment, when the yellow metal traded at only \$300 per ounce.

The Project was acquired in two stages, the first gave Alba an initial stake of 49% in late 2017 and then moving to 90% nine months later, for a total consideration of £1.115m. Alba has spent £550K since acquisition on mine rehabilitation and safety works, regional exploration, drilling and also advancing regulatory permissions (notably planning and environmental).

Why Clogau?

The licence includes several high priority gold targets and former gold workings. Gold in the area is typically found in exceptionally high-grade vein style mineralisation pockets, in which bonanza gold grades can range in the 10s to 100s of ounces per tonne. Alba’s licence contains a wealth of opportunities, with around at least 300 known gold occurrences, most of which are in the Dolgellau Gold Belt. This area has been underexplored in terms of using modern exploration methods and technology.

Gold from this area is used to produce Welsh Gold jewellery. Gold from Clogau has been used for production of wedding bands for Royal Weddings dating back to Queen Victoria, including most recently for the weddings of the Duke and Duchess of Cambridge and the Duke and Duchess of Sussex. Welsh gold bullion can achieve a price significantly exceeding the gold spot price, due to its unique premium ‘Welsh’ branding. For example, ten lots of Clogau Gold nuggets and flakes mined between 1979 and 1981 were sold for £44K at auction by Roger Jones Co in Colwyn Bay in late 2017. This represented a value 21 times the prevailing spot price of gold for lots which weighed a total of 59.06 grams (2.083 ounces).

Alba’s strategy is to understand more about the wider Dolgellau Gold Belt through the application of modern and systematic exploration methods such as geochemical and geophysical surveys, along with a programme of work to bring the mine back to full scale production.



Fig 1: Clogau licence map (Source: Alba Mineral Resources plc).

Maiden Drilling at Clogau.

In January 2020, Alba reported on results of a short drilling campaign within the Llechfraith mine area which involved drilling three holes over a total length of 158 metres. Alba believe this was the first ever exploration drilling campaign to be conducted on the Clogau-St David’s mine area in its history.

Although the gold grades returned were low, with the best assays returning only 0.09 g/t over a one metre section, the drilling did establish the presence of gold-bearing structures at depths of up to 25 metres below the known historic mine workings, at level No.4. Such is the nature of the mineralisation that occurs in high-grade pods, a more extensive drilling programme could well produce much better results revealing the location of higher-grade zones.

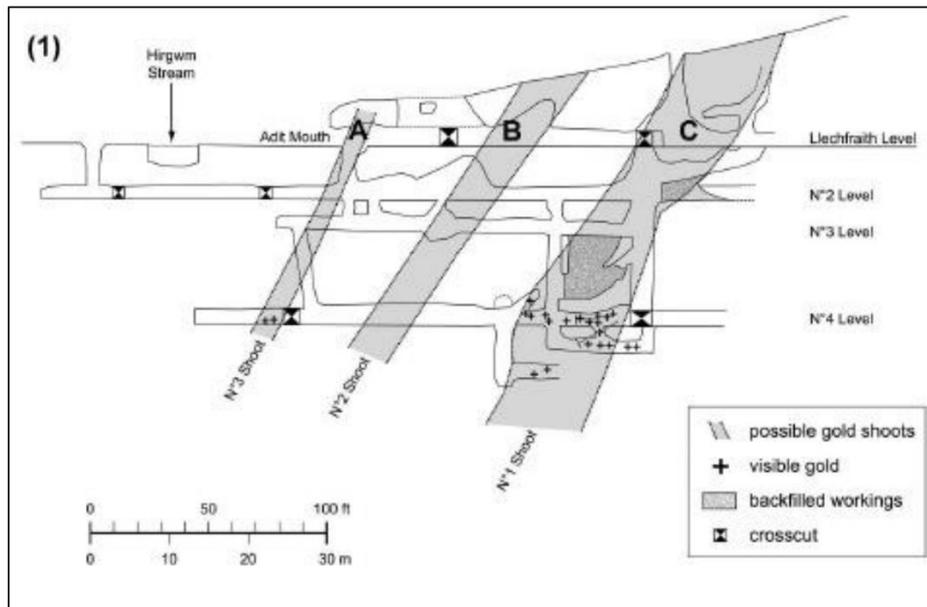


Fig 2: Llechfraith mine cross-section, illustrating three reported gold shoots and location of areas with reported visible gold (Source Alba Mineral Resources plc 28/01/20 RNS)

Considerable Exploration Upside?

