FOSTER STOCKBROKING

EQUITY RESEARCH

Materials

15th March 2017

Pilbara Minerals Ltd (PLS.ASX)

Moving slowly but prize still lucrative

Event:

- **Review of PLS progress; Lithium price upgrades; Price-target change.**

Investment Highlights:

- **Since our last report, PLS has continued to slowly progress its Pilgangoora project.** Major milestones achieved included first earthworks; grant of mining permit; signing of access agreements; securing of water supply for the 2Mtpa stage; and award of process plant contract in-line with DFS estimates.
- **Resource upgrade paves way for increase in Reserves.** PLS also increased its JORC Resource for Pilgangoora by 22% to 156Mt, with grade also increasing to 1.25% vs 1.22% previously. The company anticipates publishing an updated Reserves statement in the June quarter.
- **New metwork results in higher recoveries and concentrate grades.** From a modified HMS plant, PLS has reported improved HMS recoveries of 52%-68% (42%-45% previously) with concentrate grades >6.0%. These improved recoveries have potential to reduce unit costs and increase production over that in the DFS. The company is also looking at improving flotation performance.
- **The two major outstanding issues to finalise are offtake and financing.** These are taking longer than we had expected, and certainly the crack down by China on capital and investment outflows has not helped. We now expect both financing and offtake to be finalized concurrently by end July 2017, vs our previous forecast end January 2017 and company guidance end March 2017.
- **Pushing out timeline for first production.** In line with pushing out our expectation of offtake/financing completion, we have delayed the timeline for plant commissioning by three months to March 2018e (prior December 2017e) and first spodumene concentrate shipment to July 2018e (prior April 2018e). Similarly, we have delayed expectation of first DSO mining by three months to July 2017 and shipment in October 2017. This results in cutting our spodumene concentrate production forecast in FY18e to nil and in FY19e by 30% to 228kt, while DSO in FY18e has reduced 25% to 713kt.
- **Lithium price upgrades.** We have upgraded our spodumene SC6.0 (6.0% Li_2O) prices by 16% to US$648/t in FY2017, 23% to US$684/t in FY2018e, and 18% to US$638/t in FY2019e which are now more in-line with consensus. Recent settled prices are above consensus, including US$750/t for Mt Marion and US$900/t for Mt Cattlin.

Earnings and Valuation:

- **Earnings downgrade to FY17e and FY18e; upgrade to FY19e and beyond.** We have downgraded forecast earnings in FY17e and FY18e to -$27M and $54M due to reduced production forecasts. However our FY19e forecasts and beyond have increased due to our lithium price upgrades. Our risked valuation increases 10% to $0.85/share from $0.77/share.

Recommendation:

- **We maintain our Buy recommendation and increase our price target to $0.85** (previously $0.77) based on our risked valuation. While progress is slow, we believe that PLS will eventually achieve the requisite funding and offtake – which we see as the two major share price catalysts - to successfully bring Pilgangoora into production on attractive terms.

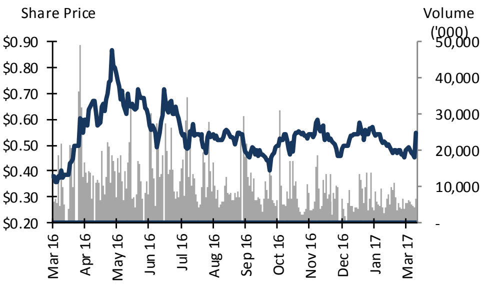
Recommendation	**Buy**
Previous	Buy
Risk	High
Price Target	**$0.85**
Previous	$0.77
Share Price (A$)	**$ 0.455**
ASX Code	PLS
52 week low - high (A$)	0.22-0.87
Valuation (A$/share) - risked	**$0.85**
Methodology	DCF
Capital structure	
Shares on Issue (M)	1,267
Market Cap (A$M)	**576**
Net Cash/(Debt) (A$M)	80
EV (A$M)	**496**
Options (M)	113
Fully diluted EV ($M)	**548**
12mth Ave Daily Volume ('000)	10,207

