



Pilgangoora Production and Sales Update

KEY POINTS

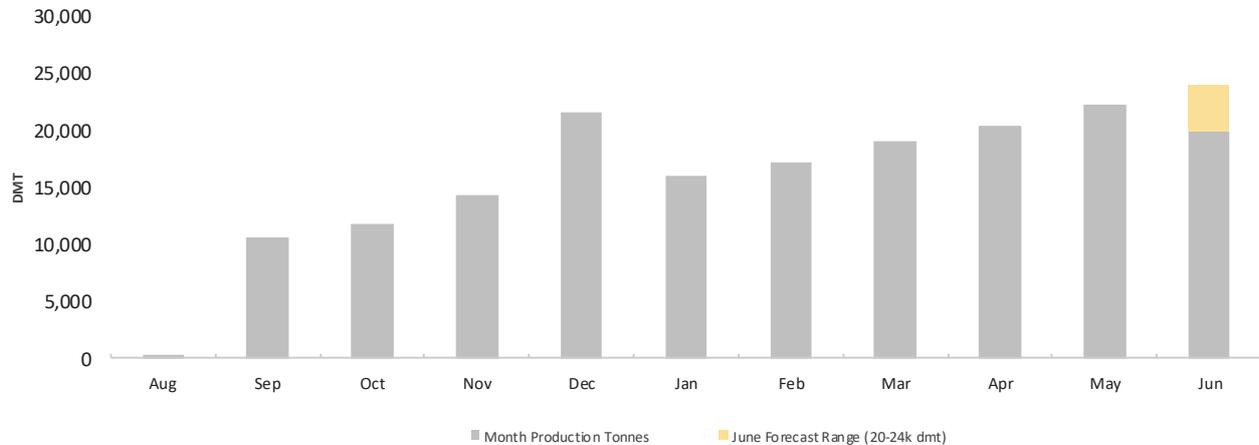
- **Production optimisation continues at the Pilgangoora Lithium-Tantalum Project, with record production of 22,375 dry metric tonnes of spodumene concentrate achieved during the month of May, representing ~85% of planned Stage 1 plant capacity.**
- **While underlying demand for battery-ready lithium chemicals remains strong, delays in the construction, commissioning and build-out of the Company's offtake customer chemical conversion capacity in China has resulted in June quarter sales of spodumene concentrate being constrained.**
- **Pilbara Minerals is responding proactively to this market dynamic by working with its offtake customers to accommodate their revised ramp-up timelines plus arranging sales to other strategic customers.**
- **In response, production at Pilgangoora will be moderated during June and July with the Company utilising this opportunity to undertake continued rectification of RCR defects, complete further plant improvement works, and draw-down final product stocks.**
- **The previously announced partnering process is well progressed, with the high level of strategic interest received considered to be indicative of the strong medium and longer-term demand for spodumene concentrate.**
- **Due diligence between Pilbara and POSCO has been completed, with final downstream joint venture and technology licensing terms expected to be agreed by the end of June, and a final investment decision and approvals from both boards anticipated during the September quarter.**

Pilbara Minerals Limited (ASX: PLS) ("Pilbara Minerals" or "the Company") provides the following update on operations, production and spodumene concentrate sales from its 100%-owned Pilgangoora Lithium-Tantalum Project in Western Australia.

The Company's strong focus on optimising production at Pilgangoora has continued, with record production of 22,375 dry metric tonnes (dmt) of spodumene concentrate achieved during May.

Plant throughput and utilisation have been in line with expectations, resulting in consistent production growth month-on-month in the year to date. Product recovery rates have been largely in line with previous results and the Company remains on target to achieve design lithia recovery (of approximately 75%) by the end of the calendar year following completion of plant improvement works and optimisations have been progressed.

Spodumene Concentrate Production (dmt)



Spodumene concentrate production is forecast to be in the range of ~20-24kt (dmt basis) during June 2019, with final production levels for the month subject to a nominal 6-day planned shut-down of the concentrator (currently in progress), and production performance thereafter.

The Company will utilise this plant shut down to continue to rectify prior works performed by the EPC contractor, while also continuing further plant improvement works with the focus of achieving design recovery by the end of 2019 (refer to previous ASX release of 28 March 2019).

A further planned shut-down of the concentrator in the second half of July (of approximately two weeks) is also planned which will facilitate ongoing plant improvement works, RCR defect rectification and will support the drawn-down of existing product stocks to meet ongoing sales requirements.

Spodumene Concentrate Market and Sales Update

Broadly speaking, current spodumene market conditions in China are being tempered by delays in the construction, commissioning and ramp-up of chemical conversion facilities that handle spodumene concentrate supply (being the raw material feedstock to those plants).

This industry-wide situation is also true for Pilbara Mineral's Stage 1 offtake customer group, where both General Lithium and Ganfeng have been constructing, commissioning and ramping-up substantial new chemical conversion capacity in the last 6 to 9 months. In each case, this has taken longer than expected.

These delays in the development of new chemical conversion capacity by Pilbara Mineral's Stage 1 customers has resulted in lower shipped tonnes from the Pilgangoora Project during the June quarter, which are currently estimated to be in the range of 23-45kt shipped (dmt basis), pending the departure dates for the remaining vessel(s) in the month of June.

Consistent with the current trading conditions for lithium raw materials in China, spodumene concentrate pricing has also continued to soften and is currently in a range of approximately USD\$600-640/dmt CFR China (SC6.0 basis).