Alba has successfully identified 10 significant gold anomalies from soil sampling located away from the mine. Of these the largest anomaly is a sizeable 2km in length (areas 1 and 10 on Fig 3), which is 4x the length of the strike extent covering the Clogau-St David’s Mine.

Potential extensions to the existing footprint of the mine area have been identified, being the ‘Lowri’ and ‘Eryn’ Targets, which lie parallel to the Llechfraith adit and above historic workings respectively.

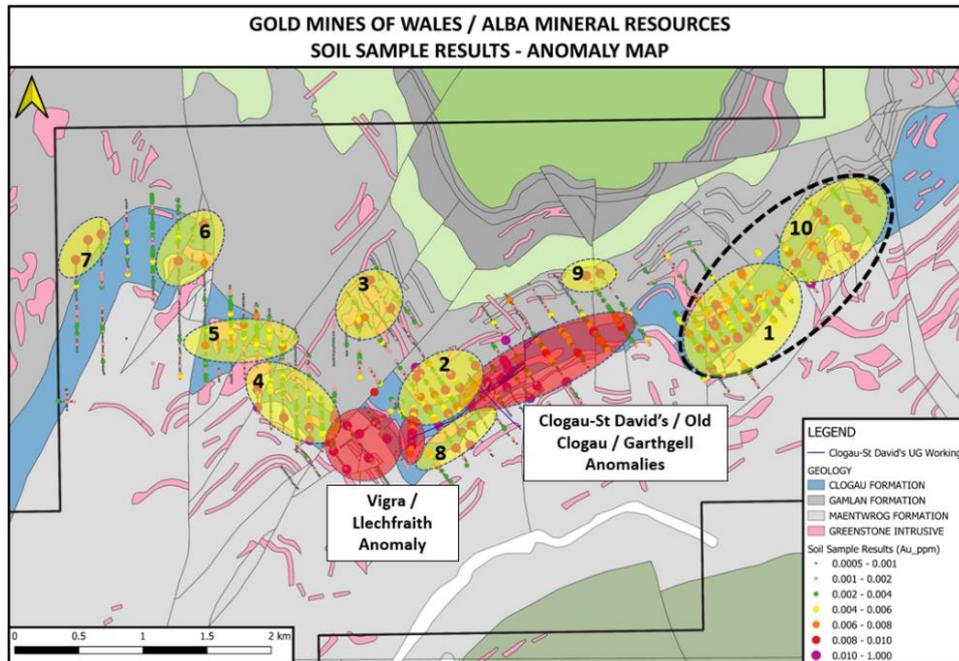


Fig 3: Clogau gold anomalies (Source: Alba Mineral Resources plc).

Mine Re-Opening Work.

Alba has also focused recently on an underground rehabilitation programme at Clogau, which is viewed as an essential precursor to mine re-opening. The presence of five connected mine areas at Clogau strongly emphasises the project’s brownfield nature and that the CapEx to bring the mine back into production should be considerably less than developing a virgin gold mine.

Next Stages.

Near-term work, which could take place within the next 12-months, could include;

- Progress environmental work, which will be used within a formal planning permission application to re-open the mine.
- Undertake a trenching programme over some of the regional gold targets identified from recent exploration work.
- Explore and identify unexploited gold veins and shoots within the existing underground mine network.

If further and more extensive exploration work on the licences is successful in hitting higher grade gold vein style mineralisation, we believe the definition of a maiden JORC resource could be achievable within the next 18 months.

Given the amount of underground workings already in place on the Clogau-St David’s mine, we believe the re-opening of an initial small-scale mining operation could be accomplished within the next 24 to 36 months, subject to gaining the required approvals. The potential of selling ‘Welsh’ gold at some form of premium to the spot price should greatly enhance the economics of any such mining operation.

Amitsoq, Greenland – Graphite (90%) – MEL 2013-06

The 48 sq. km. Amitsoq Graphite Project is located on the southern tip of Greenland, in all-year round ice-free seas and near to infrastructure. In geographical terms the licence lies to the south of Iceland (63.5 to 66.5 parallel north) and on a similar latitude as the Shetland Islands.

