

Plateau Energy Metals Inc.

{PLU-V}

SECTOR: Mining

STOCK PRICE \$0.65
RATING **BUY**
TARGET PRICE \$3.00
RISK Very High

RESOURCE UPDATE

Falchani Resource up >90%; Expansion Potential Remains – PEA Next

OUR TAKE: Plateau has released a resource update for its 100%-owned Falchani lithium project on the Macusani Plateau in Puno, Peru. With 20 holes of additional drilling, Plateau has been able to rapidly expand the total resource base at Falchani, quickly approaching the tonnage estimate underlying our valuation assumption and establishing Falchani in the top 10 global hard rock lithium orebodies. At initiation we outlined our expectation that the total resource at Falchani could easily double from the maiden estimate with more drilling and today's update is consistent with that thesis. Falchani West remains open to the north and northwest, and we expect future exploration drilling to prove up significant additional resources based on success seen so far following up on high-grade surface samples.

KEY HIGHLIGHTS

- ◆ **Resource Update at Falchani Outlines 4.7 Mt LCE (↑92%).** Plateau has been able to cost effectively and rapidly grow the resource base at Falchani, while maintaining grade due to the simple orebody geometry and consistency. The new resource places PLU comfortably within the top 10 hard rock resources globally on an LCE tonnage basis. PLU will estimate costs in its H1/19 PEA following publication of advanced met-work in the next 4-6 weeks, which should de-risk the project substantially and propel it up the valuation curve.

Date	Unit	Category	M Tonnes	Grade (ppm Li)	Grade (Li ₂ O)	M Tonnes (Li ₂ O)	M Tonnes (LCE)
24-July-2018 (Ni 43-101)	High-Grade Tuff Unit & Breccia Units	Indicated	40.58	3,109	0.67%	0.272	0.67
		Inferred	121.70	2,738	0.59%	0.718	1.78
		Global	162.28	2,830	0.61%	0.990	2.45
4-March-2019 (Ni 43-101)	High-Grade Tuff Unit & Breccia Units	Indicated	60.92	2,954	0.64%	0.390	0.96
		Inferred	260.07	2,706	0.58%	1.520	3.75
		Global	320.99	2,744	0.59%	1.910	4.72

%Δ Grade (Li)	%Δ Cont. Res.
(5.0)%	43%
(1.2)%	111%
(3.1)%	92%

Source: Plateau Energy, Haywood presentation and calculations

- ◆ **Falchani East & West Now Connected as Single Resource Area.** The resource update includes a 43% increase in the indicated tonnage which is mainly high-grade tuff unit material in the East. Importantly, we saw huge tonnage added in the West side where mineralization starts from surface and where we suspect the majority of the 500% increase in tonnage of the lower breccia unit occurred. The lower breccia unit mineralization in the West is much higher grade and pushed up the average grade of this material 50%. The Falchani East and West orebodies are now connected, and the new resource represents one large orebody which narrows through the valley which connects the two sides.
- ◆ **Falchani West Presents a Simple, Attractive Place to Start Mining.** Falchani West mineralization starts at/near surface presenting a low to nil strip ratio potential in initial mining. The West area of the resource also does not contain any material uranium which could simplify initial permitting and development and support many years of mining before moving over to the East.

RECOMMENDED ACTION

We recommend owning accumulating PLU shares ahead of big de-risking metallurgical work and PEA

- ◆ **Recommend accumulation ahead of PEA in H1/19.** We expect upcoming metallurgical work (next 4-6 weeks) and the PEA (H1/19) at Falchani to be critical catalysts for the stock and recommend being long ahead of these. We believe the market will lift the discount on PLU with clarity on potential costs and these catalysts speak to that factor. With this update, PLU is now trading at an in-situ resource value of US\$17/t Li₂O (US\$7/t LCE), reflecting a steep discount to more advanced peers. With a PEA providing more cost clarity, PLU should see a re-rating.

