



**Pilbara  
Minerals**

...Powering a sustainable energy future

ASX / MEDIA ANNOUNCEMENT

30 JULY 2020

## JUNE 2020 QUARTERLY ACTIVITIES REPORT

REFINANCING OF US\$100M NORDIC BOND ESTABLISHES FOUNDATION FOR LONG-TERM GROWTH AS MODERATED PRODUCTION STRATEGY CONTINUES TO PRESERVE WORKING CAPITAL IN THE CURRENT MARKET ENVIRONMENT.

### KEY POINTS

#### PRODUCTION AND SALES

- Campaign mining and processing continued in response to soft market conditions.
- Production of 34,484 dry metric tonnes (dmt) of spodumene concentrate (March Quarter: 20,251 dmt).
- Spodumene concentrate shipments totalled 29,312 dmt (March Quarter: 33,729 dmt).
- Tantalite concentrate sales totalled 23,232 lbs (March Quarter: 33,970 lbs).
- With strong product recoveries continuing and increased plant run-time, unit cash operating cost<sup>1</sup> trended towards the target of US\$320-350/dmt CIF China.

#### LITHIUM MARKET

- Positive market sentiment following introduction of post COVID-19 stimulus packages and incentives by various governments for the electric vehicle (EV) and renewable energy sectors and Tesla surpassing Toyota to become the world's most valuable car company.
- Market signalling indicates lithium pricing may be approaching the bottom, with several investment banks and industry analysts forecasting a demand surge and price turnaround in 2021.

#### CORPORATE

- New low-cost US\$110M senior debt facility secured with BNP Paribas and Clean Energy Finance Corporation to replace existing Nordic Bond facility (*see separate ASX Announcement released today, Thursday 30 July 2020*) which is expected to improve cash-flow, materially reduce funding costs and position Pilbara Minerals strongly to capitalise on the expected future growth in lithium raw materials demand.
- Moderated production strategy, lower cost of production and new financing facility support maintenance of a strong balance sheet.
- Quarter-end cash balance of \$86.3M (31 March 2020: \$108.2M inclusive of \$7.2M of irrevocable letters of credit for completed shipments), after paying \$13.5M on Nordic Bond principal and interest payments, \$3.6M in inventory build-up, and recognising a \$4.4M reduction as a result of revaluing the Company's USD denominated cash balances following AUD:USD appreciation during the Quarter.

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<sub>2</sub>O<sub>5</sub> by-product credits. Cash operating costs are calculated on an incurred basis (including accruals) and include inventory movements.



## 1. COVID-19 RESPONSE

Pilbara Minerals Limited's (**Pilbara Minerals or the Company**) key focus during the coronavirus (COVID-19) pandemic has been on managing the health and safety of its people and contractors, while at the same time maintaining business continuity.

During the June Quarter 2020 (**the Quarter**), the Company continued to deploy control measures to ensure the safety of its people in line with government directives to support the community response to COVID-19. There were no reportable safety incidents during the Quarter.

With the Western Australian Government winding back COVID-19 restrictions during the Quarter, Pilbara Minerals began reducing some of its measures established at the height of the pandemic at the Pilgangoora Lithium-Tantalum Project's (**Pilgangoora Project**) operations, including extended rosters. The Company continues to maintain a high level of diligence in respect of pre-flight health screening and sanitation across site.

While China is getting back to business, some disruption within China's supply chain remains (where the Company's largest customers are based), however Pilbara Minerals continued to secure sales, letters of credit and shipping to support of its moderated production strategy during the Quarter, in line with previous guidance.

## 2. OPERATIONS OVERVIEW

Plant production remained moderated in response to market conditions, with plant run-time representing approximately 40% of availability across the Quarter.

Improvements in lithia recovery achieved in the processing plant in prior quarters have been sustained and enhanced during periods of continuous production during the Quarter. The Company's continued efforts in improved product recovery (when combined with more plant run-time) has seen material improvements in unit cash operating costs, with costs trending towards the Company's target of US\$320-350/dry metric tonne (dmt) CIF China once the plant is achieving nameplate capacity.

The cash operating cost<sup>1</sup> per tonne sold for the Quarter was ~US\$450/dmt, during a period the plant operated for only 40% of the time. The quarters cash operating cost is elevated as it includes costs which were incurred during those periods when the plant remained idle under the moderated production strategy.

Importantly, for the month of June when plant utilisation was approximately 65%, the monthly cash operating cost<sup>1</sup> per tonne sold was approximately US\$350/dmt CIF China (or ~US\$295/wet metric tonne FOB Port Hedland, ex-royalties) and is indicative of the very low cost outcomes that can be achieved at Pilgangoora operations with higher plant utilisation.