Y/e Jun (A$M)	**2016a**	**2017e**	**2018e**	**2019e**
Sales	0.0	0.0	138.8	390.8
Adj EBITDA	-41.8	-28.6	62.3	206.1
Adj NPAT underlying	**-44.3**	**-26.7**	**52.8**	**132.7**
Adj EPS diluted $	**-0.05**	**0.00**	**0.05**	**0.09**
PER x diluted	**nm**	**nm**	**13.7**	**5.5**
EV/EBITDA x	nm	nm	8.5	2.8

*Adj = underlying FSB estimate

Board	
Tony Kiernan	Non-Executive Chairman
Ken Brinsden	Managing Director
Neil Biddle	Non-Executive Director
Nick Cernotta	Non-Executive Director
Steve Scudamore	Non-Executive Director
John Young	Executive Director
Substantial shareholders	
Mineral Resources Ltd	8.2%

Share Price Graph



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The analyst owns 233,034 shares in PLS.

Pilbara Minerals (PLS)

Full Year Ended 30 June

Profit and Loss A$M	2016a	2017e	2018e	2019e
Sales	0.0	0.0	138.8	390.8
Other revenue	0.0	0.1	0.0	0.0
Operating Costs	41.8	28.7	76.5	184.7
Underlying EBITDA	**-41.8**	**-28.6**	**62.3**	**206.1**
D&A	0.1	0.1	0.4	14.0
Underlying EBIT	**-41.9**	**-28.7**	**61.9**	**192.1**
Net interest exp/(income)	2.2	-2.0	-1.4	2.2
Profit before tax	**-44.1**	**-26.7**	**63.3**	**189.9**
Tax exp / (benefit)	0.2	0.0	9.1	57.0
Underlying NPAT	**-44.3**	**-26.7**	**54.3**	**133.0**
Non-recurring exp/(benefit)	11.3	0.0	0.0	0.0
Reported NPAT	**-55.6**	**-26.7**	**54.3**	**133.0**
Underlying EPS diluted ($)	**-0.05**	**-0.02**	**0.03**	**0.08**

Cashflow A$M	2016a	2017e	2018e	2019e
Underlying EBITDA	-41.8	-28.6	62.3	206.1
Change in WC	1.6	0.0	-6.0	-10.8
Tax paid	-0.2	0.0	-9.1	-57.0
Other	-0.8	0.0	0.0	0.0
Net interest	0.1	2.0	1.4	-2.2
Share based payments	26.6	9.7	0.0	0.0
Operating Cashflow	**-14.6**	**-16.9**	**48.7**	**136.1**
Purchase of PP&E	-4.6	-5.0	-209.0	-4.4
Investments	-2.0	0.0	0.0	0.0
Other	-1.0	0.0	0.0	0.0
Investing Cashflow	**-7.6**	**-10.0**	**-209.0**	**-4.4**
Equity issue	122.7	0.6	89.4	0.0
Debt proceeds	4.0	0.0	44.6	0.0
Debt repayments	-0.7	0.0	0.0	0.0
Other	-7.0	-0.2	0.0	0.0
Financing Cashflow	**119.0**	**0.4**	**134.0**	**0.0**
Net Cashflow	**96.8**	**-26.5**	**-26.3**	**131.7**

Balance Sheet A$M	2016a	2017e	2018e	2019e
Cash	100.0	73.5	47.1	178.9
Receivables	1.5	1.6	10.5	30.9
Inventories	0.0	0.0	0.0	0.0
PPE	0.8	58.6	267.2	257.6
Capitalised exploration	0.3	5.3	5.3	5.3
Intangibles	0.0	0.0	0.0	0.0
Total Assets	**102.7**	**138.9**	**331.0**	**472.6**
Accounts payable	3.0	3.0	13.6	10.7
Provisions	1.0	2.4	6.3	15.2
Debt	0.3	0.3	45.0	45.0
Other	0.0	10.9	0.1	2.7
Total Liabilities	**4.3**	**16.6**	**65.0**	**73.6**
Reserves and capital	168.2	218.8	308.2	308.2
Retained earnings	-69.8	-96.5	-42.2	90.8
Minorities	0.0	0.0	0.0	0.0
Total Equity	**98.4**	**122.4**	**266.0**	**399.0**

