

Plateau Uranium Inc. (PLU-V, \$0.37)

Not Rated

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Initial Lithium Resource Estimate for Macusani Plateau Uranium Project

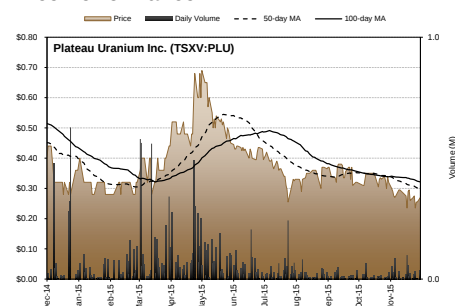
Plateau Uranium has released an initial all-categories NI 43-101 lithium resource estimate of 140 million tonnes grading 0.126% Li₂O equivalent, for 175,740 tonnes Li₂O equivalent (Indicated + Inferred, Table 1).

- **The initial lithium resources outlined may hold the potential to enhance the economics of the January 2016 PEA (Table 3) of PLU's Macusani Plateau uranium project as a by-product, but this will require significant additional study to determine the real potential.** Initial independent metallurgical testing of 2 samples (with grades similar to the average Li resource grade) indicated recoveries into leach solution of 69% and 73% of the contained Li at 250°C using sulphuric acid at atmospheric pressure. Additional in-house testing by PLU achieved reported recovery into solution of up to 86% of the contained Li, but test parameters, including temperature, sample grind size, and acid concentration/consumption, were not given for internal work.
- With initial metallurgical testing for lithium recovery being performed at significantly higher leaching temperatures (250°C, atmospheric pressure) than the January 2016 PEA studying uranium heap, and tank leach scenarios (ambient temperature / pressure) (Table 4), it is difficult to assess the potential additional processing and power requirements, and therefore the potential economic benefits, without further study, but it represents an intriguing area for further study. No precipitation work has been completed as yet to determine if lithium carbonate (Li₂CO₃) and potassium sulphate (K₂SO₄) can be precipitated out of the leach solution, although PLU reports that the independent testing agent* believes the leach solutions produced from the test samples were similar in chemistry / characteristics, to that of current lithium producers, and "should be capable of lithium carbonate precipitation and production". (*Independent tests -> K-UTEC AG Salt Technologies, Sondershausen, Germany)
- **The lithium resource itself appears to be material enough to warrant further study to determine its potential to enhance the preliminary economics at the Macusani Plateau uranium project as a by-product:**
 - To add some very high-level perspective, the Li₂O equivalent contained resources of 175,740 tonnes (Ind. + Inf.), equate to ~434,600 tonnes of lithium carbonate (Li₂CO₃), which has a current mid-bid/ask price of US\$3.40/lb (see Table 2, Exhibit 1), or ~US\$7,496/tonne. **This implies an in-situ value for the lithium resources of ~US\$3.2 billion**, based on Haywood-calculated lithium carbonate equivalents (see Table 2). **We caution that this number is calculated and presented simply for illustration purposes**, as producing a lithium carbonate of the quality and grade required to fetch this price is a technical challenge in-and-of itself, and the implied value does not account for recoverability or costs. What this number does do is provide a high-level starting point for determining which direction PLU should go with this. **In our view, follow up work to study exploitation potential and the true value of the lithium at the Macusani Plateau uranium project is justified.**

Current Price	\$0.37
YTD Performance	-1.3%
Dividend / Yield	NA
52-Week High / Low	\$0.69 / \$0.24
Shares O/S	40.6 million (basic) 49.5 million (F/D)

Market Capitalization	\$15.0 million
Enterprise Value	\$15.3 million
Working Cap (June '15)	\$(0.25) million
Daily Volume (3 mo avg)	36.4k
Currency	C\$ unless noted
Company Web Site	plateauuranium.com
CEO	Ted O'Connor

