



Plateau Energy Metals Inc.

(PLU-V)

SECTOR: Metals & Mining

STOCK PRICE \$0.48
 RATING **UR**
 TARGET PRICE N/A
 PREVIOUS BUY/\$3.00

APPEAL REJECTION ON CONCESSIONS UNDER “ADMINISTRATIVE PROCEDURE”

Placing Under Review - Awaiting Clarity on Concession Resolutions & Corporate Strategy

OUR TAKE: Plateau was halted “pending news” mid-day last Friday after trading down 20%. At least one Spanish language resolution from the Ministry of Energy and Mines of Peru was in the public domain by Friday mid-day noting that Plateau’s appeal of 1 of 32 concessions in question was rejected. Plateau has since received resolutions on 7 of the 32 concessions, all rejecting Plateau’s appeal of a prior resolution recommending cancellation of “right of validity” of these claims. We believe that based on the rejections received thus far, we should prepare for the probability that PLU’s appeals on the remaining 25 concessions will also be rejected. We expect shares of PLU to be under significant pressure when off-halt given the negative outcome. It is important to note that this issue impacts 32 of PLU’s 149 mineral concessions. We are placing Plateau ‘Under Review’ pending clarification or final resolution of land control, land access impacts, resource details and Plateau’s strategy going forward.

KEY HIGHLIGHTS

- ◆ **Background.** The Peru Instituto Geológico Minero y Metalúrgico (INGEMMET) previously published a resolution recommending cancellation of 32 of PLU’s land claims on the Macusani Plateau, Peru, due to non-payment/late payment of “the right of validity”. Plateau launched a formal appeal on the basis that the claims were paid on the day they were due and the improper recording of this was due to “administrative error”. Plateau has provided an extensive description of the events leading up to present here [<LINK>](#). A list of the claims is included in Figure 1.
- ◆ **Early word back from the Ministry of Energy and Mines is ‘appeal rejected’ for first 7 of 32.** We are still awaiting word on 25 concessions. Thus far for resolutions received, only “Lincoln XXVI” contains uranium resources captured under the uranium project’s PEA (~13% of resources within the PEA). We believe the market should prepare for a similar outcome for all claims under appeal.
- ◆ **What else is at stake:** About half the lithium resources of the Falchani Lithium Project may be affected. Included within the 32 lapsed claims is the Ocacasa 4 claim, which may contain ~half the project’s lithium (awaiting confirmation on exact tonnage). New Li discovery areas Tres Hermanas and Quelcaya are not affected. The lithium project PEA will be delayed, but we believe that the resources of only the uncontested Falchani concession would still support a robust mine plan and economics. As noted above, some of the claims in question contain uranium resources captured within the Macusani Uranium Project’s PEA mine plan as well.

OUTLOOK

- ◆ **Next Steps:** Plateau confirmed it would “pursue all remedies” in the matter and noted that the resolutions received are not issued by a court of law. Plateau says it has 3 months to appeal the mining council’s decision and the concessions will remain under PLU’s control during that process and through to resolution.

RECOMMENDED ACTION

Awaiting clarification of outcome for impact assessment & recommendation

- ◆ We are placing Plateau ‘Under Review’ with no recommended action at this time pending resolution of the concession issues or more clarity on the strategy and cost to defend them.

CATALYSTS

1. **August 2019** – Clarification of process to defend and retain concessions including cost, legal process and timing.
2. **H2 2019** – Preliminary Economic Assessment of Falchani Lithium Project. The official word is “delayed pending outcome of the administrative process as it relates to the remaining 25 concessions”.

PROJECTED RETURN

N/A

RISK FACTOR

Very High

SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
N/A	\$0.48	N/A

KEY STATISTICS AND METRICS

52-Week High/Low	\$1.59/\$0.46
YTD Performance	(30%)
Dividend Yield	N/A
Shares O/S	79.5M
Market Capitalization	\$38.2M
Cash	\$1.0M
Debt	Nil
Enterprise Value	\$37.2M
Daily Volume (3 mos.)	96,728
Currency	C\$ unless noted

HAYWOOD ESTIMATES

	2019E	2020E	2021E
Inventory (T)	N/A	N/A	N/A

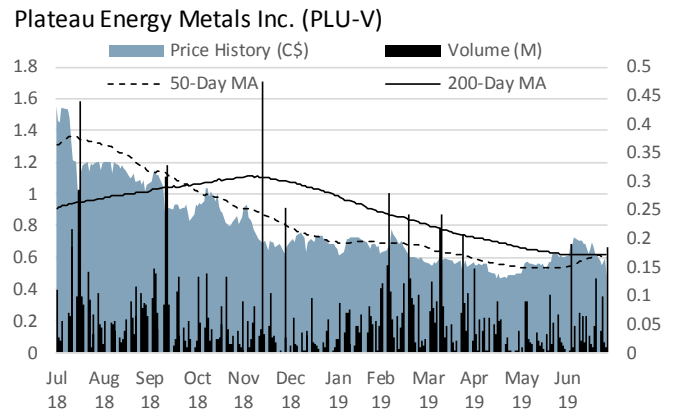
VALUATION

Our target and formal valuation are ‘Under Review’ pending outcome of appeal process and full impact assessment.