Source: Company; Foster Stockbroking estimates

Financial Metrics	2016a	2017e	2018e	2019e
Sales growth %	nm	nm	nm	182%
EPS growth %	nm	nm	nm	145%
EBITDA margin	nm	nm	45%	53%
EBIT margin	nm	nm	45%	49%
Gearing (ND/ND+E)	nm	-148%	-1%	-51%
Interest Cover (EBIT/net int)	nm	nm	-43x	87x
Average ROE %	nm	nm	28%	40%
Average ROA %	nm	nm	26%	48%
Wtd ave shares (M)	823	1,267	1,478	1,478
Wtd ave share diluted (M)	920	1,380	1,590	1,590

Earnings multiples	2016a	2017e	2018e	2019e
P/E x	**nm**	**nm**	**13.3**	**5.4**
EV/EBITDA x	nm	nm	7.7	2.6
EV/EBIT x	nm	nm	8.5	2.7

Company Valuation	A$M	A$/sh	A$M	A$/sh
DCF, WACC 10% nominal	**Unrisked**	**Unrisked**	**Risked**	**Risked**
Segment	**A$M**	**A$/sh**	**A$M**	**A$/sh**
Pilgangoora 2Mtpa - base case	943	$0.59	848	$0.54
DSO project	117	$0.07	105	$0.07
Pilgangoora 4Mtpa - incremental value	558	$0.35	167	$0.11
Lynas Find Resource	24	$0.02	22	$0.01
Expl'n/Resources ex-Reserves	49	$0.03	33	$0.02
Unallocated corporate	-49	-$0.03	-49	-$0.03
Cash - other equity raise (incl GL)	89	$0.06	80	$0.05
Cash - exercised options	49	$0.03	49	$0.03
Net cash (debt) December 2016	80	$0.05	80	$0.05
Company Valuation	**1,860**	**$1.17**	**1,336**	**$0.85**
Ordinary shares now M	1,267		1,267	100%
Shares - exercise of options M	113		113	100%
Shares - other equity raise (incl GL) M	210		189	90%
Pro-forma diluted shares M	**1,590**		**1,569**	**99%**

** GL = General Lithium Corporation*

Commodity Assumptions	2016a	2017e	2018e	2019e
Prices				
Spodumene 6% Li_2O (US$/t), CFR	593	648	684	638
Tantalite (US$/lb)	62	67	73	78
A$ (US$)	0.75	0.74	0.74	0.74
Production				
DSO spodumene 1.5%, kt	0	0	713	950
Concentrate spodumene 6.0%, kt	0	0	0	228
LCE kt	0.0	0.0	0.0	33.8
Tantalite t	0.0	0.0	0.0	90.8
Costs - AISC US$/t, CFR 6% spodumene	nm	nm	nm	230

JORC Resources & Reserves				
Pilgangoora	**Ore Mt**	**Li2O %**	**Li2O kt**	**LCE Mt**
Measured	17.6	1.39%	244	0.60
Indicated	77.7	1.31%	1017	2.52
Inferred	61.1	1.13%	691	1.71
Total Resources	**156.3**	**1.25%**	**1,952**	**4.83**
Total Reserves	**69.8**	**1.26%**	**883**	**2.18**

Capital structure	M
Ordinary shares	1,267.1
Options (strike $0.03 to $0.65, expiries Mar 2017 to Dec 2019)	112.6
Fully diluted shares	**1,379.7**

SLOWLY PROGRESSING

- PLS's December quarterly release essentially provided no surprises, and recapped the progress the company has made. Importantly, since our last report, the company has achieved the following important milestones outlined below.

