

Pilbara Minerals
...Powering a sustainable energy future

ASX / MEDIA ANNOUNCEMENT

29 OCTOBER 2020

SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT

SUCCESSFUL COMPLETION OF LOW-COST US$110M SENIOR SECURED DEBT FACILITY; 49% INCREASE IN SALES VOLUMES; LOWER UNIT CASH OPERATING COSTS SUPPORTED BY STRONGER PRODUCTION AND SUSTAINED HIGHER LITHIA RECOVERIES

KEY POINTS

PRODUCTION AND SALES

- Increase in process plant run-time, representing approximately 70-75% utilisation (compared with 40% in the June Quarter 2020) to satisfy increased customer demand.
- Production of 62,404 dry metric tonnes (dmt) of spodumene concentrate (June Quarter: 34,484 dmt).
- Spodumene concentrate shipments totalled 43,630 dmt (June Quarter: 29,312 dmt).
- Tantalite concentrate sales totalled 25,222 lbs (June Quarter: 23,232 lbs).
- Lower unit cash operating costs[1] of US$355/dmt, reflecting sustained higher lithia recoveries and increased processing plant utilisation. Unit costs trending towards the target of US$320-350/dmt (CIF China).

LITHIUM MARKET

- European Green Deal, which aims to make Europe climate neutral by 2050, is driving electric vehicle take up and therefore shifting market sentiment.
- Lithium raw material demand improving as Pilbara Minerals' spodumene sales increase 49% compared to the June Quarter 2020.

CORPORATE

- Successful completion of the low-cost US$110M senior secured debt facility executed with BNP Paribas and the Clean Energy Finance Corporation, allowing repayment of the Nordic Bond.
- US$15M Working Capital Facility with BNP Paribas renewed and remains undrawn.
- Quarter-end cash balance of $85.7M (30 June 2020: $86.3M).

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1. Cash operating costs include mining, processing, transport, state and private royalties, native title costs, port, shipping/freight and site based general and administration costs and are net of Ta_2O_5 by-product credits. Cash operating costs are calculated on an incurred basis (including accruals) and include inventory movements.

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1. OPERATIONS OVERVIEW

The September Quarter 2020 (**the Quarter**) commenced with campaign mining and processing in line with Pilbara Minerals Limited's (**Pilbara Minerals or the Company**) moderated production strategy, which aligns production to customer requirements. However, mining volumes and plant production increased during the Quarter in response to increased customer demand.

Key operational achievements during the Quarter included:

- increased processing plant run-time, representing approximately 70-75% utilisation (compared with 40% in the June Quarter 2020);
- a total of 62,404 dry metric tonnes (dmt) of spodumene concentrate produced (compared with 34,484 dmt for the June Quarter 2020);
- lower quarterly unit cash operating costs of US$355/dmt (CIF China) achieved following sustained high lithia recoveries and increased processing plant utilisation; and
- a 49% increase in sales, with three spodumene concentrate shipments (four cargoes) totalling 43,630 dmt (compared to 29,312 dmt for the June Quarter 2020).

These trends reinforce the strong progress being made across all key operational performance criteria at the Pilgangoora Lithium-Tantalum Project (**Pilgangoora Project**).

Spodumene production during the Quarter exceeded sales volumes, resulting in an increase in spodumene concentrate inventory levels in preparation for deliveries into contracted customer sales during the early part of the December Quarter 2020.

Spodumene concentrate stock on hand at the Quarter end was 36,303 dmt (30 June 2020: 17,978 dmt). (Refer Table 3)

The volumes for mining, ore processed, shipments and concentrate stocks for the Quarter are shown in Tables 1, 2 and 3 below.

Table 1: Total ore mined and processed

	Units	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Ore mined	wmt	65,941	4,954	438,070	**372,468**
Waste mined	wmt	26,046	21,775	213,621	**338,461**
Total material mined	wmt	91,987	26,729	651,691	**710,930**
Ore processed	dmt	102,251	137,407	199,961	**360,227**

1.1 MINING COMMENTARY

While mining activities have continued to increase, they remained moderated during the Quarter. Total material mined was 710,930 wet metric tonne (wmt) from Central Pit at a mined head grade of 1.46% Li_2O.

