Pilbara Minerals

# 2019 ANNUAL REPORT

ACN 112 425 788 | ASX: PLS

...POWERING A SUSTAINABLE ENERGY FUTURE

# 2018/2019 HIGHLIGHTS

Official opening of the

**Pilgangoora Lithium-Tantalum**

Project

**AU$132.4M**

received from product sales

**Good safety performance**

across construction, commissioning and ramp-up

Commercial production declared effective

**1 April 2019**

Completion of

**11 shipments**

containing

**13 cargoes**

of spodumene concentrate

Completion of a positive **Definitive Feasibility Study** for the **Stage 2, 5Mtpa** expansion and encouraging results from the **Scoping Study** for a **Stage 3, 7.5Mtpa** expansion

Total

**128,373dmt**

spodumene concentrate shipped

Total

**~104,062lbs**

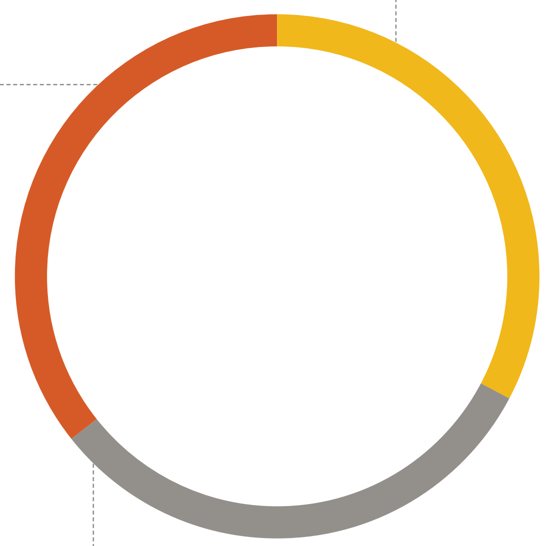
tantalite sold

Option exercised with

POSCO

for the establishment of a jointly-owned 40ktpa LCE chemical conversion facility in South Korea

# 2020 PLAN



### PRODUCE

- Attain a total recordable injury frequency rate ("TRIFR") of less than 4.0.
- Achieve annual nameplate production capacity at the Pilgangoora Project of 330,000dmt of high-quality 6% spodumene concentrate and 300,000lbs of tantalite concentrate.
- Complete plant rectification and improvement works to support lower production costs.

### DIVERSIFY AND GROW

- Continue to expand and diversify our customer base.
- Secure funding and commence the incremental expansion of the Pilgangoora Project in alignment with customer demand.
- Final Board authorisations to establish a joint venture with POSCO to develop and operate a 40,000tpa downstream chemical conversion facility in South Korea.

### FOUNDATION

- Preserve our licence to operate and expand our sustainability work.
- Maintain and continue to build relationships with our shareholders, customers, community, government and industry.
- Build our company culture and develop our people.
- Continue strong focus on compliance and financial performance.



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# MESSAGE FROM THE CHAIRMAN

Anthony Kiernan

Dear Shareholders,

The past year has seen Pilbara Minerals transform into a lithium-tantalum producer and take further important steps towards seeking to become a fully-integrated lithium raw materials and chemical supplier.

Key milestones included the first concentrate shipment, the official project opening of the Pilgangoora Project and the declaration of commercial production.

We made strong progress with the ramp-up and optimisation of production – achieving consistent growth in production and sales, and steady improvements in plant utilisation and performance, with product quality improving in terms of both lithia grade and low iron content.

While we are proud of these achievements, 2019 has not been without its challenges.

The process of optimising and ramping-up has taken time, with ongoing work required to increase lithia recoveries to the targeted design level. As product recoveries continue to improve in the 2020 financial year (FY2020), we expect to see cash operating costs steadily reduce towards the targeted level of US$320-350/dmt (dry metric tonnes) CFR (cost and freight) China by the fourth quarter of FY2020.

It has also been a challenging time in the market. Chinese domestic pricing for lithium carbonate and hydroxide, and therefore spodumene, has declined in response to changes in the local subsidy regime. At the same time, we have experienced a lag in demand as our key customers work to bring their new chemical conversion facilities online.

To address these issues, we moderated production in the short-term and took the opportunity to embark on plant improvement works, as well as diversify sales by securing a new offtake agreement with China's Great Wall Motor Company. Both of which are commercially prudent approaches during this time.

Notwithstanding the market challenges of the year, our view of the underlying fundamentals and outlook for the lithium market has not changed. The significant investments being made by our customers, who are backed by multi-billion-dollar commitments by leading car makers to electrify their fleets is reflective of this. Collectively, Asian-based battery companies and global car-makers reportedly have commitments to spend US$300B on electric vehicle (EV) technology over the next decade.

Against this backdrop, we progressed important long-term growth initiatives.

Firstly, we mapped out an expansion pathway for the Pilgangoora Project with the completion of studies on a Stage 2 expansion to 5Mtpa and further Stage 3 expansion to 7.5Mtpa. Subsequent to the studies on Stage 2 and on reflection of the current market, we are considering a revised Stage 2 implementation strategy which is designed to reduce upfront capital and develop incrementally in line with customer requirements.

Secondly, we continued moving forward with our downstream diversification strategy by exercising our option to participate and obtaining in-principle agreement with our strategic partner POSCO to construct a 40,000t of lithium carbonate equivalent (LCE) chemical conversion facility in South Korea.

With both our respective board approvals and a final investment decision targeted for the December Quarter 2019, this project would diversify our commercial focus to include involvement in the fast growing lithium market in South Korea in partnership with POSCO. While at the same time, establish our position in the downstream supply chain through lithium hydroxide production.

An important corporate milestone for the Company this year is the release of our first Sustainability Report. As a company, we are committed to operating responsibly and ethically, and ensuring the resources we develop and the projects we operate consider both economic and social impacts. The report is a demonstration of this.

I would like to clearly acknowledge the work and contributions of Managing Director, Ken Brinsden, fellow board members, the Company's senior management team, and all employees and contractors both on site and in Perth for their dedication and commitment during this year.

Our outstanding team, the scale and quality of our core asset at the Pilgangoora Project, the strength of our global network of customers and strategic partners and the clarity of our strategic vision, are the foundation for us to continue to grow and prosper during the year ahead and beyond.

Anthony Kiernan
Chairman



# MESSAGE FROM THE MANAGING DIRECTOR

Ken Brinsden

Dear Shareholders,

This year has been exceptionally busy and at times challenging as we went from developer to producer and established our position in the global lithium supply chain.

Firstly, the commissioning and ramp-up of the Pilgangoora Project has seen us successfully bring one of the largest spodumene-tantalite resources in the world into production in under four years. Our ability to finance, construct and deliver this complex, large-scale project within this timeframe is thanks to our incredible, hard-working team and project partners.

Our first year of operations achieved a total recordable injury frequency rate (TRIFR) of 3.93, which was a good result when transitioning from construction to operations.