First earthworks signal start of project development capex

- PLS commenced bulk earthworks in November 2016 which were required for its accommodation camp, and the first step in Pilgangoora's project development capex. In January it awarded OTOC Australia the first stage of a 300-room camp relocation package, worth $5M. This will involve deconstructing and reassembling the Roy Hill camp acquired in October. OTOC has previous experience in camp construction, including with Roy Hill, RIO, and BHP.

Mining permit granted

- The company received its mining lease for M45/1256 - the main mining lease for Pilgangoora - in December 2016, following the successful signing of a Native Title Agreement earlier in that month, and the signing of Access and Compensation deeds with pastoral lease holders within the project area.

Access agreements signed

- The company signed two key access agreements with Roy Hill and BHP to provide road access rights over their respective railways in the Pilbara. Together with existing public access roads, PLS believes this should provide necessary access for haulage.

Water supply secured for 2Mtpa case

- PLS stated it has secured enough water for the stage 1 (2Mtpa) base case Pilgangoora project based on combination of on-site water bores and pre-existing bore field location. Negotiations over access to another existing bore field are being negotiated as the company seeks to secure sufficient water for expanded production options of 4Mtpa.

Award of processing plant contract in-line with DFS

- Awarded to RCR Tomlinson (RCR) in January, the contract contains a target cost of $138M with a guaranteed maximum price of $148M. This was in-line with that contained in the DFS, including the $171M DFS estimate for both process plant and infrastructure.

- The contract will be awarded in two stages with Stage 1 being a two month FEED program to determine final scope of work, timeline, and price. This component will cost $10M (included as part of the $148M ceiling). Stage 2 will occur once project funding has been finalised and FID made by PLS. The company expects this to be in May 2017.

- We are pleased with RCR's appointment, given the mining services company's experience with major projects in WA such as Fortescue's Solomon iron ore operations. RCR has chosen subcontractors Primero and Minnovo, the former having experience in hard rock lithium plants in WA, including at Galaxy's Mt Cattlin and Talison's Greenbushes.

RESOURCE UPGRADE

- PLS upgraded the JORC Resource for Pilgangoora by 22% to 156Mt from 129Mt, as a result of both further extensional drilling across new domains including Monster and Southern areas, and the acquisition of the pre-existing Lynas Find Resource. The Measured and Indicated category rose 14% to 95Mt from 84Mt.

- The Resource was based on a cut-off grade of 0.5% Li_2O. In previous resource estimates, all material estimated within the pegmatites was reported as part of the global resource. However the rationale for applying the cut-off was because of marked variance between rich and poorly mineralised zones, in particular the southern areas, and because of addition of the Lynas Find resource. This contributed to a lift in grade of the Measured and Indicated category to 1.32% vs 1.27% previously, and of the total resource to 1.25% vs 1.22%.

Figure 1: Pilgangoora JORC Resources

Category	Ore (Mt)	Li_2O %	Li_2O kt	LCE Mt	Ta_2O_5 ppm	Ta_2O_5 Mlb
Measured	17.6	1.39	244	0.60	151	5.9
Indicated	77.7	1.31	1,017	2.52	125	2.15
Measured & Indicated	95.3	1.32	1,261	3.12	130	8.05
Inferred	61.1	1.13	691	1.71	125	16.8
Total	**156.3**	**1.25**	**1,952**	**4.83**	**128**	**44.2**

Source: Company; Foster Stockbroking estimates.

NEW METWORK YIELDS HIGHER RECOVERIES AND CONCENTRATE GRADES

- In March PLS obtained improved results in its HMS processing of Pilgangoora ore versus that undertaken for the DFS, after undertaking modifications to the HMS pilot plant. The two major improvements achieved were:
  - Higher recoveries of lithia (Li_2O); and
  - Higher spodumene concentrate Li_2O grade.
- The modified HMS plant treated ore (+0.50 -3.35mm screened size fraction) from various parts of the Pilgangoora orebody – namely the Central, Western, and Eastern Domains, which are scheduled to be mined in the first seven years. Comparison between the new and DFS HMS results are shown in Figure 2. Most pronounced was the increase in recoveries across each domain, while the concentrate grade enhances confidence of meeting the typical minimum SC6.0 (6.0% Li_2O) grade expectation for chemical grade spodumene.