Price Performance





- The initial lithium resource estimate is calculated for only 4 of PLU's 14 uranium deposits, and only for tonnage contained within the existing uranium resource area of the January 2016 PEA (at 75ppm U cut-off, See Table 1).
- The average potassium grade included in the lithium resource estimate is 3.71% K for the Indicated resource and 3.73% K for the Inferred resource.
- **PLU comments that the lithium resources in the initial estimate reflect only a subset of the tonnage within the total uranium resources (Table 5) defined at the Macusani Plateau project** (as stated above, the lithium resource estimate only considers 4 of the 14 defined uranium deposits; those which are part of the January 2016 PEA). PLU indicates that lithium carbonate (Li_2CO_3) and potassium sulphate (K_2SO_4) would be the potential by-products precipitated from the sulphuric acid leach, and is currently in the planning phase of additional engineering test work to determine the potential for this. **PLU indicates that the presence of lithium is strongly correlated with uranium mineralization in its deposits, and appears to be "present in all of the uranium deposits' host rocks". PLU plans to commence a program to evaluate its other uranium deposits for the presence of lithium.**
- **The January 2016 PEA, which did not consider any by-product production**, outlined compelling economics at a uranium price of US\$50/lb U_3O_8 , including lower-quartile uranium mine operating costs globally at US\$17.28/lb U_3O_8 , for a +6 Mlb p.a. U_3O_8 mine, which would place it among the top 5 current uranium mines globally in terms of production scale. 2016 PEA-update base-case highlights below (details in Table 3):
 - **CAPEX:** US\$299.8 M, sustaining CAPEX of US\$43.9 M
 - **OPEX:** LoM OPEX US\$17.28/lb U_3O_8
 - **Production Rate:** 6.1 Mlb per annum for 10 years (10.9 Mtpa heap-leach)
 - **NPV:** Post-Tax NPV_{8%} of US\$603 million
 - **IRR:** Post-Tax IRR of 40.6%
 - **Pay-Back:** 1.76 years post-tax

Table 1: Details January 2016 PEA vs December 2013 PEA:

Deposit	Classification	Metric Units							Imperial Units		
		Tonne (Mt)	U grade (ppm)	U_3O_8 grade (ppm)	Li grade (ppm)	Li_2O equiv (%)	Li_2O Content (kt)	K grade (%)	Ton (Mt)	U_3O_8 Content (Mlb)	U_3O_8 Grade (lb/ton)
Chilcuno Chico	Indicated	34.840	218	258	599	0.13	44.93	3.71	38.405	19.8	0.52
	Inferred	30.995	294	347	586	0.13	39.10	3.76	34.166	23.7	0.69
Quebrada Blanca	Indicated	5.509	279	329	541	0.12	6.42	3.68	6.073	4.0	0.66
	Inferred	13.436	269	317	511	0.11	14.78	3.67	14.811	9.4	0.63
Tantamaco	Indicated	7.393	191	225	615	0.13	9.79	3.73	8.150	3.7	0.45
	Inferred	35.849	172	202	580	0.12	44.77	3.69	39.517	16.0	0.40
Isivilla	Indicated	4.568	296	350	600	0.13	5.90	3.67	5.035	3.5	0.70
	Inferred	7.396	295	348	638	0.14	10.16	3.81	8.153	5.7	0.70
TOTAL INDICATED		52.311	228	268	595	0.13	67.01	3.71	57.663	31.0	0.54
TOTAL INFERRED		87.677	240	283	576	0.12	108.73	3.73	96.648	54.8	0.57

Minor discrepancies due to rounding may occur.

Density 1.98 t/m³

Cut-off 75ppm U

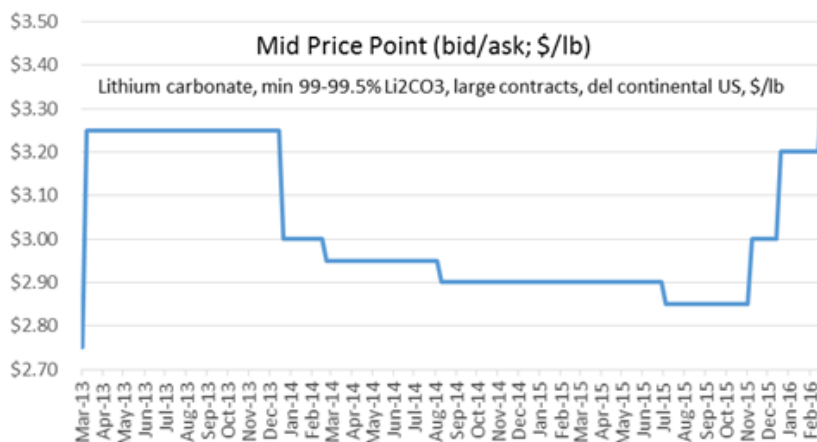
Sources: Plateau Uranium, Haywood Securities highlighting