Over the year, we delivered consistent growth in production and sales, plant utilisation, lithia recoveries and shipped product grade, with all consistently meeting customer expectations in terms of grade and iron oxide content. As of now, we are well on the way to achieving nameplate and full design capacity.

While operations fared well, the market presented challenges in terms of spodumene demand and pricing, with China's domestic market facing significant headwinds as it readjusts to the new government subsidy regime.

Closer to home, our key customers Ganfeng and General Lithium, have experienced delays with their new chemical conversion facilities, resulting in their inability to take their full offtake. This has resulted in us taking the prudent approach to moderate production, to ensure we manage cashflow and work with our customers during this time.

I understand at times it can be frustrating but maintaining these customer relationships is important. They are two of the more significant chemical convertors supplying lithium chemicals to key battery markets downstream. Working with them to ensure we can continue to supply and grow together is how we set ourselves up for future success.

During this time, we have not stood still. We have continued to progress plant improvement and rectification works, innovative funding strategies, expansion studies, market opportunities, and diversify product supply through Stage 1 offtake with Great Wall Motors and short-term spot sales to POSCO and other customers in China.

This has resulted in our revised approach to Stage 2. While project studies demonstrated the strong commercial imperatives for expansion and future product demand, we need to optimise how these are developed through an incremental expansion.

While not seeking to downplay these challenges, it is important to emphasise the long term fundamentals for lithium raw materials remain strong, underpinned by the global transition to EVs.

This is demonstrated by VW, Volvo and BMW all having made big EV commitments over the next decade and securing long-term battery supply from CATL, LG Chem and Ganfeng Lithium. This is further supported by our new offtake agreement with Great Wall Motors, one of China's largest automotive manufacturers, which has been pushing to expand its presence in the lithium ion battery supply chain.

Lastly, our downstream diversification strategy has continued to progress, with key joint venture (JV) terms now agreed with our partner POSCO for the development of a lithium chemical conversion facility in South Korea. With this opportunity now firmly in our sights, we are positioned to be the first Australian spodumene producer to enter this exciting and fast-growing market in South Korea, which will be the next forefront for high quality, lithium battery production.

I am proud of the role we play in powering a sustainable energy future, and while financial and operational success is important, we are committed to operating our business in a sustainable manner. Core to this is ensuring our people and partners are safe, local communities benefit and our work is undertaken with minimal environmental and social impact.

I consider myself lucky to work with a highly experienced and connected Board, who share our passion for the part we play in creating a sustainable energy future. My thanks to each of my fellow Board members for their dedication and the high-volume of work undertaken during the year.

In conclusion, I sincerely thank all of our dedicated employees and partners who have helped us reach our goals and deliver. Without your hard work, none of this would be possible.

While there will undoubtedly be further challenges, I am confident in our long term strategy to grow and diversify to become a fully-integrated global lithium raw materials company.

Ken Brinsden
Managing Director and CEO

# COMPANY AND PROJECT OVERVIEW

## THE PILGANGOORA PROJECT'S RESOURCE SIZE AND OUTSTANDING SCALABILITY AND EXPANSION POTENTIAL HAS LAID THE FOUNDATION FOR A WORLD CLASS, LONG LIFE AND LOW COST OPERATION

Pilbara Minerals Limited ("Pilbara Minerals" or "the Company"), is an Australian lithium-tantalum producer and a top-200 company on the Australian Securities Exchange (ASX: PLS).

Through the development of our 100% owned, Pilgangoora Lithium-Tantalum Project (Pilgangoora Project), we are pursuing a pathway to become a major player in the world's rapidly growing lithium supply chain, underpinned by the EV and energy storage markets.

Our Pilgangoora Project is located in Western Australia's Pilbara region, approximately 120km from Port Hedland and close to key infrastructure such as road and port.

Its significant scale and outstanding quality has resulted in a remarkable development timeline, with our team having progressed it from first drill hole to production in under four years.

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, this has attracted a consortium of high-quality global offtake partners including Ganfeng Lithium, General Lithium, Great Wall Motor Company and POSCO.

With production now underway, we are pursuing a growth and diversification strategy to prepare for the future. This involves increasing production, extending mine life and securing a position in the downstream lithium chemical conversion supply chain.

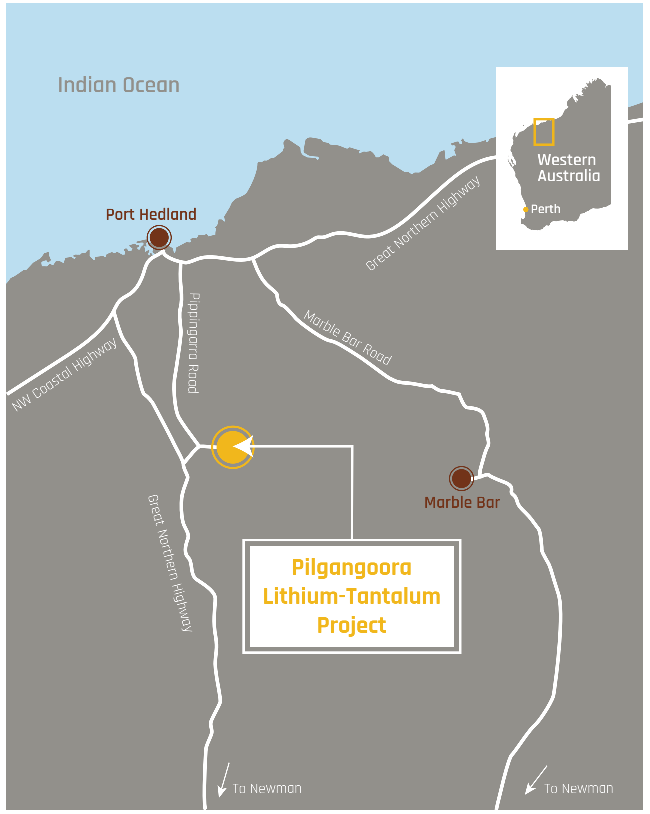
Diversifying our business into lithium chemical conversion will enable us to further interconnect product produced at the Pilgangoora Project in the lithium raw materials supply chain and capture value-added opportunities. Fundamental to this strategy is our agreement with major South Korean conglomerate, POSCO, for the joint development of a 40ktpa LCE chemical conversion facility in South Korea.

An expansion pathway has been mapped out for the current Stage 1, 2Mtpa operation to be progressively increased to 5Mtpa under a Stage 2 expansion program. We have also completed a Scoping Study to further expand operations to up to 7.5Mtpa under a future Stage 3 development for consideration as lithium raw material demand grows.

The Stage 2 expansion will see our nameplate production grow from ~330,000tpa of ~6% spodumene concentrate to ~800-840,000tpa. Similarly, tantalite production will grow from 321,000lbspa of +5% tantalite concentrate to 800,000lbspa.

We are working closely with our network of offtake partners to ensure this staged production growth is carefully aligned with customer development and requirements to ensure we have a strong market for our products.

This expansion and diversification pathway positions us 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.