Figure 2: HMS Li_2O Recoveries and Concentrate Grades

Sample Domain	Li_2O Concentrate Grade			Li_2O Recovery %		
	New results	DFS	*Chng*	New results	DFS	*chng*
Central	6.05%	6%	*1%*	51.9%	44.2%	*17%*
Western	6.11%	6%	*2%*	56.0%	41.9%	*34%*
Eastern	6.26%	6%	*4%*	67.7%	44.6%	*52%*

Source: Company; Foster Stockbroking estimates.

Implication for improved economics of project

- The implications of the improved metallurgical results are a number of potential positive outcomes. These include
  - Reducing unit operating costs per tonne of spodumene produced; and
  - Increasing the amount of spodumene produced per tonne of feed fed to the plant.
- In addition, PLS is still examining at improving flotation recoveries as well, and we believe this could further enhance recoveries and economics of the project.

UPGRADE TO RESERVES TO FOLLOW

- Following both the increase in JORC Resources and the improved metallurgy, PLS anticipates these will contribute to a new JORC Reserve estimate to be published in the June quarter. In turn, we would expect these inputs would result in a more economically attractive revised modelling of the 2Mtpa Stage 1 DFS, as well as for the 4Mtpa Stage 2 option.

WHAT STILL NEEDS TO BE COMPLETED?

Funding and balance of offtake

- We envisage the two major catalysts PLS needs to achieve are finalisation of financing and completion of offtake financing.
- Concerning financing, the company has stated that it is open to various financing structures to complete funding for Pilgangoora, which may include – but is not limited to - project financing, debt, and customer offtake financing. We expect that equity will also be a factor that will be contemplated.
- The company reported $80.4M cash at end December 2016, after outlaying $5M to acquire Lynas Find and $5M for relocation of the Roy Hill camp. We assume $13.3M (US$10M) pre-payment for DSO by Shandong to be received in July 2017e (previously April 2017e), so that pro-forma cash balance should be $94M.
- We estimate the balance of capex for Pilgangoora is now $209M, and including working capital and other costs, we forecasts total outflows of $228M, mostly during FY18e.
- We therefore estimate a shortfall of $134M that PLS will need to source to bring Pilgangoora into production, as shown in Figure 3. We assume this will be funded by a 33%:67% debt-equity mix in our modelling assumptions.
- Included in our equity component is the first tranche placement funds from General Lithium that we assume to occur by end July 2017e (previously April 2017e). This has taken longer than expected, with fund-raising by General Lithium and regulatory approval processes slowing down progress. We expect 1st tranche placement to be $17.7M.

Figure 3: Assumption of Pilgangoora Capex and Funding Mix ($M)

Cash end December 2016	80.4
Prepayment for DSO	13.3
Pro-forma funds (A)	**93.7**
Pilgangoora capex balance	209.0
Corporate	4.7
Exploration and studies	2.0
Working capital and other	12.0
Capex and associated outlfows (A)	**227.7**
Funding required (B-A)	**134.0**
Equity (including General Lithium 1st tranche placement)	89.4
Debt	44.5
Funding mix assumed	**134.0**

Source: Foster Stockbroking estimates.

We now expect completion of financing and offtake by end June 2017e

- Currently PLS has entered into one offtake agreement for the concentrate – that with General Lithium for 140ktpa of spodumene. We expect the balance of the offtake outstanding may eventually be closely tied up and be contemporaneous with contributing to the final financing package. For example, an equity placement with the offtaker or prepayment (such as is case with General Lithium and Shandong), and/or facilitation of some debt financing.
- PLS is hoping to conclude the balance of funding by end of the March 2017e quarter. However we are more conservative and expect this to occur by end June 2017e. We also expect tantalum offtake will be concluded at around the same time.
- Part of the reason in the delay in timing is the crackdown by China on regulatory approvals for capital and investment outflows. This in turn has impeded PLS in being able to rapidly conclude financing and offtake agreements. However we are still confident the company will eventually conclude these within our new expected timeframes.