KEY STATISTICS AND METRICS

52-Week High/Low	\$1.65/\$0.58
YTD Performance	-6%
Dividend Yield	n/a
Shares O/S	77M (basic)
Market Capitalization	\$50M
Cash	\$5M
Total Debt	Nil
Enterprise Value	\$46M
Daily Volume (3 mos.)	67,550
Currency	C\$ unless noted

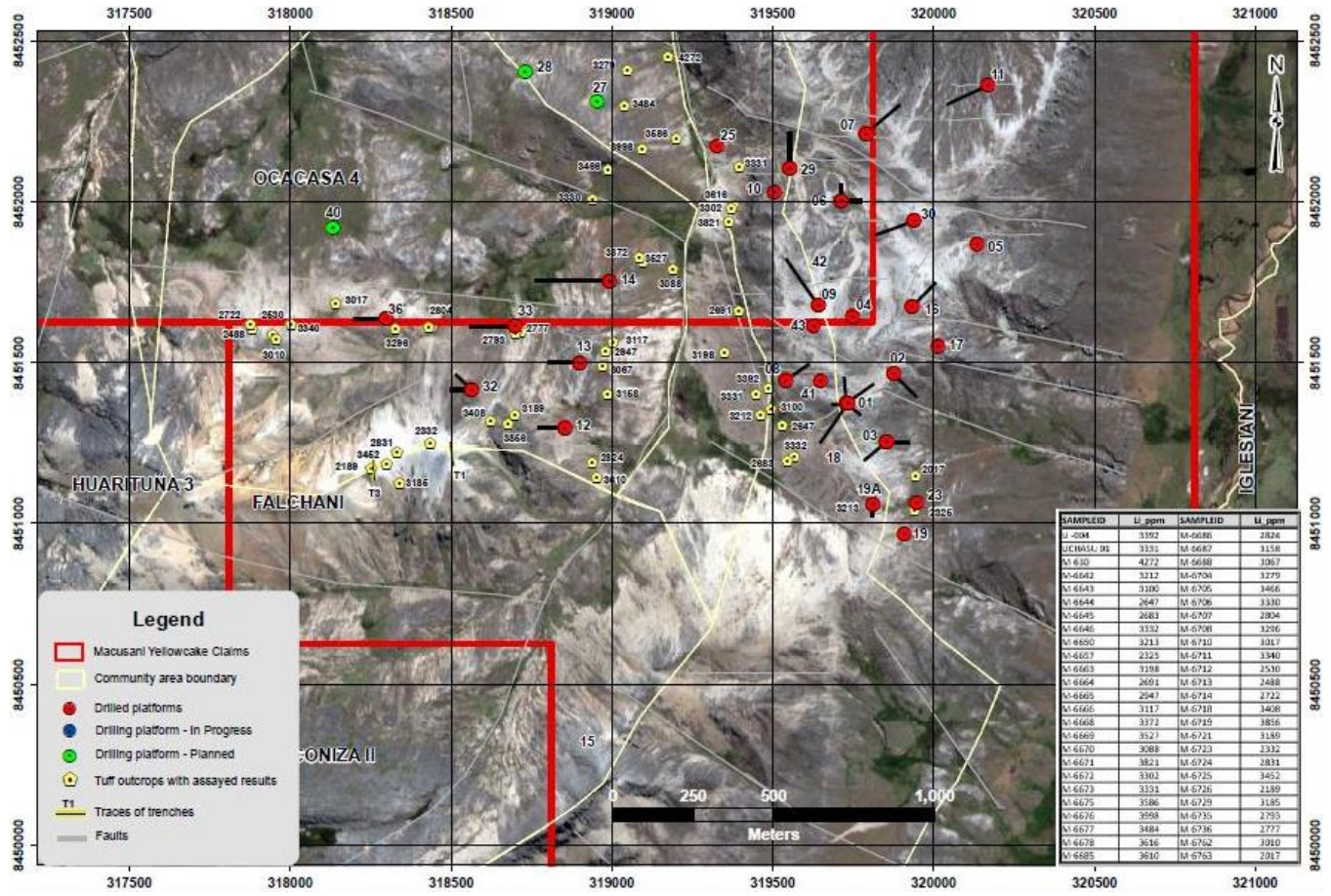
HAYWOOD ESTIMATES

	2019E	2020E	2021E
Lithium Price (US\$/t)	15,597	15,597	15,597
Lithium Resource (T)	157M	157M	157M
Free cash flow (\$M)	(2.2)	(31)	(31)