## OUR OBJECTIVES

**PRODUCE**

**Create value through the sale of premium products derived from the conduct of safe mining and processing activities at our 100%-owned Pilgangoora Project.**

**GROW**

**Generate growth for our shareholders by conducting exploration activities at the Pilgangoora Project to increase the existing JORC Resource and Reserve base, and unlocking value within our regional North Pilbara exploration projects.**

**DIVERSIFY**

**Continue to expand the Pilgangoora Project and diversify our business to become a fully integrated lithium raw material and chemical supplier through downstream chemical processing opportunities.**

# PILBARA PURPOSE

**MAKING THE WORLD A BETTER PLACE BY ENABLING THE GLOBAL ENERGY TRANSFORMATION: THROUGH OUR GREAT PEOPLE DEVELOPING ASSETS OF SCALE TO EFFICIENTLY DELIVER HIGH QUALITY PRODUCTS.**

Through conversations with our people, the Pilbara Purpose was born. Our purpose is the reason we do what we do. It is the foundation of our being and what drives and inspires us in our work every day.

Our purpose is underpinned by 'what we stand for', six commitments that are the heart of our culture and how we work together to achieve our purpose.


# "A TESTAMENT TO OUR GREAT PEOPLE AND PROJECT PARTNERS"

On 16 November 2018, Western Australia's Minister for Mines and Petroleum, the Honourable Bill Johnston MLA officially opened the world-class Pilgangoora Lithium-Tantalum Project. The event marked just over four years to the day since our first drill hole.

The official opening ceremony was held on site and was also attended by the Federal Minister for Environment and Member for Durack, the Honourable Melissa Price MP, Traditional Owners the Njamal People, project and offtake partners and employees.

# OPERATIONS

## OVERVIEW

The 2019 financial year (FY2019) has been a landmark period for our business, with the commencement of production at the Pilgangoora Project marking our emergence as a significant global lithium and tantalum producer.

On 16 November 2018, the Pilgangoora Project was officially opened by Western Australia's Minister for Mines and Petroleum, which was an important milestone in our journey to becoming a producer.

Following the successful commissioning of the 2Mtpa processing plant, our maiden shipment departed Port Hedland port on 2 October 2018 with 8,800 wet metric tonnes (wmt) of spodumene concentrate, grading 6.26% $Li_2O$ and 0.72% $Fe_2O_3$ on board.

This shipment was the first of 11 completed during FY2019, with a total of 128,373dmt of spodumene concentrate shipped and approximately 104,062lbs of tantalite sold. Our annual spodumene concentrate sales achieved an average selling price of US$674/dmt CIF, which is reflective of the offtake pricing model developed with our customers.

Shipments across FY2019, averaged 6.02% $Li_2O$ and 1.27% $Fe_2O_3$, which readily met customer requirements and established our reputation as a consistent producer of high-quality spodumene concentrate.

Following sustained plant performance and the achievement of pre-determined design capacity levels, plant feed rates, product quality and recovery rates, the Pilgangoora Project declared commercial production on 1 April 2019. Spodumene concentrate production during FY2019 totalled 174,952dmt. The monthly ramp-up profile of spodumene concentrate production (dmt) is set out in *Figure 1*.

Since the declaration of commercial production, the processing plant has achieved strong throughput rates for processed ore, with spodumene concentrate consistently achieving product quality targets for lithia (SC6.0 - 6% lithia) and iron content specification requirements through blending. Work continues on increasing lithia recoveries to the targeted design level of 75%, including the completion of planned plant rectification and improvement works during the September and December Quarters 2019.

Realising the potential of the Pilgangoora Project, exploration work focused on increasing mining inventory and in September 2018 a 35% increase in total Proved and Probable Ore Reserves at the Pilgangoora Project to 108.2Mt grading 1.25% $Li_2O$, 120ppm $Ta_2O_5$ and 1.17% $Fe_2O_3$ was delivered.

FY2019 mining volumes *Table 1*

| | Units | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Total |
|---|---|---|---|---|---|---|
| **Ore mined** | *wmt* | 487,978 | 762,531 | 540,426 | 640,173 | **2,431,117** |
| **Waste mined** | *wmt* | 1,921,907 | 2,154,690 | 2,445,917 | 1,900,027 | **8,422,540** |
| **Total material mined** | *wmt* | 2,409,894 | 2,917,220 | 2,986,342 | 2,540,200 | **10,853,657** |

FY2019 total production and shipments *Table 2*

| | Units | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Total |
|---|---|---|---|---|---|---|
| **Direct shipping ore (DSO) sold**[1] | *wmt* | 205,766 | - | - | - | **205,766** |
| **Ore processed** | *wmt* | 173,667[2] | 420,221 | 414,223 | 456,541 | **1,464,652** |
| **Spodumene concentrate produced** | *dmt* | 11,015 | 47,859 | 52,196 | 63,752 | **174,952** |
| **Spodumene concentrate shipped** | *dmt* | - | 46,598 | 38,562 | 43,214 | **128,373** |
| **Tantalite concentrate produced** | *lb* | 22,151 | 56,663 | 33,374 | 67,075 | **180,077** |
| **Tantalite concentrate sold** | *lb* | 7,378 | 27,821 | 30,356 | 38,538[3] | **104,062**[3] |

[1] The DSO program was suspended in Q2 FY2019 and subsequently terminated.

[2] A proportion of processed ore tonnes resulted in off-specification spodumene concentrate (approximately 5,074dmt) which is typical during the commissioning and process ramp-up phase. These tonnes will be either reprocessed or sold.

[3] Sales estimates pending final assays.

## COMMISSIONING AND RAMP-UP

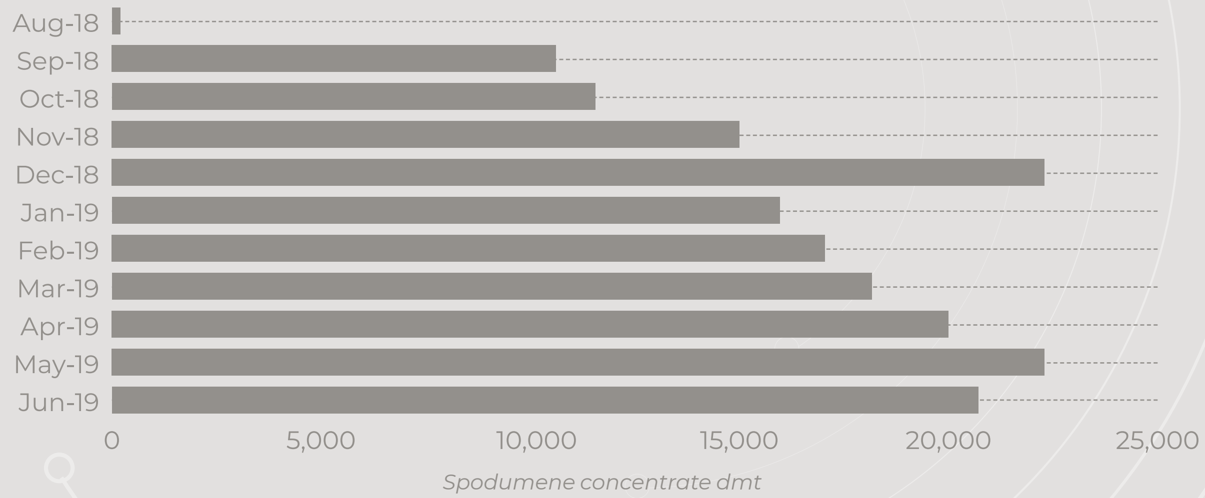
Following initial commissioning and during ramp-up, several improvement projects to the processing plant were completed which related to prior works performed by the process plant EPC contractor.