Exploration results to date over several field seasons have been very positive, with the project shown to have very high-grade graphite content, in addition to a good flake size in the high demand/value categories.

Two graphite deposits have been identified at Amitsoq and Kalaq, from which very high average grades of 28.7% and 25.6% total graphite content (TGC) respectively are estimated. At these average grade levels, the project to our knowledge has the highest average graphite grade of any advanced graphite project in the world, as the management highlighted in several presentations with reference to data from Industrial Minerals (August 2015, adapted).

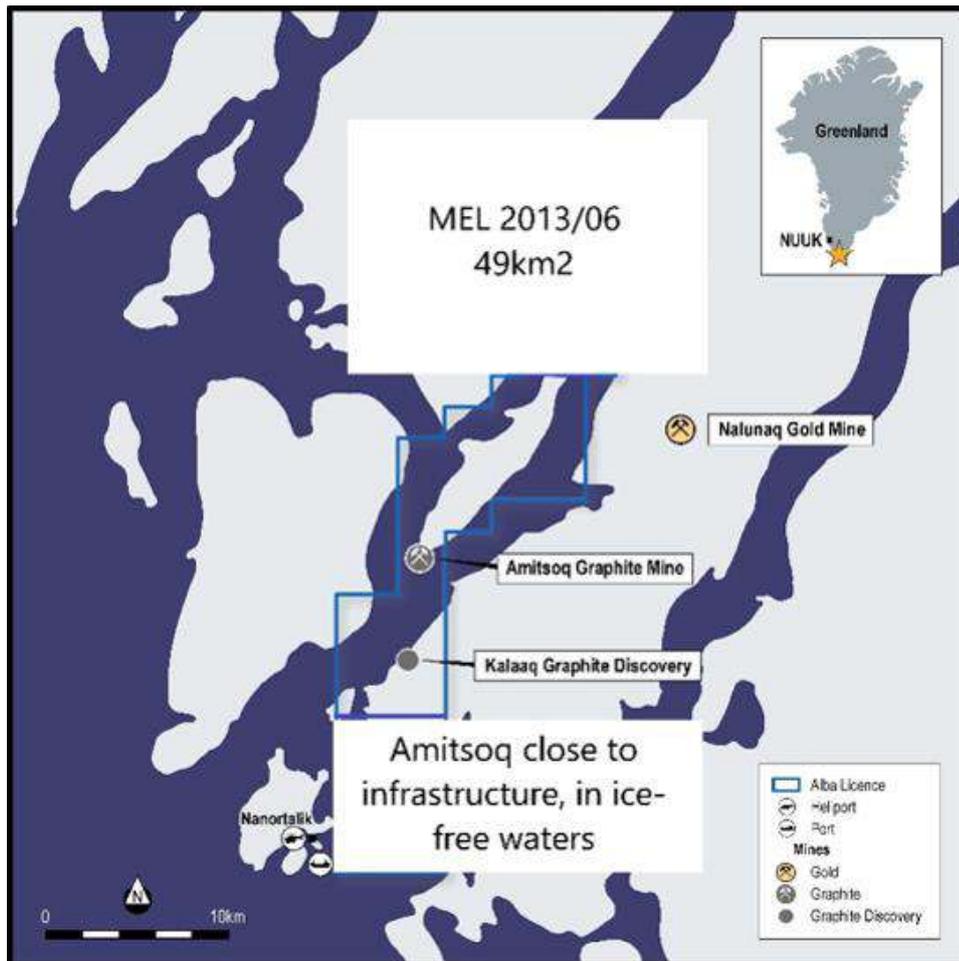


Fig 4: Amisoq Location (Source: Alba Mineral Resources plc).

Historic Workings & Data

Graphite production at Amitsoq occurred between 1914 and 1924, with 5,500 tonnes mined at an average grade of 20% graphite. Before Alba’s arrival no other graphite development or exploration had occurred since 1924, apart from a government funded study by Danish company A/S Nielson in 1986.

Bernard and Strache in 1916 estimated a resource of 200,000 to 495,000 tonnes at an average grade of 20% graphite based upon surface and underground mapping and trenching work, although this is unlikely to be based upon any drill core results. A “Review of potential resource critical minerals in Greenland – MiMa report” in 2016

by Bo M. Stensgaard, Henrik Stendal, Per Kalvig and Karen Hanghøj estimates the original ore body at Amitsoq is around 250,000 tonnes of graphite.