Considering these market dynamics and following discussions with both Ganfeng Lithium and General Lithium, Pilbara Minerals has decided to respond proactively to current market conditions by moderating production from Pilgangoora until the end of July to allow time for customer facilities to continue to ramp-up. During this period, Pilbara Minerals will continue to engage with its key off-take partners to manage their offtake commitments and the Company's expected production and sales schedule for the second half of 2019.

The Company expects its offtake partners will be able to comply with their full offtake commitments once they are sufficiently advanced in the ramp-up of their respective chemical conversion capacity. Further, the Company has and will continue to engage with its other partners and additional industry participants with a view to growing its sales portfolio in the near term.

Pilbara Minerals believes this decision to moderate production in the short-term is prudent in order to responsibly manage cash flows and working capital, whilst the additional conversion capacity of Ganfeng, General Lithium and other industry participants come online.

As noted above, the Company will take advantage of this period of reduced production by progressing the RCR defect rectification works and other plant modification measures that ultimately are expected to lead to continued improvements in lithia recovery.

During this period of moderated production and whilst the Company continues to ramp up production to nameplate capacity, operating costs will continue to be higher than life-of-mine feasibility study estimates (as previously reported). Operating costs are expected to reduce as production continues to grow and the plant achieves stable nameplate capacity.

While the market in China has softened due to conversion capacity constraints, Pilbara Minerals remains confident in the medium to long-term outlook for the lithium market and underlying demand for battery-ready lithium chemicals, underscored by the following key factors:

- the significant investment by Ganfeng Lithium and General Lithium in new world-class chemical conversion facilities, and their investment in Pilbara Minerals (including Ganfeng's recent \$50 million equity placement in Pilbara Minerals in March 2019);
- the demand for battery-ready lithium chemical stocks remains strong, which indicates that the current weakness in the spodumene concentrate market is due to a temporary bottleneck caused by delays in the ramp-up of chemical conversion capacity in China; and
- the genuine interest shown in the Company's Stage 3 Pilgangoora partnering process (refer ASX release of 28th March, 2019), which reflects the confidence of key strategic players more broadly in the long-term growth of the battery metals sector and specifically in the need for stable long-term spodumene concentrate supply from world-class projects like Pilgangoora.

Partnering Process Update

As previously announced, Pilbara Minerals expects to be able to provide an update and a potential outcome from the partnering process (subject to a satisfactory outcome being agreed) in the September 2019 quarter.

Parties participating in the process are continuing with due diligence and have also expressed interest in securing available offtake from Pilgangoora's Stage 1 and 2 production, in addition to the proposed Stage 3 production.

POSCO JV Update

Pilbara Minerals and POSCO have continued to progress due diligence and negotiations for the proposed joint venture chemical conversion plant in South Korea during the June quarter.

Pilbara Mineral's due diligence is now complete on the proposed 40kt LCE facility in Gwanyang, South Korea. The final joint venture and technology licencing terms are now close to being finalised, with a target to complete both the detailed joint venture shareholders agreement and POSLX licencing agreement by the end of June. A final investment decision and board approvals by both parties are expected during the September quarter.

Management Comment

Pilbara Minerals' Managing Director and CEO, Ken Brinsden, said: "It is no secret that the spodumene supply market is experiencing some short-term challenges as the big players,

including our cornerstone customers, work to commission and ramp-up their chemical conversion plants in China.

“As a business, we have decided to proactively respond to this by working with our long-term partners to assist them where possible during this period. This means that over the coming months we will be moderating production levels to better align our business with expected spodumene demand conditions and use this time to deliver key improvements in the plant.

“We remain confident that the underlying fundamentals of the lithium market remain strong – as evidenced by the growing number of agreements being made by major car manufacturers further down the supply chain in both Chinese and global markets, to shore up lithium supply to meet their long-term EV production and energy storage market targets.

“Our strategy remains unchanged, and we will continue to work to expand the project as planned and diversify our supply chain to become a fully integrated participant in the lithium raw material and chemical supply chain – which we believe is the best way to deliver value to the Company and our shareholders in the future.

“It’s also pleasing to note that the partnering process is progressing well with strong interest received from participants, particularly regarding the availability of offtake from both Stage 1 and Stage 2 of the Pilgangoora Project. This gives us confidence that major strategic players in the lithium industry share our view of the transformational opportunity that will continue to develop in the lithium raw materials sector over the next decade.”

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MORE INFORMATION

About Pilbara Minerals

Pilbara Minerals (Pilbara Minerals – ASX: PLS) is a mining and exploration company listed on the ASX, specialising in the exploration and development of the specialty metals lithium and tantalum. Pilbara Minerals owns 100% of the world class Pilgangoora Lithium-Tantalum project which is which is one of the world’s premier lithium development projects. Pilgangoora is also one of the largest pegmatite hosted tantalite resources in the world and Pilbara Minerals proposes to produce tantalite as a by-product of its spodumene production.

About lithium

Lithium is a soft silvery white metal which is highly reactive and does not occur in nature in its elemental form. It has the highest electrochemical potential of all metals, a key property in its role in lithium-ion batteries. In nature it occurs as compounds within hard rock deposits and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. A key growth area is its use in lithium batteries as a power source for a wide range of applications including consumer electronics, power station-domestic-industrial storage, electric vehicles, power tools and almost every application where electricity is currently supplied by fossil fuels.

About tantalum

The tantalum market is boutique in size with total global demand of approximately 1,700 tonnes of tantalum metal per year. Tantalum is primarily used in the electronics industry in the manufacture of capacitors for high-end applications like telecommunications and data storage. It is also used in semi-conductors, engine turbine blades and medical implants. As well as providing ductility,

toughness, corrosion resistance, thermal conductivity and heat resistance to various other applications.

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.

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