The unit cash operating costs achieved during the Quarter were aided by the continued excellent recovery performance during steady-state operations, a low mining strip ratio during the March and June Quarters, slightly higher plant feed grades and offset by the moderated plant run-time.

During the Quarter, Pilbara Minerals completed two shipments of spodumene concentrate (parcelling concentrate to multiple customers) totalling 29,312 dmt, compared to total of production of 34,484 dmt. Spodumene concentrate stock on hand at the Quarter end was 17,978 dmt (31 March 2020: 11,286 dmt).

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



Table 1: Total ore mined and processed

|                             | Units | Q1 FY20   | Q2 FY20 | Q3 FY20 | Q4 FY20        |
|-----------------------------|-------|-----------|---------|---------|----------------|
| <b>Ore mined</b>            | wmt   | 303,177   | 65,941  | 4,954   | <b>438,070</b> |
| <b>Waste mined</b>          | wmt   | 868,441   | 26,046  | 21,775  | <b>213,621</b> |
| <b>Total material mined</b> | wmt   | 1,171,618 | 91,987  | 26,729  | <b>651,691</b> |
| <b>Ore processed</b>        | dmt   | 202,596   | 102,251 | 137,407 | <b>199,961</b> |

## 2.1 MINING COMMENTARY

Mining activities continued to be undertaken on a moderated basis aligning with plant production requirements. Total material mined during the Quarter was 651,691 wet metric tonne (wmt) from Central Pit at a mined head grade of 1.46% Li<sub>2</sub>O.

As expected, mined head-grades during the Quarter were slightly elevated in comparison to the average life-of-mine head grade (being 1.25% Li<sub>2</sub>O). This 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.

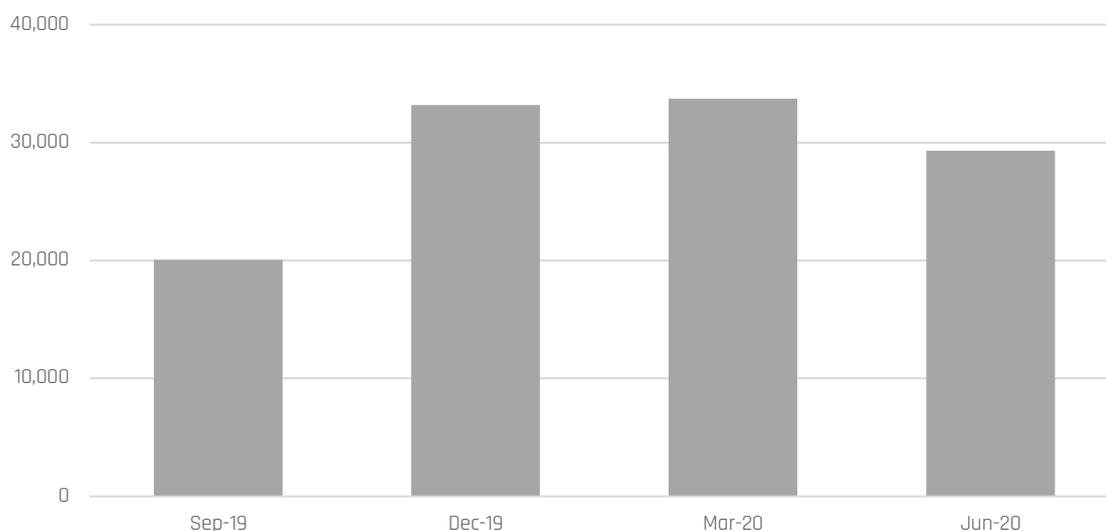
## 2.2 PROCESSING COMMENTARY

The processing plant continued to be campaign operated in alignment with available product stocks and customer demand to produce 34,484 dmt of spodumene concentrate (refer Table 2) to achieve customer contract specifications (SC6.0 basis).

## 2.3 SHIPMENTS AND SALES

A total of 29,312 dmt of spodumene concentrate was sold and shipped in line with contract specifications (SC6.0 basis), with the sales volume being in line with guidance in the previous quarter.

Figure 1: Quarterly spodumene concentrate shipments (dmt)





Pilbara Minerals continued to work with its customers in relation to compliance with their offtake commitments. Sales guidance for the September Quarter 2020 is forecast to be in the range of 40,000 to 50,000 dmt of spodumene concentrate.

During the Quarter, tantalite concentrate sales totalled 23,232 lbs (provisional sales, pending final reconciliation and assay results).