INVESTMENT THESIS

- ◆ **World class hard rock lithium discovery with uranium kicker.** Prior to the uncertainty surrounding the validity/ownership of mining claims, we saw the Falchani Lithium Project as a ‘game changer’ for PLU and it still is. The Falchani concession is uncontested and contains a very large lithium resource with good metallurgy that we expect could support a long-life project with robust economics on its own. Plateau took the project from discovery to one of the world’s largest undeveloped hard rock lithium projects globally in about 15 months with the March 2019 resource update. Follow-up metallurgy on the rocks supported the potential for the deposit to be commercially exploited, highlighted by high recovery of lithium to a high purity lithium carbonate product. We are hitting pause on this investment thesis in the wake of the concession dispute, awaiting clarity on what PLU’s strategy, cost and process to ultimately retain the concessions.

SCENARIO ANALYSIS



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our target is ‘Under Review’ at this time pending clarity on the claims situation.

DOWNSIDE CASE

We recognize the punitive nature of the claims issue. We are not maintaining a quantified downside case at this time.

KEY RISKS

- **Financing** – dilution from future equity financings
- **Political Risk** – legal process and outcome to retain all concessions on the Macusani Plateau, Peru
- **Execution Risk** – Management is in a very difficult situation where mining claims are being recommended for expiry and must navigate a process to defend the claims through diplomacy and/or litigation. Restoring investor confidence over time will be a critical requirement.

Plateau Energy Metals is a mineral exploration and development company with lithium and uranium assets located on the Macusani Plateau, Puno, Peru.

Website

www.plateauenergymetals.com

Key Management

Alex Holmes – CEO

Laurence Stephan – President



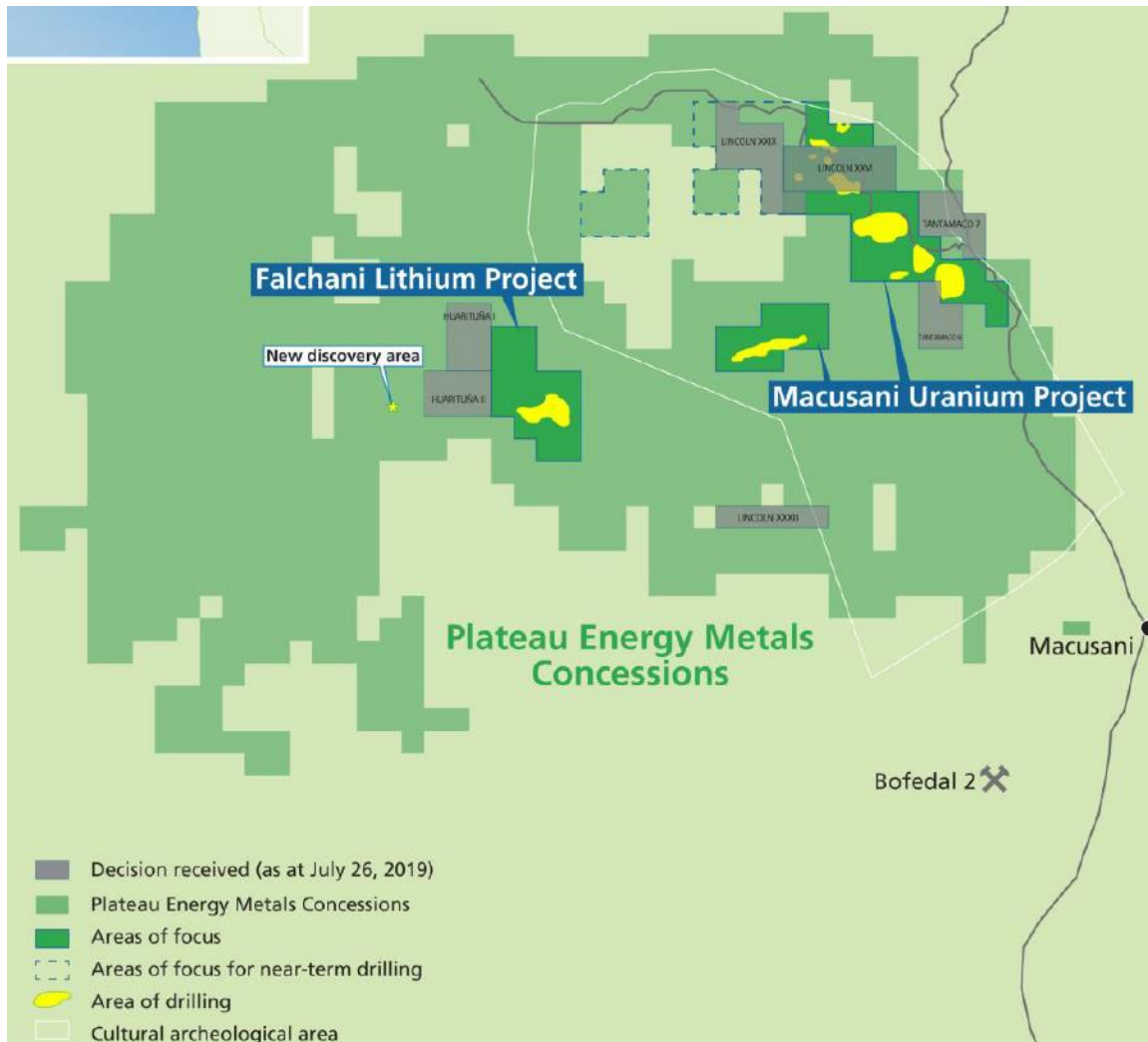
Figure 1: List of Concessions under Administrative Procedure and Outcomes

