

After market yesterday PLS confirmed it has struck a deal with MinRes:

- Permanently removing the right of first refusal and the 2.5% royalty
- In exchange for A\$50m in PLS scrip at 48c (MinRes has agreed not sell for 6 months or increase its holding for 12 months)
- Deal to be formalised within 10 business days
- MinRes may provide mining services for Pilgangoora and both parties agree to collaborate to explore and exploit other potential synergies

Our View

In our view this is a great deal for PLS based on our estimates in the table below and we would be surprised if PLS does not test 60c today and probably higher. In our view this deal:

- Is a material de-risking milestone for PLS in terms of:
 - Offtake discussions
 - Project finance discussions
 - The development timetable for Pilgangoora
- It also removes a layer of complexity from the PLS story which was generally not well understood by investors, and was consequently weighing disproportionately on the share price (in our view)
- Importantly, in our view, it also adds significant corporate appeal to PLS and materially increases the chance of an end user or other party bidding for the company

Conference Call Details – 11am this morning Sydney time

- Dial in: 1800 558 698 or 1800 809 971 or +612 9007 3187
- Conference ID: 239980

NPV Sensitivity of the 2.5% Royalty on Pilgangoora

| Royalty NPV (A\$m) | | Spodumene Price (US\$/t) | | | | |
|--------------------|-----|--------------------------|-----|-----|-----|-----|
| | | 450 | 550 | 650 | 750 | 850 |
| 2mtpa Case | | | | | | |
| Discount | 6% | 60 | 74 | 87 | 101 | 114 |
| Rate | 8% | 46 | 57 | 67 | 77 | 88 |
| (Nominal) | 10% | 37 | 45 | 53 | 61 | 70 |
| | 12% | 30 | 37 | 43 | 50 | 57 |

| Royalty NPV (A\$m) | | Spodumene Price (US\$/t) | | | | |
|--------------------|-----|--------------------------|-----|-----|-----|-----|
| | | 450 | 550 | 650 | 750 | 850 |
| 4mtpa Case | | | | | | |
| Discount | 6% | 73 | 90 | 106 | 122 | 138 |
| Rate | 8% | 60 | 74 | 87 | 101 | 114 |
| (Nominal) | 10% | 50 | 62 | 73 | 84 | 95 |
| | 12% | 43 | 52 | 62 | 71 | 80 |

Source: Blue Ocean estimates. Assumes 0.75 A\$/US\$