Table 2: Initial Lithium Resource Estimate & Haywood Calculated Li₂CO₃ equivalent in-situ Resource Value

Category	Mt	Li ₂ O equiv. Grade (%)	Li ₂ O equiv. (kt)	Li ₂ CO ₃ equiv. (kt)	In-Situ Li ₂ CO ₃ equiv. Value at US\$3.40/lb* (US\$ M)
Indicated	52.3	0.13%	67.0	165.7	\$1,242.2
Inferred	87.7	0.12%	108.7	268.9	\$2,015.5
Total Resources	140.0	0.126%	175.7	434.6	\$3,257.7

* Lithium carbonate, min 99-99.5% Li₂CO₃, large contracts, del continental US, \$/lb

Source: Haywood Securities, Plateau Uranium, Metals Bulletin/Industrial Minerals

Exhibit 1: Lithium Carbonate Benchmark Pricing (min 99-99.5% Li₂CO₃, large contracts, del continental US, \$/lb)


Source: Metal Bulletin and Industrial Minerals

Table 3: Details January 2016 PEA vs December 2013 PEA:

Item	PLU January 2016 PEA	PLU December 2013 PEA Update	Δ Change
Supporting Assets:	Resources (PEA, Minable): 69.4 Mlb U ₃ O ₈ (109.0 Mt at 289 ppm U ₃ O ₈ , 75 ppm cut-off) (95% mining recovery, 5% mining dilution)	Resources (PEA, Minable): 48.4 Mlb U ₃ O ₈ (85.4 Mt, at 259.4 ppm U ₃ O ₈) Kihitian, Colibri 2/3 & Tupuramani, Corachapi, Triunfador 1	43.4%
Production Rate:	6.09 Mlb U ₃ O ₈ per year (10.9 Mtpa heap-leach in optimized base case) (Acid consumption: 9kg/t)	4.30 Mlb U ₃ O ₈ per year (5.17 Mlb U ₃ O ₈ per year in Y's 1-5)	41.6%
Process Recovery Rate:	88%	88%	unch
Mine Life:	10 years (predominantly open pit [30,000 tpd], with some underground mining [2,700 tpd] accessing higher grade material from the bottom of the Kihitian pit.)	10 years	unch
Strip Ratio (waste:ore):	2.05:1	1.54:1	33.1%
CAPEX (US\$/lb U ₃ O ₈):	\$299.8 million (pre-production, inclusive of \$50.1 million in contingencies) (+\$43.9 million LoM sustaining)	\$331 million (pre-production) (+\$228 million LoM sustaining)	(9.4%) (80.7%)
OPEX (US\$/lb U ₃ O ₈):	\$17.28 / lb	\$20.57 / lb	(16.0%)
NPV (pre-tax US\$):	Pre-tax: \$852.7 million (8% discount rate) Post-tax: \$603 million (8% discount rate)	Pre-tax: \$708 million (8% discount rate) Post-tax: \$417 million (8% discount rate)	20.4% 44.6%
IRR (pre-tax US\$):	Pre-tax: 47.6% Post-tax: 40.6%	Pre-tax: 47.5% Post-tax: 32.4%	0.2% 25.3%
Payback:	Pre-tax: 1.69 years Post-tax: 1.76 years	Pre-tax: 2.9 years Post-tax: 3.5 years	(41.7%) (49.7%)
Uranium Price Assumption:	\$50 / lb	\$65 / lb	(23.1%)

Sources: Haywood Securities, Plateau Uranium



- The PEA provides four (4) additional scenarios beyond the base-case (Table 2). Each of the 4 scenarios are reduced-production, lower-CAPEX options vs the base-case, each returning compelling OPEX numbers. Additional scenarios include 2 additional heap-leach options and 2 tank leach options. Both additional heap and tank-leach options under study include 2 variations: a) open-pit-only; and, b) open-pit-plus-underground. The tank-leach option was of interest, as it is expected to yield improved recoveries of ~93% (vs 88% in heap-leach assumption), and is also assumed to have a decreased plant footprint vs the base-case heap-leach scenario.