Table 2: Production and shipments

|                                       | Units | Q1 FY20 | Q2 FY20 | Q3 FY20 | Q4 FY20       |
|---------------------------------------|-------|---------|---------|---------|---------------|
| <b>Spodumene concentrate produced</b> | dmt   | 21,322  | 14,711  | 20,251  | <b>34,484</b> |
| <b>Spodumene concentrate shipped</b>  | dmt   | 20,044  | 33,171  | 33,729  | <b>29,312</b> |
| <b>Tantalite concentrate produced</b> | lbs   | 48,825  | 11,162  | 3,600   | <b>23,404</b> |
| <b>Tantalite concentrate shipped</b>  | lbs   | 10,765  | 75,369  | 33,970  | <b>23,232</b> |

Table 3: Stocks position

|                                     | Units | Q1 FY20 | Q2 FY20 | Q3 2020 | Q4 FY20                   |
|-------------------------------------|-------|---------|---------|---------|---------------------------|
| <b>Spodumene concentrate stocks</b> | dmt   | 52,450  | 25,730  | 11,286  | <b>17,978<sup>1</sup></b> |
| <b>Tantalite concentrate stocks</b> | lbs   | 112,914 | 45,920  | 18,379  | <b>18,551<sup>2</sup></b> |

<sup>1</sup>Closing balance includes adjustments of 1,519 dmt during the Quarter.

<sup>2</sup>Closing balance includes adjustments of 370 lbs during the Quarter.

### 3. MARKET COMMENTARY

The Quarter saw continued weakness with sustained lower pricing and demand across the entire lithium raw materials and chemicals supply chain. Relatively weak lithium chemicals demand in China coupled with global market conditions impacted by COVID-19 has meant that poor market conditions persisted during the Quarter. As a result, Pilbara Minerals continued to moderate its production as a proactive response to managing working capital during these market conditions.

The Quarter saw continued downward pressure on lithium raw material pricing with reporting agencies indicating a spodumene price in the range of US\$410-423/dmt (SC6.0, normalised CIF China basis) for the month of June.

Reporting agency Benchmark Minerals expects these market conditions to continue during the 2020 calendar year, with improvement anticipated in 2021, before the market rebounds in 2022. However, as discussed below, key developments during the Quarter may potentially see lithium raw material demand rebound sooner than anticipated, with price improvement to follow thereafter.

The first was a series of positive announcements from governments around the world regarding investments and incentives for the electric vehicle (EV) and renewable energy sectors as part of their post COVID-19 stimulus packages. BNEF has revised its passenger EV sales outlook for 2020 from their initial projection of 1.7M to 1.97M due to the strong growth from European EV sales. Despite COVID-19, CO<sub>2</sub> regulations, combined with more EV models and a strong green stimulus, could see 2020 sales of EVs in the European market increase 24% when compared to 2019.

With limited material supply chain in support of battery raw materials into Europe, Pilbara Minerals is of the view that value-added chemicals required to support the European battery supply will likely be sourced from 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.



The second was news that the world's leading EV maker, Tesla, had surpassed Toyota to become the world's most valuable car company. Tesla has managed to deliver 90.65K EVs in Q2 2020, exceeding the market consensus of 83K. With the early introduction of the Tesla Model Y, it is possible that Tesla could achieve 2020 sales of 500K. This would equate to Tesla achieving 25% market share based on BNEF global EV sales forecast of 2M.

## 4. PROJECT DEVELOPMENT

### 4.1 STAGE 2 (5MTPA) EXPANSION

Pilbara Minerals continues to progress technical studies on areas including optimising the processing methods for the phased and incremental Stage 2, 5Mtpa expansion.

With lithium market conditions remaining soft, Pilbara Minerals is not rushing to finalise further feasibility studies at this stage, but rather progressing the studies to a point that any such expansion can be undertaken quickly and efficiently, as required by its Stage 2 customers. The future timing of these studies will ultimately be guided by customer needs and market conditions. If supported by customer demand, the Company considers that the first phase of the incremental Stage 2 expansion could be delivered within nine months following the initial financial investment decision.

## 5. EXPLORATION AND GEOLOGY

### 5.1 PILGANGOORA PROJECT (PILBARA MINERALS 100%)

Pilbara Minerals continued with geo-metallurgical studies on the various ore types present at the Pilgangoora Project during the Quarter. Results have provided geochemically based modelling criteria to further discriminate pegmatite ore types. These studies may enable alternate ore blending strategies to further optimise lithia yield.

In conjunction with the geo-metallurgical studies, results from a detailed in-pit geological mapping and whole rock geochemistry study undertaken last quarter have assisted in an improved understanding of both ore and waste rock classification.

Exploration activities have been limited during the 2020 calendar year in support of the Company's efforts to preserve cash in current soft market conditions and as a result of the COVID-19 pandemic which is restricting regional travel movements and contractor availability.