Recent & Near-Term Alba Developments.

Results from a metallurgical testwork programme in October 2019 showed that saleable and high-grade graphite could be produced, with a 97.3% total graphite content. Furthermore, some 36% of the refined product consisted of large, jumbo and super jumbo-sized flakes (Fig 5) which command a premium price.

Flake Length Image Analysis			
Category	Min Size (microns)	Mass %	Cum Mass %
Super Jumbo	500	7%	7%
Jumbo	300	14%	21%
Large	180	15%	36%
Medium	150	1%	37%
Small	75	24%	61%
Fine	-75	39%	100%

Fig 5: Flake Size Distribution (Source: Alba Mineral Resources plc).

Graphite consultants ProGraphite GmbH were appointed in February 2020 to examine whether an optimised method can be developed to enable production of graphite suitable for lithium-ion batteries (LIBs), which are typically used within the electric vehicle industry. Small to medium sized flake graphite is utilised within LIBs. If Amitsoq-sourced graphite can be used for LIBs, then Alba would have a wider and ready market for a range graphite flakes, from super jumbo through to medium and smaller sized flakes.

The next stage at Amitsoq will be to define a maiden JORC resource by completing drilling, to be followed by a scoping level mining study. If COVID-19 restrictions are fully lifted in time, it may still be possible to complete some of this work in the 2020 field season that lasts until around October.

Thule Black Sands (TBS), Greenland– Ilmenite (100%)

Alba’s Thule Black Sands (TBS) Project in the Thule province of north-west Greenland is prospective for heavy mineral sands, notably ilmenite. It is very favourably located, close to international airport Thule, operated by the US Air Force, a deep-water port, just 80km from the regional settlement of Qaanaaq (population c.-600) and a domestic airport. Ilmenite is the main source of titanium dioxide, used as a whitening pigment in many industries such as plastic, paints, coatings and paper to name just a few.

Alba has been able to swiftly accomplish the defining of a maiden resource at TBS, with an Inferred Resource of 19m tonnes at 43.6% Total Heavy Minerals, with an in-situ ilmenite grade of 8.9%, translating into 1.7m tonnes of contained ilmenite. Alba’s management believe that the current resource of 19m tonnes can support a 12-year mine life operation, based on mining 1.5m tonnes of material per annum.

Just 9kms from Alba’s licence area on the same south-east trending coastline lies the more advanced Dundas ilmenite project, controlled by AIM-listed Bluejay Mining (JAY.L). Dundas represents Bluejay’s flagship project and largely underpins a market cap of around £54m.