Port access finalization

- PLS has commenced the application process to access the Utah Point Facility at Port Hedland to ship DSO, including product sampling for approvals. However the application is yet to be lodged. For concentrate, we expect the company to plan to ship it from one of the public Port Hedland berths.

Final regulatory approvals

- While PLS has been granted a mining permit over its main lease, the company needs to receive final contract of works (mining plan) approval and vegetation clearing approval before it can commence mining and major construction. PLS has already submitted its mining plans and is now awaiting approvals through the statutory process. We expect approvals to be received by end of March.

We expect commissioning March 2018e, first shipment by July 2018e.

- Due to pushing out our expectation on financing and offtake, we have delayed our expectation of commissioning to March 2018e (vs December 2017e previously) and now expect first shipment in July 2018e. Our timelines are more conservative than the company's guidance.

DOWNSTREAM PUSHED BACK AS PRIORITY LIES WITH MINE PROJECT

- PLS is seeking to exploit the more favourable economics and strategy of processing lithium downstream, and to this end has already announced an MoU concerning a scoping study of a chemical conversion plant joint venture with General Lithium. We believe that as getting the Pilgangoora mine into production is the priority, the downstream project has been pushed back in the interim. We currently attribute no value for the downstream potential and prefer to await the results of any ensuing scoping study to consider the metrics.

PRODUCTION FORECASTS REDUCED DUE TO PUSHING OUT TIMING, RAMP-UP

- We have reduced our spodumene 6.0% Li_2O production forecasts for Pilgangoora to account for our delay in timing of first shipment vs our previous forecasts. We had previously expected first concentrate shipment in April 2018, but have now pushed this back three months to July 2018 (vs management expectation of April 2018), reducing our FY18e production forecast to nil from 110kt.
- For FY19e, we have cut our production to 1.25Mt vs 2.0Mt, to account for a longer ramp-up time to nameplate 2Mtpa. This has reduced our estimate by 17% to 273kt from 328kt.
- Our production forecast for FY20e onwards remain unchanged.

Figure 4: Pilgangoora Spodumene 6.0% Li_2O Concentrate production (kt)

Y/e Jun	2018e	2019e	2020e	2021e
New	0	228	362	359
Old	*110*	*328*	*362*	*359*
Change	*-100%*	*-30%*	*0%*	*0%*

Source: Foster Stockbroking estimates.

- For the DSO, we have pushed back our schedule by three months than currently anticipated by PLS. We now expect mining now assumed to start July 2017e vs April 2017e, and first shipment in October 2017e vs July 2017e.

Figure 5: Pilgangoora Spodumene DSO 1.5% Li_2O production (kt)

Y/e Jun	2018e	2019e	2020e
New	713	950	238
Old	*950*	*950*	*0*
Change	*-25%*	*0%*	*nm*

Source: Foster Stockbroking estimates.

BUT LITHIUM PRICE FORECASTS UPGRADED

- We have upgraded our lithium price forecasts which are now largely in-line with consensus. Our forecast prices over FY17e to FY21e have been upgraded in the range 14% to 23%, and our long-term price by 16% to US$607/t (nominal terms). The changes are shown in Figure 6:

Figure 6: Spodumene 6.0% Li_2O US$/t CIF Forecasts

Y/e Jun	2016a	2017e	2018e	2019e	2020e	2021e	LT nom.
New	593	648	684	638	603	592	607
Old	*501*	*558*	*556*	*542*	*523*	*519*	*525*
Change	*18%*	*16%*	*23%*	*18%*	*15%*	*14%*	*16%*

Source: Foster Stockbroking estimates.

- Recent settled spodumene price contracts include US$750/t for SC6.0 Mt Marion product in 1HCY2017, and US$900/t for Mt Cattlin SC6.0. We believe consensus is still conservative given that the market is factoring in increasing production coming on stream. However we still believe there is risk to the upside, especially if the demand side exceeds expectation concerning future electric vehicle penetration.