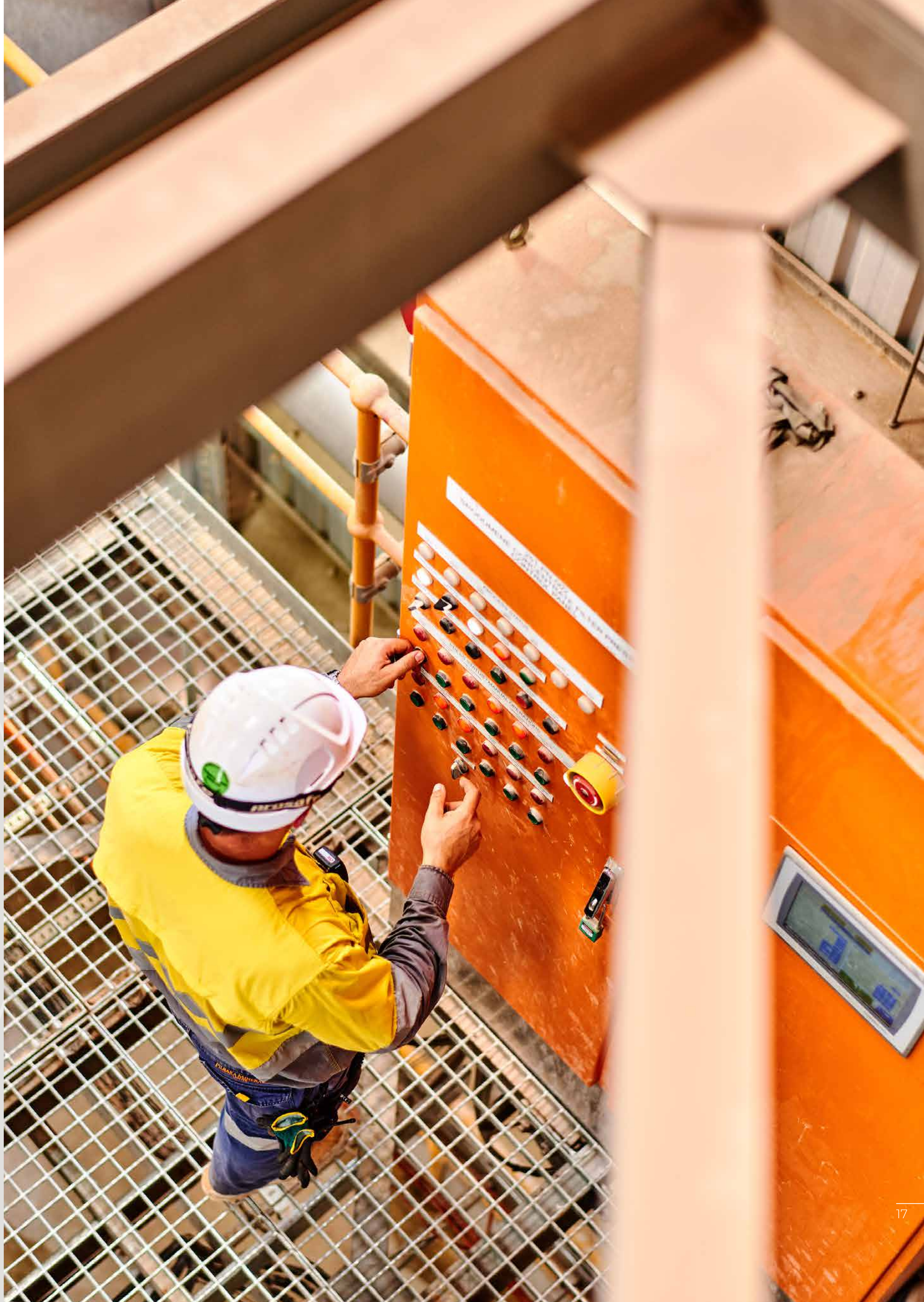
These projects included improvements to presentation of ore to iron removal equipment for the dense media separation (DMS) circuit and replacement of non-specification valves (and piping).

The balance of rectification works are still in progress and forecast to be completed within the first half of FY2020. These projects include:

- Fines product circuit – grind size
  - the classification process for ore sizing ("grind size") pre-flotation requires further optimisation. Rectification actions are in progress including the installation of monitoring and sensing equipment, plant control logic updates, cyclone and screen optimisation with works anticipated to be performed in the September and December Quarters 2019.
- Fines product circuit – iron removal equipment
  - installation of additional LIMS (low intensity magnetic separation) drums, with the units' primary purpose being the removal of introduced iron from the ball milling circuit. The units have been manufactured, with installation expected early in the December Quarter 2019.
  - installation of controls for improved operation of WHIMS (wet high intensity magnetic separation) iron removal equipment. Installation is expected in the September Quarter 2019.
- Other plant improvements
  - plant sensing, monitoring, control and software optimisations and replacement of non-specification pipe work.

Monthly ramp-up profile of spodumene concentrate production (dmt) for FY2019 *Figure 1*



## EXPLORATION AND GEOLOGY

The Pilgangoora Project is located within an area known as the Pilbara Mineral Field in Western Australia's Pilbara region. It comprises 27 granted tenements and four tenement applications covering a total area of 622km² *(Figure 2)*.

The Pilbara Mineral Field is one of the world's major lithium-tantalum provinces with significant lithium-caesium-tantalum bearing pegmatites located at Pilgangoora, Mount Francisco, Wodgina, Tabba-Tabba and Strelley.