Resolution Received, Appeal Rejected		Pending Resolution Statement on Appeal	
7	Huarituna I	1	Chachaconiza
8	Huarituna II	2	Chachaconiza II
22	Tantamaco 6	3	Chapi U
23	Tantamaco 7	4	Chapi III
30	Lincoln XXIX	5	Chapi V
31	Lincoln XXVI	6	Huarituna 3
32	Lincoln XXXII	9	Huiquiza 3
		10	Triunfador 1
		11	Chapi II
		12	Chilcuno
		13	Colibri I
		14	Colibri II
		15	Corani U2
		16	Ocacasa 4
		17	Porsiacca Estrella
		18	Liocco
		19	Samilio I
		20	Samilio IV
		21	Sillatoco
		24	Tantamaco II
		25	Triunfador 2
		26	Triunfador 3
		27	Triunfador 4
		28	Triunfador 5
		29	Tupuramani

Source: INGEMMET, Company Reports, Haywood Securities



Figure 2: Concessions Locations for 7 of 32 Received to-date



Source: Company Reports, Haywood Securities

Outlook

Plateau to defend its concessions. Plateau confirmed it would “pursue all remedies” in the matter and noted that the resolutions received are not issued by a court of law. Plateau says it has 3 months to appeal the mining council’s decision and the concessions will remain under PLU’s control during that process and through to resolution. Timing and the exact process are still uncertain and will likely be complex. We expect further detail on the exact strategy in coming weeks.

Target Price & Recommended Action

Withdrawing Target and placing ‘Under Review’

Awaiting clarity on strategy and process. We are placing Plateau ‘Under Review’ pending further detail on the outcome of current appeals and the detailed strategy to defend the concessions going forward looking for clarity on timing and cost.



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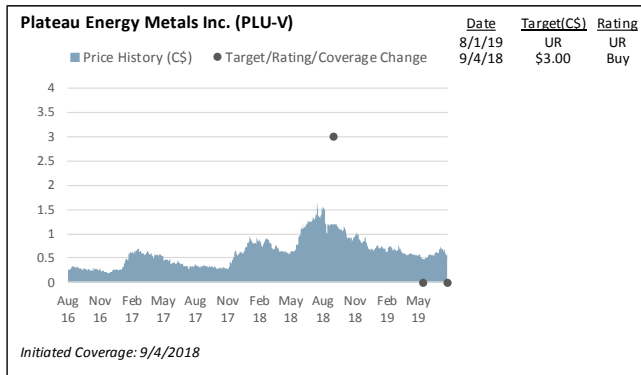
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Distribution of Ratings (as of August 1, 2019)

	%	#	IB Clients (TTM)
Buy	76.4%	81	93.1%
Hold	8.5%	9	3.4%
Sell	1.9%	2	0.0%
Tender	0.9%	1	0.0%
UR (Buy)	1.9%	2	3.4%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	10.4%	11	0.0%



Price Chart, Rating and Target Price History (as of August 1, 2019)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
 Source: Capital IQ and Haywood Securities

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