As previously reported, mined head-grades during the Quarter continued to be slightly elevated when compared to the average life-of-mine head grade (being 1.25% Li_2O) and is consistent with the original mine development plan, which contemplated presenting a slightly higher lithia head grade in the first 3-5 years of mining.

The mine plan pursued for the Quarter was optimised to minimise overall expenditure. This planning included reduced single shift mining to match plant ore feed and an optimised mine plan with reduced strip-ratio. In the December Quarter 2020, mining activity will increase to support increased processing plant run-time and to provide materials for the next lift of the tailings storage facility.

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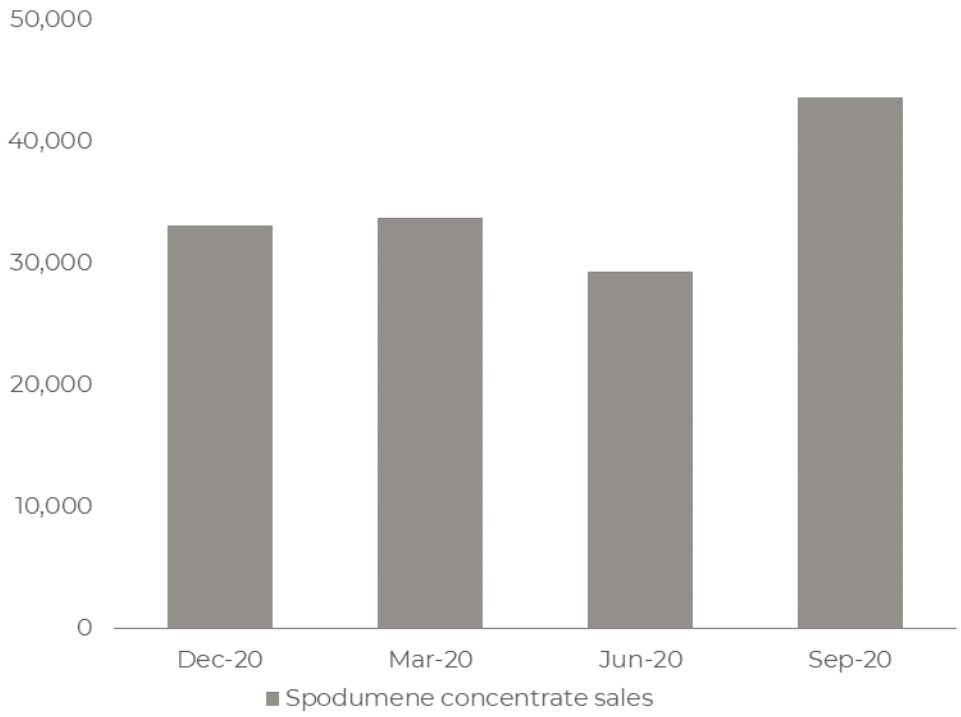
1.2 PROCESSING COMMENTARY

Increased processing plant run-time during the Quarter resulted in 70-75% utilisation, with 62,404 dmt of spodumene concentrate produced (SC6.0 basis) (refer Table 2). Increased plant utilisation has supported improved processing plant stability enabling consistently high lithia recoveries.

1.3 SHIPMENTS AND SALES

A total of 43,630 dmt of spodumene concentrate was sold and shipped (SC6.0 basis) to match customer contract specifications, with the sales volume being in line with the guidance provided in the June Quarter 2020.

Figure 1: Quarterly spodumene concentrate shipments (dmt)



Pilbara Minerals has continued to work with its customers in relation to meeting compliance with their offtake commitments. Sales guidance for the December Quarter 2020 is forecast to be in the range of 55,000 to 70,000 dmt of spodumene concentrate.