*Figure 2 : Project map*

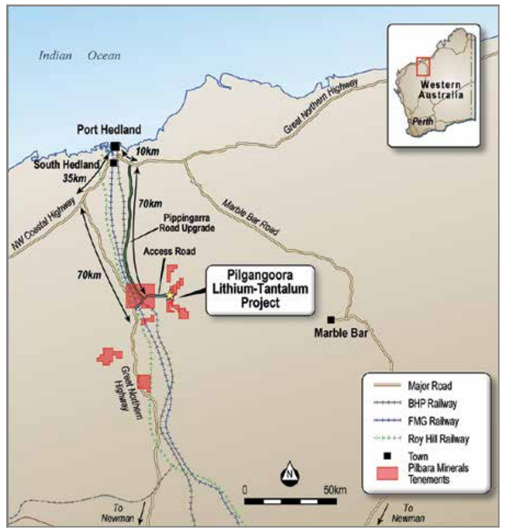
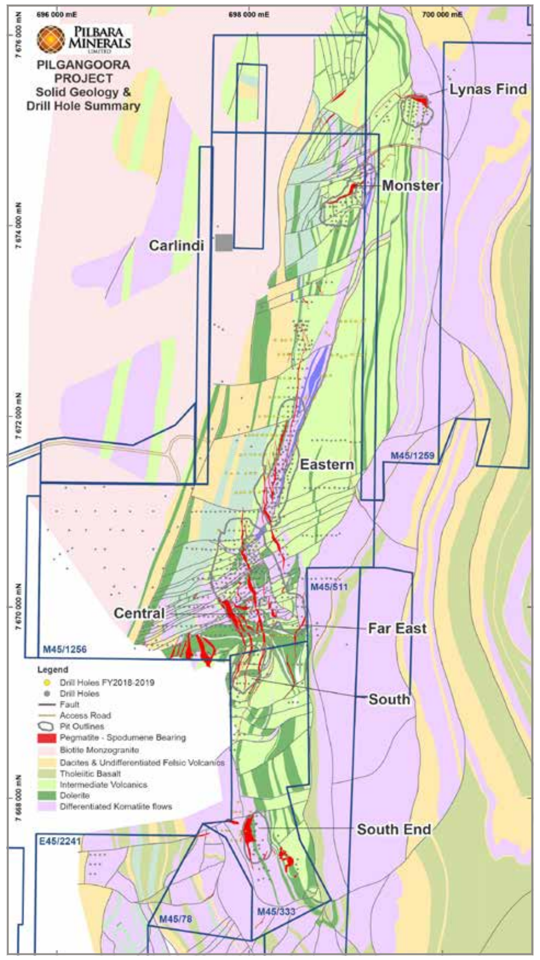



*Figure 3: Solid geology and drill-hole summary*




## GEOLOGY

The Pilgangoora pegmatite deposit is one of the largest hard rock lithium deposits in the world. The prospective Pilgangoora pegmatites are located within the East Strelley greenstone belt, approximately 30km east of Wodgina. Pegmatites strike sub-parallel to the dominant north-northwest trending fabric of the greenstone belt *(Figure 3)*.

The mineralisation at Pilgangoora is hosted within a fractionated pegmatite suite which comprises a network of interconnected sheets and dykes dipping to the east at 20° - 60° *(Figure 5)*.

Two principal pegmatite groups have been identified in the centre of the Pilgangoora Project area, being Central and Eastern. Pegmatites within these domains have strike lengths of up to 1.4km and range in thickness to over 70m. Three outlying pegmatite groups (Lynas Find, Monster and Southern) have also been identified which have strike lengths ranging from 350m to 500m.

In comparison to established classical models of mineralogical zonation around a quartz core, the Pilgangoora pegmatites are quasi-homogenous, characterised by anisotropic mineral assemblages including very coarse or mega-crystic spodumene, elongated sub-perpendicular to the wall rock contacts, aplitic layering and the development of narrow, locally distinct border units. The spodumene-bearing units comprise more than 85% of the volume of the Pilgangoora pegmatite dykes.

*Figure 4: Exploration RC drilling program in the Western Corridor*

## EXPLORATION

During FY2019, an extensive program of exploration and strategic drilling was completed at the Pilgangoora Project, with the results continuing to demonstrate further upside to the endowment of the world-class Pilgangoora lithium-tantalum deposit.

Drilling primarily focused on testing several prospect areas outside the mine area, as well as sterilising areas for the development of future infrastructure and materials handling requirements in anticipation of Stage 2. A total of 98 holes were drilled for 10,725m (see *Figure 3* for collar locations).

Exploration drilling returned several significant intersections, in particular along strike from the South End deposit, with results including:

- 18m @ 1.62% $Li_2O$ and 145ppm $Ta_2O_5$ from 89m (PLS1289)
- 12m @ 1.80% $Li_2O$ and 74ppm $Ta_2O_5$ from 90m (PLS1291)
- 13m @ 1.26% $Li_2O$ and 58ppm $Ta_2O_5$ from 153m (PLS1293)
- 13m @ 1.71% $Li_2O$ and 53ppm $Ta_2O_5$ from 4m (PLS1299)

RC grade control drilling programs continued during FY2019 within the Central Pit and Eastern areas, with a total of 537 holes drilled for an advance of 20,756m.

The information gained from these programs has provided further confidence in the Reserve base and mine plan.

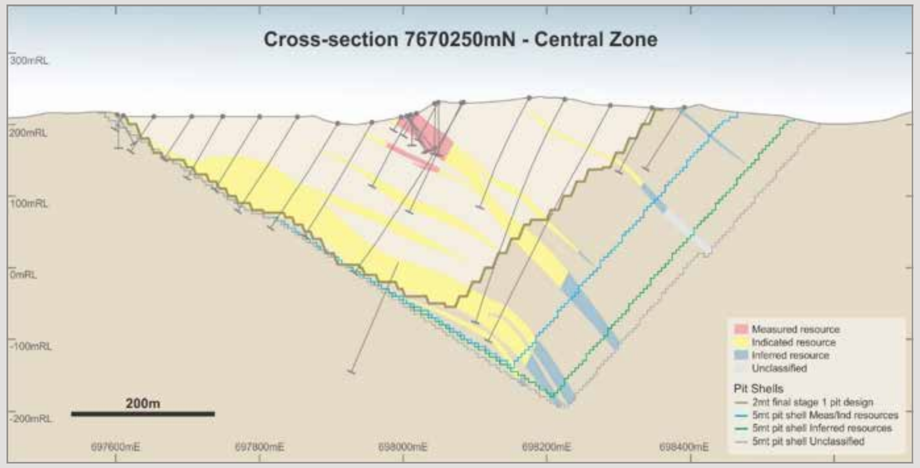



*Figure 5: Pilgangoora Central Zone Cross-Section 7670250mN (includes 2mt and 5mt pit shells)*


Pilgangoora Project – Mineral Resource Statement (June 2019) including stockpiled material *Table 3*

| | Mineral Resource as at 30 June 2019 | | | | Mineral Resource as at 30 June 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Category** | **Tonnes (M.dmt)** | **$Li_2O$ (%)** | **$Ta_2O_5$ (ppm)** | **$Fe_2O_3$ (%)** | **Tonnes (M.dmt)** | **$Li_2O$ (%)** | **$Ta_2O_5$ (ppm)** | **$Fe_2O_3$ (%)** |
| Measured | 20.1 | 1.37 | 147 | 0.50 | 22.8 | 1.38 | 145 | 0.44 |
| Indicated | 112.7 | 1.29 | 119 | 0.57 | 112.8 | 1.29 | 119 | 0.57 |
| Inferred | 90.4 | 1.21 | 105 | 0.67 | 90.4 | 1.21 | 105 | 0.67 |
| **Total** | **223.2** | **1.27** | **116** | **0.60** | **226.0** | **1.27** | **116** | **0.60** |

Note: Totals may not add up due to rounding.