Table 4: Details January 2016 PEA vs December 2013 PEA:

Case	Initial Capital (millions US\$)	LOM Capital (millions US\$)	US\$/t ROM	US\$/lb U ₃ O ₈	Mlb/a	Pre-Tax NPV (M US\$)	IRR (%)	Post-Tax NPV (M US\$)	IRR (%)
Base Case	\$299.90	\$358.5	\$9.60	\$17.28	6.08	\$852.7	47.6%	\$603.10	40.6%
Case 1	\$247.50	\$279.4	\$14.60	\$17.39	4.26	\$544.4	41.2%	\$417.40	37.3%
Case 2	\$247.50	\$291.4	\$13.60	\$15.95	5.01	\$733.5	49.4%	\$550.90	43.7%
Case 3	\$267.40	\$299.3	\$17.60	\$19.73	4.5	\$510.2	36.8%	\$397.20	33.9%
Case 4	\$267.40	\$311.3	\$17.00	\$18.81	5.3	\$679.9	43.2%	\$516.10	28.9%

Sources: Haywood Securities, Plateau Uranium

Table 5: Plateau Uranium's resources on the Macusani Plateau:

Plateau Uranium Inc. NI 43-101 Resources (As at May 6, 2015) (75 ppm U cut-off ≈ 88.4 ppm U ₃ O ₈)					Plateau Uranium Inc. NI 43-101 Resources (As at May 6, 2015) (200 ppm U cut-off ≈ 235.8 ppm U ₃ O ₈)				
Complex	Category	tonnes (Mt)	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)	Complex	Category	tonnes (Mt)	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)
Kihitian Complex	M & I	47.7	261	27.4	Kihitian Complex	M & I	16.2	505	18.1
	Inferred	83.6	273	50.3		Inferred	29.8	520	34.1
	Project Resource	131.3	269	77.8		Project Resource	46.0	515	52.2
Isivilla Complex	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)	Isivilla Complex	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)
	Total M & I	4.6	350	3.5		Total M & I	2.9	465	2.9
	Inferred	16.1	293	10.4		Inferred	7.2	500	7.9
	Project Resource	20.7	306	13.9		Project Resource	10.1	490	10.9
Corani Complex	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)	Corani Complex	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)
	Total M & I	3.4	166	1.2		Total M & I	0.4	342	0.3
	Inferred	6.1	131	1.8		Inferred	0.2	294	0.1
	Project Resource	9.5	144	3.0		Project Resource	0.6	327	0.4
Colibri 2 & 3 / Tupuramani	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)	Colibri 2 & 3 / Tupuramani	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)
	Total M & I	27.9	240	14.8		Total M & I	11.0	376	9.1
	Inferred	20.4	170	7.6		Inferred	3.3	363	2.6
	Project Resource	48.3	210	22.4		Project Resource	14.3	373	11.8
Corachapi (Sep. 2010)	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)	Corachapi (Sep. 2010)	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)
	Total M & I	11.6	195	5.0		Total M & I	2.9	372	2.4
	Inferred	3.8	230	1.9		Inferred	1.1	443	1.1
	Project Resource	15.4	204	6.9		Project Resource	4.1	392	3.5
Global PLU Macusani Plateau	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)	Global PLU Macusani Plateau	Category	Mt	U ₃ O ₈ Grade (%)	Contained U ₃ O ₈ (Mlb)
	Total M & I	95.2	248	52.0		Total M & I	33.5	445	32.9
	Inferred	130.0	251	72.0		Inferred	41.6	501	46.0
	Total Resources	225.2	250	124.0		Total Resources	75.1	476	78.8

Sources: Haywood Securities, Plateau Uranium



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