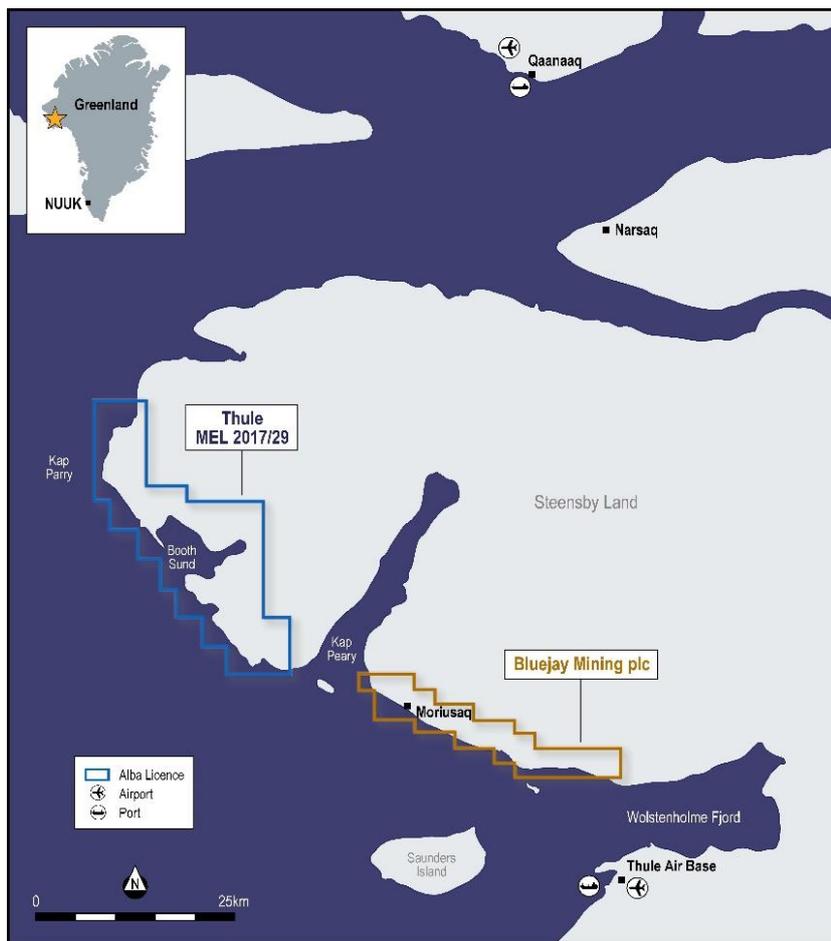


Fig 6: Thule Black Sands licence map and Bluejay Mining plc’s Dundas deposit (Source: Alba Mineral Resources plc).

The tonnage at Dundas is much larger, and most of the resource is in the higher confidence category of ‘Indicated’ than TBS (Fig 7), although the ilmenite grade on Alba’s project is higher. As TBS has only been drilled to much shallower depths of around one metre, deeper drilling is expected to materially increase the size of the TBS resource, albeit that the grade is expected to decrease at deeper depths.

The results of a pre-feasibility study at Dundas, reported by Bluejay Mining in June 2019, showed a post-tax NPV of US\$83.1m over a 9-year life of mine under a ‘Base

Case' scenario, with a higher NPV of US\$130.7m over 11-years for an 'Upside Case'. A CapEx of US\$245m is estimated, which Bluejay believes could be "materially improved".

In comparison to Dundas, TBS has a much higher grade, but is smaller in terms of tonnage from what we know so far from exploration work conducted. In our opinion, the way forward to achieve economic optimisation could be to combine both deposits at Dundas and TBS into one operation.

For 2020, Alba's management plan to pursue off-take discussions with strategic investors and industrial groups.

TBS & Dundas Resource Comparison				
Resource Category	Tonnes mt'	THM %	Ilmenite Grade %	Contained Ilmenite Tonnes mt'
TBS (Alba)				
Inferred	19.0	43.6%	8.9%	1.7
Dundas (Bluejay)				
Indicated	112.3	25.5%	6.1%	6.8
Inferred	5.0	34.2%	5.7%	0.3
Bluejay Total	117.3	25.9%	6.1%	7.1

Fig 7: Source Alba Mining Resources plc and Bluejay Mining plc' RNS.

Melville Bay, Greenland – Iron-Ore (51%) – MEL 2017-41

This small 17 sq. km licence importantly includes an area upon which a JORC Inferred Resource of 67m tonnes at 31.4% iron-ore was defined by a previous licence holder in 2011 over the Havik prospect. The other licence stake holder is a private mineral resources investment group.

The project lies within the Committee Geological Belt which runs from Baffin Island in Canada into north-west Greenland, and includes the operating iron-ore mine at Mary River, which has produced since 2014, with a reported resource of 350m tonnes at an average grade of 64% iron-ore which is of Direct Shipping Ore (DSO) quality.

Previous testwork has shown that the magnetite ore which makes up the 67m tonne resource can be readily upgraded to 70% iron-ore using conventional magnetic separation.

The resource report for Melville Bay included, in addition to the Inferred resource of 67m tonnes, an exploration target in the range of 158 to 474m tonnes with a grade of between 27% and 47% Fe. This shows the potential to significantly increase the defined resources at Melville Bay.

The next stage of work planned by Alba will be to commission an independent desktop scoping study to evaluate Melville Bay's economic and technical feasibility. Further exploration activities will focus both on expanding the existing magnetite resource but also targeting economic quantities of high-grade DSO material analogous to the Mary River deposit. In that respect, it is noted that past drilling at Melville Bay included a drill hole at the De Dodes West target grading 58.84% iron-ore over 3.6 metres, and a drill hole at the Haematite Nunatek target grading 68.18% over 0.6 metres.