Pilgangoora Project Ore Reserve Statement (June 2019) *Table 4*

| | Ore Reserve as at 30 June 2019 | | | | Ore Reserve as at 30 June 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Category** | **Tonnes (M.dmt)** | **$Li_2O$ (%)** | **$Ta_2O_5$ (ppm)** | **$Fe_2O_3$ (%)** | **Tonnes (M.dmt)** | **$Li_2O$ (%)** | **$Ta_2O_5$ (ppm)** | **$Fe_2O_3$ (%)** |
| Proved | 19.6 | 1.30 | 137 | 1.15 | 22.1 | 1.35 | 135 | 1.11 |
| Probable | 86.4 | 1.24 | 116 | 1.18 | 86.1 | 1.24 | 116 | 1.19 |
| **Total** | **106.0** | **1.25** | **120** | **1.18** | **108.2** | **1.25** | **120** | **1.17** |

Notes:

1. Ore loss was estimated to be 10% of the convertible Measured and Indicated Mineral Resource.
2. The Ore Reserve estimate includes 6% of diluting material at zero grade for $Li_2O$ and $Ta_2O_5$.
3. The grade of $Fe_2O_3$ associated with waste rock dilution was estimated into a waste model using ordinary kriging and applied locally.
4. All Inferred Mineral Resource and unclassified mineral inventories within the mining envelope were treated as waste.
5. Oxidized mineralisation was treated as waste.
6. The Lynas Find Pit and associated waste land forms are located on M45/1266, which has since been granted. Approvals are expected to be lodged with the appropriate regulatory agencies in the near term. All other pits and landforms are located within the existing granted mining leases held by Pilbara Minerals Limited.
7. Totals may not add up due to rounding.
8. The Ore Reserve was estimated using the Net Smelter Return (NSR) method. The marginal economic cut-offs were estimated to be between $25-30 per tonne, depending on the distance from the process plant.



## RESOURCES AND RESERVES

### MINERAL RESOURCE

During FY2019, mining operations at the Pilgangoora Project resulted in a depletion of the Mineral Resource.

An annual review of the Mineral Resource was carried out by independent resource consultancy, Trepanier Pty Ltd. This review resulted in an updated Mineral Resource statement as at 30 June 2019 (including stockpiled material) of 223.2Mt grading 1.27% $Li_2O$ (spodumene), 116ppm $Ta_2O_5$ and 0.60% $Fe_2O_3$, containing 2.82Mt of $Li_2O$ and 56.9Mlbs of $Ta_2O_5$ *(Table 3)*.

Mineral Resources are inclusive of Ore Reserves.

### ORE RESERVES

Mining operations over the course of the year recovered 2.4M.dmt of ore from the Central and Monster Pits. Of the ore tonnes recovered, 1.6M.dmt were treated through the process plant or sold as DSO and 0.6M.dmt used as sheeting material or wasted due to contamination.

The resultant Ore Reserve, net of mining depletion as at 30 June 2019, was 106.0Mt at 1.25% $Li_2O$, 120ppm $Ta_2O_5$ and 1.18% $Fe_2O_3$ (*Table 4*).

The life-of-mine strip ratio is estimated to be 5.0.

The 30 June 2019 Ore Reserve for the Pilgangoora Project contains an estimated 1.31Mt of $Li_2O$ and 27.7Mlbs of $Ta_2O_5$.

The Ore Reserve is the economically mineable part of the Measured and Indicated Resource. It includes allowance for ore losses and dilution during mining extraction.

The Mineral Resource and Ore Reserve estimates quoted are subject to governance arrangements and internal controls. Mineral Resources and Ore Reserves are estimated in accordance with the 2012 JORC Code, using industry standard techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. The Mineral Resources and Ore Reserve statements included in the Annual Report were reviewed by the Competent Persons prior to inclusion.

# PROJECT EXPANSION

### STAGE 2, 5MTPA EXPANSION

In FY2019, a Definitive Feasibility Study (DFS) for the Stage 2, 5Mtpa expansion of the Pilgangoora Project was completed.

This DFS determined the Stage 2, 5Mtpa project to be a robust, high margin operation with forecast life-of-mine revenue of AU$12.2B (real) and life-of-mine project EBITDA of AU$6.3B (real) over an estimated 17 year mine life. A summary of the key DFS financial outcomes released in August 2018 are provided in *Table 5*.

Based on the outcomes of the DFS, and with offtake commitments in place for ~100% of Stage 2 production, the Board conditionally approved the Stage 2, 5Mtpa expansion, subject to securing the necessary approvals and the balance of project funding.

The development and timing of the Stage 2 expansion is conditional on finalising approvals and funding, as well as ensuring alignment of the production from Stage 2 with customer development and delivery requirements.

In response to customer development and delivery requirements, we are currently considering alternative project delivery strategies that would subdivide the development, capital investment and production growth into an incremental and phased build-out approach. In that way, we can better utilise latent capacity in the Stage 1 project and ultimately reduce the required capital investment in the near-term. Engineering studies to develop this phased approach have commenced.

Stage 2, 5Mtpa DFS key financial outcomes *Table 5*

| Study outcomes | DFS - 5Mtpa base case |
|---|---|
| Estimated LOM | 17 years |
| LOM project revenue (real) | AU$12.2B |
| LOM project EBITDA (real) | AU$6.3B |
| Stage 2 capital | AU$230.9M |
| Post-tax NPV[1] $_{10\%}$ | AU$2,160M |
| First 5 years average annual EBITDA (real), post ramp up | AU$418M per annum |
| First 5 years cash operating costs[2] (real. net $Ta_2O_5$ credits), post ramp-up | US$233/t CIF[3] (AU$311/t CIF) |
| LOM cash operating costs[2] (real, net of $Ta_2O_5$ credits) | US$263/t CIF[3] (AU$351/t CIF) |
| LOM average annual EBITDA (real) | AU$370M per annum |
| LOM forecast spodumene concentrate price (real) | US$633/t CIF[3] |

[1] Valuation date of 1 July 2018 at after tax nominal discount rate of 10%.

[2] Cash operating costs include mining, processing, transport, state and private royalties, native title costs, port, shipping/freight and site based general and administration costs, an allocation of corporate administration/overhead cost and are net of $Ta_2O_5$ by-product credits.

[3] CIF ("Cost Insurance and Freight") (Incoterm) is a trade term requiring the seller to deliver goods onboard at port of discharge, plus cover the cost of transport and freight insurance to the destination port.

## STAGE 3, 7.5MTPA EXPANSION

In March 2019, we delivered a positive Scoping Study for the Stage 3 expansion of the Pilgangoora Project to 7.5Mtpa.

Stage 3 would build off the current Stage 1 operation and the proposed Stage 2 expansion program through the construction of a parallel processing train. While the key process steps would remain unchanged, the build would involve the construction of an additional 2.5Mtpa crushing circuit to complement the combined Stage 1 and 2, 5Mtpa processing circuits.

With an estimated incremental capital cost of AU$225.83M (+/- 30%), the proposed Stage 3, 7.5Mtpa operation would deliver an average of approximately 1.2Mtpa of ~6% spodumene concentrate and ~1.1Mlbspa of 30% tantalite concentrate over an estimated 15-year mine life. Stage 3 capital is in addition to the forecast Stage 2 capital expenditure of AU$231M.