During the Quarter, tantalite concentrate sales totalled 25,222 lbs (provisional sales, pending final reconciliation and assay results).

Table 2: Production and shipments

	Units	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Spodumene concentrate produced	dmt	14,711	20,251	34,484	**62,404**
Spodumene concentrate shipped	dmt	33,171	33,729	29,312	**43,630**
Tantalite concentrate produced	lbs	11,162	3,600	23,404	**32,881**
Tantalite concentrate shipped	lbs	75,369	33,970	23,232	**25,222**

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Table 3: Stocks position

	Units	Q2 FY20	Q3 2020	Q4 FY20	Q1 FY21
Spodumene concentrate stocks	dmt	25,730	11,286	17,978	**36,303**[1]
Tantalite concentrate stocks	lbs	45,920	18,379	18,551	**26,210**

[1] Closing balance includes minor reconciliation adjustments of -449t dmt during the Quarter.

1.4 HEALTH AND SAFETY

The Company continues to focus on managing the health and safety of its people and contractors during the coronavirus (COVID-19) pandemic, while maintaining business continuity.

While the risk of community transmission in Western Australia remains relatively low, Pilbara Minerals is maintaining a high level of diligence in respect of COVID-19. Throughout the Quarter, Pilbara Minerals continued to deploy control measures including pre-flight health screening and increased sanitation and cleaning across site. The Company also continues to engage regularly with government and industry to support the community response and in preparation should there be a second wave. During the Quarter, Company did not experience any material impacts to its operations from COVID-19.

There were two recordable safety incidents during the Quarter. Both incidents were minor and resulted in temporary restricted work duties.

2. MARKET COMMENTARY

Spodumene concentrate pricing remained weak throughout the Quarter, reflecting the sustained lower pricing and demand being experienced across the entire lithium raw materials and chemicals supply chain.

The Quarter saw continued downward pressure on lithium raw material pricing with reporting agencies indicating a spodumene concentrate price in the range of US$390-405/dmt (SC6.0, normalised CIF China basis).

Positively, the Quarter saw further evidence of the increasing shift in global lithium demand. This is in part due to the impact of the European Green Deal which outlines an action plan to boost the efficient use of resources by moving to a clean, circular economy and to restore biodiversity and cut pollution.

A core element of this plan has been the introduction of subsidies for electric vehicles (EV), which has seen Europe become a bigger electric vehicle market than China over the past 12 months.

The European EV market is dominated by high-nickel cathode batteries, which over time is expected to drive strong demand for lithium hydroxide and therefore spodumene raw material supply. In fact, Europe and the United Kingdom are set to become the world's largest EV markets during 2020, overtaking China.

With limited domestic battery raw material supply in Europe, Pilbara Minerals remains of the view that value-added chemicals required to support the European battery supply chain will likely be sourced from North Asia (and especially China) in the short to medium term (whether the cathode materials or batteries are manufactured in Europe or North Asia).

This means the European supply chain for lithium raw materials will need to rely on China, which is positive for spodumene demand growth, particularly in support of lithium hydroxide production. Pilbara Minerals is expected to benefit from this increased raw material demand as a result of its offtake agreements with leading Chinese companies, Ganfeng Lithium, General Lithium, Great Wall Motor Company and Yibin Tianyi, all of which are integral parts of this supply chain.

3. PROJECT DEVELOPMENT

3.1 STAGE 2 (5MTPA) EXPANSION

With lithium market conditions subdued, Pilbara Minerals is currently not pursuing further feasibility studies for the incremental expansion to 5Mtpa, but rather progressing study work to a point that any expansion can be undertaken quickly and efficiently to meet timing requirements of its Stage 2 customers. The Company estimates the first phase of the incremental Stage 2 expansion would be capable of delivery within approximately nine months following a financial investment decision, the timing of which will be determined by positive market conditions and demand from customers.