Inglefield Land, Greenland - Multi-Element (100%)- MEL 2018-25

The 88 sq. km licence in north-west Greenland is underpinned by what appears to be a multi mineral rock formation, and includes a key iron-ore-copper-gold target, named as 'Four Finger Lake', which has potential for a volcanogenic massive sulphide style deposit.

Field work in 2018 by Alba showed copper-gold-silver-molybdenum mineralisation at Four Finger Lake in a 500 metre zone, with copper grades up to 0.18%, gold up to 0.35 g/t, silver up to 13.4 g/t and molybdenum up to 0.113%. A geophysical data study the following year by South African consultants TECT and XPotential confirmed Four Finger as a target for iron-ore-copper-gold (IOCG) style of mineralisation.

Previous exploration work by GEUS, the Geological Survey of Denmark and Greenland, and by previous licence holder Nuna Minerals, identified several mineral showings for gold, copper, molybdenum, nickel, zinc, vanadium and cobalt.

It is understood that the Company is seeking a joint venture partner to finance the next stage of exploration on the project, which will focus on geochemical and geophysical surveying and sampling with a view to defining targets for drilling.

Limerick, Ireland - Base Metals (100%) – PL3824

Alba's Limerick Base Metals Project is prospective for zinc and lead, lying around 10km south of the Pallas Green and Stonepark discoveries. The Glencore plc controlled Pallas Green project has an Inferred Resource of 45.4m tonnes at a combined grading of 8% zinc and lead, whilst the adjacent Stonepark deposit is being pursued in JV by TSX-listed Group Eleven Resources Corp (ZNG.V) and AIM-listed Arkle Resources plc (ARK.L), with an Inferred Resource of 5.1m tonnes at 11.3% zinc and lead (both NI-43-101 defined resources).

Alba's licence has only been lightly explored, the most recent exploration campaign in mid '19 involved drilling three holes over 275.4 metres, which failed to intersect any mineralisation. The five-hole drilling campaign back in 2012 was more successful, with one hole returning 0.575% zinc from a two-metre section.

A recent investment in May 2020 of C\$0.75m by Glencore plc in Group Eleven Resources Corp to increase its stake to 26.7% (non-diluted) shows the growing interest in this part of Ireland being taken by the majors. Alba's licence could prove strategically important if Glencore continues to increase its footprint in the area.

The licence was due for renewal on 26 March 2020. Alba has requested an extension to allow for a decision to be made on renewal.

OIL & GAS INTERESTS

Horse Hill, Onshore UK – Oil & Gas (11.765%), PEDL137 & PEDL246

Alba holds a 11.765% interest in North Weald Basin licences PEDL137 AND PEDL246 located near Gatwick Airport and covering 143 sq. km. AIM-listed UK Oil & Gas PLC (UKOG.L) holds most of the licence interests (85.635%).

The Horse Hill licences lie within a prolific oil and gas discovery basin, albeit one relatively under explored and under exploited, compared to the UK's vast offshore North Sea oil and gas assets.

Several independent technical reports produced by international oil and gas consultants such as Schlumberger and Nutech Limited between 2015 and 2017 outlined the potential blue sky exploration upside, with estimated 'oil in place' over the Horse Hill licence areas at the 100% ownership project level (Fig 8).

PEDL137 (Horse Hill Licence) & PEDL246					
Oil in Place, Gross 100%					
Section	Low m'		Best m'		High m'
Portland	21.5	x	32.2	x	47.4 x
Kimmeridge	1,949	n	6,809	n/s	8,881 n
Deeper Sections	1,715	n	5,410		13,374 n

Fig 8: PEDL137 & PEDL246 Gross oil in place estimates

Sources: n1 – Nutech Ltd (18/6/15 & 19/7/16), n/s – Nutech Ltd (18/6/15) and Schlumberger (26/8/15) x – Xodus Group (2/2/17).

The Horse Hill-1 Well (HH-1) was originally drilled in 2014 and flow tested in 2016. The second well, HH-2/2z was drilled in late 2019, involving a vertical section (HH-2) of around 3,000 metres, followed by a horizontal section (HH-2z) of around 2,500 metres. Since July 2018 extended well testing has been almost continuous, producing around 100,000 barrels of dry oil from both the Portland Sandstone and Kimmeridge Limestone formations from HH-1 and HH-2#.