EARNINGS FORECASTS CHANGES

Downgrade to FY17e & FY18e due to delaying production...

- We have lowered our FY17e forecast to account for higher share-based, corporate, and exploration expenses, post the half year report. We now forecast NPAT of -$27M in FY17e (previously -$7M).
- Our FY18e earnings have decreased by 27% to $54M from $74M due to our cut in spodumene production forecasts from pushing out first shipments. This has more than offset the increase to our spodumene price forecast.

…but upgrades to FY19e and beyond on higher lithium prices

- However our earnings in FY19e have increased 2% to $133M vs $131M previously, with higher lithium prices offsetting reduced production from longer ramp up. In FY20e and beyond, the earnings upgrades are significant, as we include the impact of higher pricing while our production forecast are unchanged.

Figure 7: Summary of major changes to PLS assumptions and earnings

Y/e Jun	FY18e	*old*	*chng*	FY19e	*old*	*chng*	FY20e	*old*	*chng*
Price SC6.0 (US$/t)	684	*556*	*23%*	638	*542*	*18%*	603	*523*	*15%*
Concentrate SC6.0 (kt)	0	*110*	*-100%*	228	*328*	*-30%*	362	*362*	*0%*
DSO (kt)	713	*950*	*-25%*	950	*950*	*0%*	238	*0*	*nm*
Sales ($M)	139	*248*	*-44%*	391	*420*	*-7%*	329	*290*	*14%*
NPAT ($M)	**54**	***74***	***-27%***	**133**	***131***	***2%***	**121**	***98***	***23%***

Source: Foster Stockbroking estimates.

VALUATION NOW $0.85/SHARE

- Our risked NPV_{10} valuation of PLS has increased to $0.85/share and unrisked to $1.17/share (previous $0.77 and $1.00), reflecting the higher spodumene price forecasts that have more than offset the short term delay to production.
- Our valuation assumes future equity raising of $89M, including the General Lithium (GL) first tranche placement. Our model assumes the placement to GL to be $17.7M at $0.50/share, with the balance of equity funding to be $71M at approximately 10% discount to shareprice.

Figure 8: PLS Company Valuation

Segment	Unrisked A$M	Unrisked A$/sh	Risked A$M	Risked A$/sh	1- Risk factor
Pilgangoora 2Mtpa - base case	943	$0.59	848	$0.54	90%
DSO project	117	$0.07	105	$0.07	90%
Pilgangoora 4Mtpa - incremental value	558	$0.35	167	$0.11	30%
Lynas Find Resource	24	$0.02	22	$0.01	90%
Pilgangoora - Expl/Resources ex-Reserves	49	$0.03	33	$0.02	67%
Unallocated corporate	-49	-$0.03	-49	-$0.03	100%
Cash - other equity raise (incl GL)	89	$0.06	80	$0.05	90%
Cash - exercised options	49	$0.03	49	$0.03	100%
Net cash (debt) December 2016	80	$0.05	80	$0.05	100%
Company Valuation	1,860	$1.17	**1,336**	**$0.85**	72%
Ordinary shares now M	1,267		1,267		100%
Shares - exercise of options M	113		113		100%
Shares - other equity raise (incl GL) M	210		189		90%
Pro-forma diluted shares M	1,590		1,569		99%

Source: Foster Stockbroking estimates.

RECOMMENDATION - MAINTAIN BUY, PT $0.85

- We maintain our Buy recommendation on PLS, lifting our price target to $0.85/share in-line with our valuation. We see a number of catalysts being:
  - Environmental and contract of works approvals;
  - Settlement of General Lithium placement;
  - Finalisation of Shandong offtake for concentrate;
  - Finalisation of tantalum offtake;
  - Commencement of DSO production; and
  - Completion of financing.

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Disclosure review. All the disclosures in the report have been reviewed and checked by Mark Hinsley, Head of Corporate.