### 5.2 REGIONAL PROJECTS (PILBARA MINERALS 100%)

A desktop review of Pilbara Minerals' exploration tenure base including the Pincunah (E45/4640) and Turner West (E45/4689) tenements was initiated during the Quarter. As a follow up to this review, it is proposed that a field reconnaissance and surface geochemistry program is undertaken during the September 2020 Quarter.

### 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 POSCO DOWNSTREAM JOINT VENTURE

Pilbara Minerals and POSCO continue to pursue their downstream joint venture (JV) opportunity to operate a chemical conversion facility in South Korea, which remains a key strategic and long-term objective for both companies.



As previously advised, timing remains dependent on POSCO's further technical evaluations and on general market conditions before both companies are able to finalise JV documentation and obtain formal board approvals. While timing remains dependent on market conditions, technical evaluations, final investment committee and board approvals, the finalisation and execution of formal JV documentation is targeted for the third quarter of the 2020 calendar year.

## 6.2 FINANCIAL RESULTS FROM OPERATIONS

During the Quarter, the Company shipped 29,312 dmt of spodumene concentrate. The average SC6.0 market reference price continued to decline in response to continued weakness in lithium raw material markets.

While the Company operates under a production moderation strategy, unit cash operating costs will continue to be elevated until such time that the benefits of economies of scale can be garnered from steady-state operations. The level of operating costs achieved during the Quarter have provided the Company with further confidence that it will achieve its targeted unit cash operating costs of US\$320-350/dmt CIF China with increased plant utilisation.

## 6.3 CASH BALANCE

The Company closed the Quarter with a cash balance of \$86.3M (31 March 2020: \$108.2M inclusive of \$7.2M of irrevocable letters of credit for completed shipments), after paying \$13.5M on principal and interest payments associated with the Nordic Bond, investing \$3.6M in inventory build-up, and recognising \$4.4M of foreign exchange losses as a result of revaluing the Company's USD denominated cash balances at quarter end following a significant strengthening in the AUD:USD exchange rate during the Quarter.

During the Quarter, Pilbara Minerals received:

- Proceeds of \$16.8M from customer sales.

Major cash outflows and movements during the Quarter included:

- \$15.6M on operating costs at the Pilgangoora Project (including investing \$3.6M in inventory build-up);
- \$0.9M on capital costs inclusive of Stage 1 capital costs and improvement projects;
- \$13.5M in interest and financing payments, largely associated with the USD senior secured bond facility;
- \$2.6M on payroll, administration and corporate costs;
- \$1.6M on exploration and evaluation work in relation to the Pilgangoora Project (including associated feasibility studies); and
- \$4.4M of foreign exchange losses linked to revaluing the Company's USD denominated cash balances, following a significant strengthening in the AUD:USD exchange rate during the Quarter (from 0.6150 to 0.6863).

The Company continues to work on initiatives that preserve working capital in operations, projects and corporate. Refinancing the current Nordic Bond (discussed following) will also provide significant benefit to the Company's cashflow over coming years.



## 6.4 STAGE 1 DEBT FUNDING

During the Quarter, Pilbara Minerals continued to meet its payment obligations under its secured US\$100M Nordic Bond used to finance Stage 1 of the Pilgangoora Project and continued to comply with the terms of the Bond, including financial covenants which are reported to the Nordic Trustee on a quarterly basis. On 21 June 2020, the Company made its first principal repayment of US\$6.25M to the Nordic bondholders.

Subsequent to the end of the Quarter, the Company today was pleased to announce that it has received binding commitments for a US\$110M senior secured debt facility (Finance Facility) from leading international bank BNP Paribas and the Clean Energy Finance Corporation (CEFC), a Commonwealth Statutory authority and Australia's specialist clean energy investor, both of which are long-term supporters of Pilbara Minerals.

The new Finance Facility will be used to fund the early redemption of the existing US\$100M Nordic Bond.

An additional binding commitment has also been received from BNP Paribas to renew the existing US\$15M Working Capital Facility.

The new Finance Facility will be provided on attractive terms, representing a substantial cost saving when compared to the Nordic Bond – with an average all-in interest rate across the new Finance Facility of ~5% (using the agreed market reference rate) compared with a 12% coupon under the terms of the Nordic Bond. Importantly under this new Finance Facility, quarterly principal repayments do not commence until September 2022.

Draw-down of the new Finance Facility is expected during the September 2020 Quarter, subject to final documentation and customary conditions precedent.

For further information on these finance facilities, see separate ASX Announcement released today, Thursday 30 July 2020.

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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 2019 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 technical studies referred to in this report 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 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.