5. EXPLORATION AND GEOLOGY

Exploration activities continued to be limited during the Quarter in support of the Company's efforts to preserve cash in current soft market conditions.

5.1 PILGANGOORA PROJECT (PILBARA MINERALS 100%)

Pilbara Minerals completed geo-metallurgical studies on the various ore types present at the Pilgangoora Project during the Quarter. Results have provided geochemically based modelling criteria that may enable discrimination of pegmatite ore types that may ultimately assist in alternate ore blending strategies to further optimise lithia yield.

Reverse circulation grade control drilling is scheduled to be undertaken in the December Quarter 2020.

5.2 REGIONAL PROJECTS (PILBARA MINERALS 100%)

Reconnaissance exploration and prospecting activities were undertaken over the Pincunah exploration licence (E45/4640) during the Quarter. The Company is continuing with desktop studies on regional tenements for gold and base metals.

5.3 MT FRANCISCO JV (PILBARA MINERALS LIMITED 51%, ATLAS IRON 49%)

No exploration work was undertaken at Mt Francisco during the Quarter.

6. CORPORATE

6.1 DEBT FUNDING

During the Quarter, Pilbara Minerals executed formal agreements for the low-cost senior secured US$110M Finance Facility (**Finance Facility**) with leading international bank, BNP Paribas, and Australia's specialist clean energy investor, the Clean Energy Finance Corporation (CEFC).

During September 2020, the Company completed the drawdown of the Finance Facility, with proceeds applied to redeem the outstanding balance owed under the US$100M senior secured Nordic Bond (Nordic Bond), inclusive of the early redemption premium.

Proceeds also funded the reimbursement to Pilbara Minerals of the principal payment (US$6.25M) and interest payment (US$3M) made in June 2020 to the Nordic bondholders.

As part of the refinancing, the US$15M Working Capital Facility was renewed by BNP Paribas under the Finance Facility, however it remains undrawn.

The Finance Facility will provide substantial cost savings when compared to the Nordic Bond, with an average interest rate of ~5% based on current market reference rates. It also provides an extended period before quarterly principal repayments commence in September 2022.

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The completion of the refinancing places the Company in a stronger financial position, providing greater flexibility to manage cash flow as market conditions continue to be impacted by soft lithium demand, low pricing and COVID-19.

6.2 POSCO DOWNSTREAM JOINT VENTURE

As previously announced, POSCO continues to undertake further technical evaluations on the design of the proposed 40,000tpa LCE (lithium carbonate equivalent) chemical conversion facility in South Korea prior to progressing with the downstream joint venture (JV). Both companies remain committed to continuing with the JV, however its progression and timing is dependent on market conditions and POSCO concluding this work. The JV remains conditional on completing due diligence, formal documents and both companies making a final investment decision, including Pilbara Minerals' decision to proceed with the Stage 2 expansion in support of the JV.

6.3 FINANCIAL RESULTS FROM OPERATIONS

During the Quarter, the Company shipped 43,630 dmt of spodumene concentrate. This represents a 49% increase in sales in comparison to the June Quarter 2020. The average SC6.0 market reference price continued to decline in response to continued weakness in the lithium raw material market.

A lower unit cash operating cost of US$355/dmt (CIF China) was achieved for the Quarter following increased processing plant run-time and a sustained higher lithia recovery. Pilbara Minerals continues to target a unit cash operating costs of US$320-350/dmt (CIF China) during periods the processing plant is operating at steady-state production.

6.4 CASH BALANCE

Pilbara Minerals closed the Quarter with a cash balance of $85.7M (30 June 2020: $86.3M), after paying $4.2M in September 2020 for the final interest payment under the Nordic Bond, investing $5.3M in inventory build-up (in support of contracted December Quarter 2020 sales) and recognising a $2.1M unrealised foreign exchange loss as a result of revaluing the Company's USD denominated cash balances at quarter end, following a strengthening in the AUD:USD exchange rate during the Quarter.