In September 2019, Surrey County Council granted full planning consent for long-term oil production at Horse Hill, which gives permission to produce oil for 25 years at up to 3,500 barrels of oil per day (bopd) from six wells including existing HH-1 and HH-2z wells within the Portland and Kimmeridge.

UKOG estimate costs per barrel of around \$13, which includes asset-level operating expenditure, inclusive of tanker, Sales and Marketing#. Commercial production from well HH-2z could add significantly to production later this year, as production would be from a horizontal section of the Portland Sandstone, as opposed to vertical production.

Alba has chosen not to fund recent cash calls received by the operator Horse Hill Developments Limited, due to the management's desire to fund other Group operations, such as its mining exploration projects. Such a decision could lead to some dilution to Alba's percentage stake in the licences, however it is understood the dilution factor is moderate. In some of Alba's RNSs over the last year, the management have flagged their intention to giving "serious consideration to any third-party offer received prior to production" for its project interest. If Alba retains its stake through to commercial production, it will benefit from a useful cash-generative asset, especially if oil prices rebound in a 'V' shape nearer to levels traded prior to the global COVID-19 economic crisis.

(#UKOG plc: RNSs 28/04/20 and 04/06/20).

Brockham, Onshore UK -Oil & Gas – (5%), PL 235

An impairment charge of £500K was made in the last Accounts for the year to 30 November 2019, following disappointing well flow test results in mid-2019. This led operator and AIM-listed Angus Energy plc (ANGS.L) to conclude that commercial hydrocarbons could not be produced from the Kimmeridge layer at Brockham using conventional recovery methods.

FEL Valuation Analysis

Horse Hill – This is valued just on its production potential under current Surrey County Council permissions (up to 3,500 bopd for 25 years). If an exploration value is added, the eventual sum could be considerably more, as previous independent technical reports have alluded. But as the management have flagged their willingness to dispose of the stake if a reasonable offer is received, we thought it prudent just to ascribe a production value, as Alba may not own the asset long enough to benefit from its eventual exploration and production upside.

Our estimates assume oil will slowly rebound to \$60 per barrel by 2023, with costs per barrel rising 12% p.a. from the current \$13 for the next 5 years, and production ramping up to 3,500 bopd by the fourth year of operation. A post-tax project NPV of \$236.7m is computed using a 10% discount rate. Assuming a project to equity value of 50%, the value of Alba's 11.765% stake comes to an estimated \$13.9m (£11.1m).

At £11.1m, this values each 1% of Alba's interest at £947K. This is a premium to the £342K per 1% achieved by Magellan Petroleum (UK), when it sold its 35% interest to UK Oil & Gas plc for £12m in cash and shares in September 2019. We believe Magellan may have sold its interest too cheaply.

Clogau – We are encouraged by the exploration progress Alba is making at Clogau and the prospect of bringing the mine back into production and discovering new areas of gold mineralisation. Already it is clear to see that the application of modern exploration techniques and what is believed to be the first ever drilling in the area is proving to be highly beneficial in helping us understand more about the deposit and where the unexploited gold veins are likely to be found.

Nevertheless, without any JORC resource definition it is difficult to determine a precise value for this interest. We do however know the number of historic ounces of gold mined on Alba's licence of 80,000 ounces and that around 131,000 ounces have been mined within the wider Dolgellau Gold Belt. It seems clear to us that significant exploration upside exists, along with potential for small scale short-term production revenue cash flow. Indeed, in 2012 industry experts Snowden published a Global Exploration Target for the entire Dolgellau Gold Belt of 500,000 tonnes to 2,000,000 tonnes at 3 grams per tonne (g/t) to 15 g/t for a total of 130,000 to 500,000 ounces of gold.

Our valuation is based upon the assumption that only 40% of the gold on Alba's licence has been mined to date, hence the exploration upside could be around 127,500 ounces of gold, if not more. Each ounce of exploration upside is valued at an initial modest value of 1% to the current gold spot price of around \$1690 per ounce (Fig 10), along with a 100% premium for 'Welsh' branded gold, which gives a valuation for Alba's 90% stake of \$3.9m (£3.1m). This base case value for Clogau could be upgraded once we understand more about the licence area.

Brockham – The value is assumed to be nil, given recent development setbacks. There may be some potential to use the well as a water storage facility, which could provide some form of small financial return.