The Stage 3 Scoping Study, which was based on the September 2018 Ore Reserve estimate of 108Mt, delivered positive economics (for 100% of Stages 1, 2 and 3) including LOM project revenue of AU$16.6B, post-tax $NPV_{10\%}$ of AU$3.73B and average annual LOM cash operating costs of US$291/tonne CIF. The key outcomes of the Stage 3 Scoping Study are outlined in *Table 6*.

Stage 3 scoping study *Table 6*

| **Study outcomes** | |
|---|---|
| Life of mine (based on the September 2018 Ore Reserve) | 15 years[1] |
| **LOM project revenue (real excluding tantalite)** | **AU$16.6B** |
| **LOM project EBITDA (pre-tax; real)** | **AU$10.3B** |
| Stage 3 pre-production capital (incl contingency) | AU$225.8M[2] |
| **Post-tax $NPV_{10\%}$** | **AU$3.73B**[3] |
| **Average annual LOM cash operating costs[4] (real, net of $Ta_2O_5$ credits)** | **US$291/dmt CIF**[5] |
| Spodumene concentrate price first five years (average, real) | US$700/dmt CIF[5] |
| Spodumene concentrate price (LOM average, real) | US$765/dmt CIF[5] |
| Foreign currency exchange rate (AUD: USD) | 0.75 |
| LOM average annual EBITDA (real) | AU$684M |

[1] Mine life is calculated from 1 July 2019.

[2] Stage 3 capital is exclusive of Stage 2 capital of AU$231 million as per Pilbara Minerals' Stage 2 Definitive Feasibility Study (3 August 2018).

[3] Valuation date is 1 July 2019 at an after tax nominal discount rate of 10%.

[4] Cash operating costs include mining, processing, transport, state and private royalties, native title costs, port, shipping/freight and site based general and administration costs, an allocation of corporate administration/overhead cost and are net of $Ta_2O_5$ by-product credits.

[5] CIF ("Cost Insurance and Freight") (Incoterm) is a trade term requiring the seller to deliver goods onboard at port of discharge, plus cover the cost of transport and freight insurance to the destination port.

# MARKET UPDATE

While underlying demand for battery-ready lithium chemicals remains strong, the lithium market has been experiencing some challenges of late for two reasons.

Firstly, changes in the battery subsidy regime in China to favour the higher nickel cathode batteries are forcing the industry to readjust manufacturing and supply lines. Secondly, delays in the construction, commissioning and build-out of chemical conversion capacity in China, has created a short-term conversion bottleneck. Collectively, this has resulted in sales and pricing of spodumene concentrate being constrained.

This industry-wide situation is true for our Stage 1 offtake customers General Lithium and Ganfeng Lithium, who have both been constructing, commissioning and ramping-up substantial new chemical conversion capacity during the 2019 calendar year. In each case, this has taken longer than expected.

These delays have resulted in lower shipped tonnes from the Pilgangoora Project during FY2019, which has continued over the course of the first few months of FY2020. As a business, we have proactively responded to these short-term market dynamics to ensure we can prudently manage costs in this environment by moderating production in the short-term.

During this time, we continue to engage with these offtake partners regarding their operations and ability to meet offtake commitments to ensure our production is aligned to their revised ramp-up timelines and our operating costs managed.

We expect that these partners will be able to take their committed offtake amounts when the ramp-up of their respective chemical conversion capacity is sufficiently advanced. In the meantime we are continuing to engage with other partners and additional industry participants with a view to growing and diversifying our customer portfolio.

While this situation has softened market conditions in China, we remain confident in the medium to long-term outlook for the lithium market and underlying demand for battery-ready lithium chemicals because of the following key factors:

- the significant investment by Ganfeng Lithium, General Lithium and Great Wall Motor Company, and soon POSCO, in new world-class chemical conversion facilities;
- our partners, Ganfeng Lithium, POSCO, Great Wall Motor Company and more recently CATL's proposed investments in our business; and
- Roskill's forecast for lithium consumption in the short, medium and long-term appears strong, with forecast overall consumption growth of 18.2% pa and demand growth of 17.3% pa to 2028.

# CUSTOMERS AND SALES

## OFFTAKE AGREEMENTS

The quality and scale of the Pilgangoora Project has attracted a leading group of experienced, global offtake partners including General Lithium, Ganfeng Lithium, Great Wall Motor Company and POSCO.

Collectively, these agreements account for ~100% of the Pilgangoora Project's nominal production capacity of ~330,000tpa spodumene concentrate under the current Stage 1, 2Mtpa operation and an increase of ~540,000tpa under the Stage 2, 5Mtpa expansion.

In addition to these cornerstone spodumene offtake partners, a tantalite concentrate sales agreement is in place with Global Advanced Metals Greenbushes Pty Ltd, a wholly-owned subsidiary of Global Advanced Metals Pty Ltd, a vertically integrated provider of tantalum metallurgical products and tantalum powders for high-performance capacitors.

During FY2019, we also had a Mine Gate Sale Agreement (MGSA) in place with Pilbara iron ore miner Atlas Iron for the supply of DSO from the Pilgangoora Project. The DSO program was instigated during the early stages of Stage 1 construction to provide early cashflow and concluded in early January 2019.

## STAGE 1

The 2Mtpa designed plant capacity for Stage 1 produces ~330,000tpa of 6% spodumene concentrate. This production is allocated under two long-term offtake agreements with Ganfeng Lithium (160,000tpa) for 10 years with the option to extend by 10 years and General Lithium (120,000tpa) for six years with the option to extend for four years. In June 2019, an additional offtake agreement was signed with Great Wall Motor Company for 20,000tpa for a period of approximately six years.

## STAGE 2

The 5Mtpa designed plant capacity for the proposed Stage 2 expansion will deliver ~800-840,000tpa of 6% spodumene concentrate. The incremental production from the Stage 2 expansion has been allocated under three offtake agreements with Great Wall Motor Company (75,000tpa), Ganfeng Lithium (150,000tpa) and POSCO (315,000tpa). These offtake arrangements are conditional on and underpin the Stage 2 expansion, including financing solutions for a significant proportion of the Stage 2 capital requirements. Importantly, the agreement with POSCO provides an opportunity for the participation in the development of a downstream lithium chemical conversion facility in South Korea.

## POSCO JV

Leading South Korean industrial conglomerate POSCO signed a life-of-mine (LOM) offtake agreement in February 2018 for an initial 80,000tpa of chemical grade spodumene concentrate (SC6.0 basis) from the Pilgangoora Stage 2 (5Mtpa) Project. This offtake was to increase to 240,000tpa upon our participation in a JV for a downstream 30,000tpa lithium carbonate/lithium hydroxide conversion plant in the Gwangyang Free Economic Zone in South Korea.

In January 2019, we executed a non-binding Memorandum of Understanding (MOU) to increase the facility's capacity to 40,000tpa LCE. This will be South Korea's first lithium conversion plant.