During the Quarter, Pilbara Minerals received:

- Proceeds of $23.0M from customer sales; and
- $13.0M from the reimbursement of the principal payment ($US6.25M) and interest payment (US$3M) made to Nordic bondholders in June 2020, following completion of the re-financing of the Nordic Bond with the new low-cost US$110M senior secured debt facility.

Major cash outflows and movements during the Quarter included:

- $25.0M on operating costs at the Pilgangoora Project (including investing $5.3M in inventory build-up);
- $1.2M on capital costs inclusive of Stage 1 capital costs and improvement projects;
- $4.2M in interest payments, largely associated with the final interest payment under the US$100M Nordic Bond;
- $2.6M on payroll, administration and corporate costs;
- $1.0M on exploration and evaluation work in relation to the Pilgangoora Project (including associated feasibility studies); and
- $2.1M in unrealised foreign exchange losses following revaluation of the Company's USD denominated cash balances, and reflective of a significant strengthening in the AUD:USD exchange rate during the Quarter (from 0.6863 to 0.7108).

The Company continues to work on initiatives that preserve working capital in operations, projects and corporate.

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Release authorised by Ken Brinsden, Pilbara Minerals Limited's Managing Director.

MORE INFORMATION

ABOUT PILBARA MINERALS

Pilbara Minerals is an Australian lithium-tantalum producer and a top-300 company on the Australian Securities Exchange (ASX: PLS). Through the development of its 100% owned, Pilgangoora Lithium-Tantalum Project (Pilgangoora Project), the Company is positioned to become a major player in the world's rapidly growing lithium supply chain, underpinned by the electric vehicle and energy storage markets.

Located in Western Australia's resource rich Pilbara region, the Pilgangoora Project hosts one of the world's largest hard rock lithium-tantalum deposits and is recognised as one of the most important new sources of lithium raw materials globally. The Pilgangoora Project's significant scale and outstanding quality has not only resulted in a remarkable development timeline, with Pilbara Minerals having progressed it from first drill hole to production in under four years, but also attracted a consortium of high quality global partners including Ganfeng Lithium, General Lithium, Great Wall Motor Company, POSCO, CATL and Yibin Tianyi.

Now that production is underway, Pilbara Minerals is focused on an expansion and diversification strategy to become one of the biggest and lowest cost lithium producers, and a fully integrated lithium raw materials and chemicals supplier in the years to come.

FORWARD LOOKING STATEMENTS AND IMPORTANT NOTICE

This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. All references to dollars ($) and cents in this announcement are to Australian currency, unless otherwise stated. Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.

NO NEW INFORMATION STATEMENT

Information relating to the current Mineral Resource and Ore Reserve estimates, production targets and forecast information derived from the production targets (including information relating to the proposed expansions of the Pilgangoora Project), each in respect of the Pilgangoora Project, is extracted from the ASX announcement dated 3 August 2018 entitled "Outstanding DFS Results Support Pilgangoora Expansion", the ASX announcement dated 17 September 2018 entitled "Pilgangoora Reserve and Resource Upgrade", the ASX announcement dated 27 August 2019 entitled "Update on Partnering Process and Revised Stage 2" and as updated in the 30 June 2020 Annual Report. Pilbara Minerals confirms that it is not aware of any new information or data that materially affects the information included in these announcements and that all material assumptions and technical parameters underpinning the resource and reserve estimates, production targets and forecast financial information derived from the production targets in the announcements continue to

apply and have not materially changed. Pilbara Minerals confirms that the form and context in which the competent persons' findings are presented in this report have not been materially modified from the original market announcements.

The scoping and other technical studies in respect of the revised Stage 2 expansion have been undertaken to determine the potential viability of the expansion and to reach a decision to proceed with more definitive studies. Each scoping study has been prepared to an accuracy level of ±30%. Each scoping and technical study is based on low-level technical and economic assessments and is insufficient to provide assurance of an economic development case at this stage or provide certainty that the conclusions of the studies will be realised. The results of the studies should not be considered a profit forecast or production forecast.

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