Limerick – As we do not know whether this licence will be renewed or the authorities will allow Alba a renewal extension, we have assumed a nil value.

Thule Black Sands – To determine a value for TBS we have used the post-tax NPV at Dundas from last year's pre-feasibility study of \$83.1m as a calculation reference point. To compute an estimated value for TBS from Dundas' pre-feasibility NPV, a 'Size Factor' of 25% is applied, as TBS's resource contains (from what is known so far) around 25% of contained ilmenite as Dundas, a 'Risk Factor' of 25% is deducted as TBS is an earlier stage project and an 'NPV to Value Factor' of 50% applied.

Amitsoq – Considerable progress has been made in the last few years at Amitsoq. With the project located in one of the most accessible parts of Greenland and the presence of what appears to be two high grade graphite deposits, we believe the value should be around x3 the balance sheet value of £770K. It is still one field season away from a potential JORC resource being defined, an event that could greatly enhance its value.

Melville Bay – Although a JORC resource is defined for Melville Bay, we would need to see the details of some form of economic or technical study to be able to apply a valuation. To reflect the benefit of a reasonably sized JORC resource and what appears to be plenty of exploration upside we have valued the project at x3 its balance sheet sum of £82K.

Inglefield Land – Given its early stage of exploration, albeit it could have huge potential, at this point we can only apply Alba’s intangible fixed asset balance sheet figure of £200K to its valuation to reflect its cost and funds spent to date.

Financials - Alba has an investment facility in place with US-based Bergen Global Opportunity Fund, LP to provide financing of up to £767K (which can be increased to £1.05m) through the issue of zero-coupon convertible securities. Full details on the terms are outlined in Alba’s 24 Feb 20 RNS. To date a convertible security to the value of £223K has been issued to Bergen, of which £139.5K has been converted into shares (273.75m shares plus 75m fee shares).

VALUATION TABLES

Horse Hill est.		
BOPD	Ramp Up to 3,500 bopd over 4 years, for 25-year life	
Oil Price (per barrel)	2020: \$40, 2021: \$46 2022: \$53, 2023 onwards: \$60	
Costs (per barrel)	Yr 1: - \$13, rising 12% p.a to Yr 5: \$20.5	
CapEx	\$25m	
Gross Post Tax Project NPV10	\$236.7m	
Gross NPV10 to Equity Factor – 50%	\$118.4m	
Stake Net to Alba (11.765%)	\$13.9m	Or £11.1m (£/US\$1.25)

Fig 9: Horse Hill estimated production NPV derived value (Source FEL).

Clogau est.		
Potential Exploration Upside	Up to 127,500 oz of gold	
Pre-resource Value	1% of Spot Price \$16.9 p/oz Premium for 'Welsh' Gold \$33.8 p/oz	
Gross Est. Value	\$4.3m	
Stake Net to Alba (90%)	\$3.9m	or £3.1m (£/US\$1.25)

Fig 10: Clogau estimated gold exploration upside value (Source FEL).

TBS est.		
Dundas Post Tax NPV5	\$83.1m	
TBS Risked value estimate		
Size Factor – 25%	\$20.8m	
Risk Factor – less 25%	\$15.6m	
NPV to Equity Factor – 50%	\$7.8m	or £6.2m (£/US\$1.25)

Fig 11: TBS estimated NPV Dundas comparison value (Source FEL).

Alba Valuation Summary Estimates Net to Alba	Est Value	Potential Valuation Catalyst & Newsflow
UK & Ireland Assets		
Clogau (90%)	£3.10m	Mine reopening plans, JORC Resource
Horse Hill (11.765%)	£11.14m	Oil price rebound, Sale of stake.
Brockham (5%)	nil	Ancillary site use
Limerick (100%)	nil	Further Glencore activity at Stonepark
Greenland Assets		
Thule Black Sands (100%)	£6.23m	Read across from Blue Jay news-flow
Amitsoq (90%)	£2.31m	JORC resource definition
Melville Bay (51%)	£0.24m	Possible Scoping Study
Inglefield Land (100%)	£0.20m	
Sub Total	£23.23m	
<i>Less convertible</i>	<i>£0.08m</i>	
Total	£23.14m	
Value per share (pence)	0.56p	Shares In-Issue 4142.1m

Fig 12: Valuation estimates summary (Source FEL).

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