VALUATION

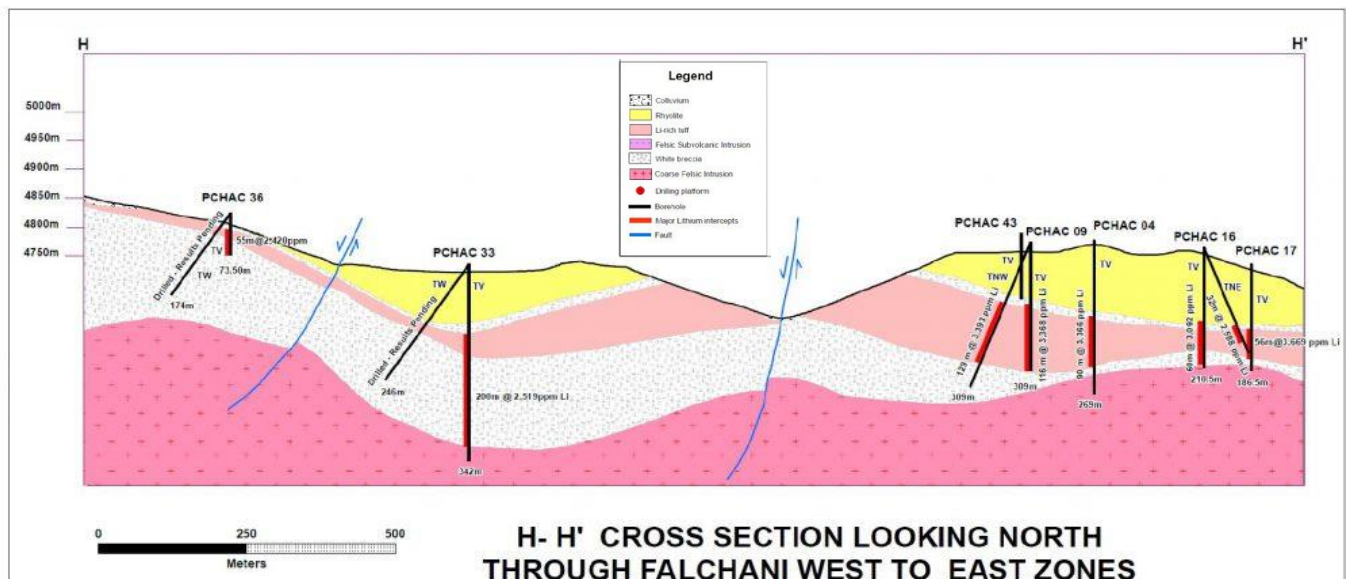
Our target is based on a sum-of-the-parts valuation incorporating an in-situ NAV for Falchani at a US\$79/t multiple and an NPV_{20%} on the Macusani Uranium Project.

Falchani Map



Source: Plateau Energy Metals Inc.

Cross Section



H- H' CROSS SECTION LOOKING NORTH THROUGH FALCHANI WEST TO EAST ZONES

Source: Plateau Energy Metals Inc.



PLU Chart (Daily)



Source: Stockcharts.com, Haywood Securities Inc.



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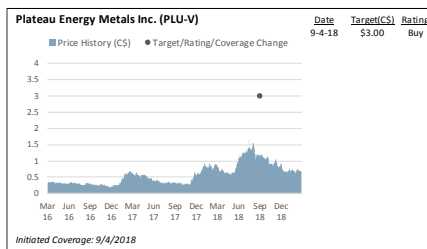
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	%	#	IB Clients (TTM)
Buy	76.2%	77	96.2%
Hold	7.9%	8	3.8%
Sell	2.0%	2	0.0%
Tender	1.0%	1	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	12.9%	13	0.0%

Price Chart, Rating and Target Price History (as of March 4, 2019)



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

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