**THE POSCO JV PROVIDES US WITH A STRATEGIC ADVANTAGE BY INTEGRATING OUR OPERATION INTO THE SOUTH KOREAN BATTERY MARKET. THIS MARKET IS THE NEXT FRONTIER FOR INTEGRATED HIGH-QUALITY LITHIUM BATTERY PRODUCTION AND IS EXPECTED TO BE THE SECOND BIGGEST GLOBAL MARKET (FOLLOWING CHINA) IN THE YEARS TO COME.**

To support a 40,000tpa LCE facility, the existing offtake agreement would increase from 240,000tpa to 315,000tpa of spodumene concentrate (dmt basis) over the LOM.

The facility would use POSCO's patented POSLX purification process to produce industry leading, high-grade hydroxide and carbonate products from the Pilgangoora Project's spodumene concentrate.

During FY2019, due diligence was undertaken on the proposed facility and the final JV shareholders' agreement and POSLX technology licencing terms were progressed towards finalisation.

The JV with POSCO provides several strategic benefits for us, including downstream vertical integration and entrance into the growing battery materials market in South Korea with a major global partner. Supply to the proposed South Korean JV chemical plant will also diversify our spodumene concentrate sales arrangements into geographical markets outside of China.

Subsequent to the end of FY2019, we reached binding terms with POSCO for the formation of the JV. We also executed a binding term sheet to increase the plant capacity to 40,000tpa and offtake to 315,000tpa, as well as POSCO providing a US$25M prepayment to assist with funding the Stage 2 expansion. The final agreement is now subject to completing and approving the initial business plan and budget, execution of definitive agreements and both board approvals which are expected to occur in the December Quarter 2019.

*First spodumene concentrate product shipment 2 October 2018*

## SALES AND SHIPPING

The first shipment of spodumene concentrate from the Pilgangoora Project departed from Port Hedland Port on 2 October 2018. The maiden shipment, onboard charter vessel 'M.V. Pola Devora', comprised 8,800wmt of spodumene concentrate grading approximately 6.26% lithia and 0.72% $Fe_2O_3$.

Since the inaugural shipment, a steady stream of spodumene concentrate shipments have followed with 11 shipments containing 13 cargoes completed during FY2019.

Consistent with the trading conditions for lithium raw materials in China, spodumene concentrate pricing continued to soften during FY2019 with trading in the range of approximately US$580-640/dmt CFR China (SC6.0 basis) by the June Quarter 2019.

On average, our annual spodumene concentrate sales achieved a selling price of US$674/dmt CIF, reflective of the offtake pricing model developed with key customers. For China sales, the spodumene concentrate pricing model establishes a price reference weighted towards the Chinese domestic battery grade lithium chemicals sales, with the balance based on the price of imported lithium carbonate to select cathode materials buyers.

**AU$132.4M**

was received from sales, largely from concentrate sales (inclusive of spodumene and tantalite)



# CORPORATE

## FINANCING

In July 2018, we completed the final drawdown under the US$100M senior secured bond issue for Stage 1 of the Pilgangoora Project following the satisfaction of the cost-to-complete test. Project Completion under the terms of the bond was achieved in January 2019 and, as at 30 June 2019, we continued to comply with the bond facility financial covenants.

In line with our prudent approach to financial management, in August 2018 we executed a US$15M working capital facility and foreign exchange hedging facility with BNP Paribas. This facility was established to support risk and capital management during the commissioning of the Stage 1 operation and the proposed Stage 2 expansion. As at 30 June 2019, this facility remained undrawn.

FY2019 also saw the continuation of the strong financial support from our offtake partners as we commissioned and ramped-up Stage 1 and progressed expansion studies.

Following completion of the Stage 2 DFS, we progressed negotiations with customers whereby access to additional Stage 2 product would be provided in exchange for the customers providing Stage 2 funding. These negotiations culminated in:

- Ganfeng Lithium completing a AU$50M equity placement to secure additional Stage 2 offtake supply of 75,000tpa of spodumene concentrate.
- Great Wall Motor Company providing a US$25M offtake pre-payment facility to secure additional offtake supply of 75,000tpa of spodumene concentrate from Stage 2 production.

## PARTNERING PROCESS

Following the completion of the Stage 3 Scoping Study, we commenced a partnering process to consider a range of potential transactions including the sale of a minority level interest of between 20% and 49% in the Pilgangoora Project, Stage 3 offtake arrangements and/or the creation of a newly established JV to develop a second chemical conversion facility, either locally or internationally.

The partnering process was designed to support the funding for both the proposed Stage 2 and 3 expansions of the Pilgangoora Project, as well as further growth in downstream initiatives.

The process attracted a high level of strategic interest from the market which is indicative of the strong medium and longer-term demand for spodumene concentrate, and the confidence of major strategic players in the transformational growth occurring in the lithium raw materials supply chain.

However, subsequent to the FY2019 year end the partnering process was formally closed in absence of an executable transaction. Despite the significant interest from potential partners, our Board did not believe the proposals received represented an appropriate valuation for a substantial ownership of one of the globe's premier, long-life lithium projects, particularly in light of current market conditions.

**Product delivery volumes during FY2019 totalled:**

**128,373dmt**
of spodumene concentrate

**104,062lbs**
tantalite concentrate sold (pending final assays) under the two-year agreement for primary concentrate sales

**205,766wmt**
of DSO product under the terms of a mine gate DSO sale agreement with Atlas Iron

# OTHER PROJECTS

### MT FRANCISCO

The Mt Francisco JV between us (70%) and Atlas Iron Limited (30%) is located 50km south-west of the Pilgangoora Project and hosts the last remaining large occurrence of outcropping pegmatites located in close proximity to Port Hedland.

An inaugural exploration program, which included detailed geological mapping, surface geochemistry and reconnaissance RC drilling, was completed at Mt Francisco during the September Quarter 2018, resulting in a greatly improved understanding of the globally significant pegmatite system in the Pilgangoora district *(Figure 6)*.

Drilling intersected multiple pegmatites with thicknesses ranging up to 30m. The pegmatites contain elevated levels of tantalum and lithium mineralisation, however geological logging and follow-up sampling has indicated that the lithium is associated with zinnwaldite and lepidolite.

Drilling to date has only tested a relatively small portion of the Mt Francisco project area, with numerous geological and surface geochemical targets remaining untested. Our focus is now on identifying geology supporting spodumene occurrences, with a detailed assessment of the geology and analytical results to be completed prior to undertaking any additional drilling

### WEST PILBARA TENEMENTS

The water exploration program continued to progress strongly with the discovery of a new borefield to the west of Pilgangoora during FY2019. A total of 50 exploration pilot holes were drilled of which 16 have been or will be developed into production bores (see *Figure 7*).

Pipelines, pumps and other infrastructure have been installed with extraction planned on receipt of regulatory approvals. The discovery of the supplementary water supply will add significantly to the overall water balance in support of current activities and future water requirements for project expansion(s).

*Figure 6: RC exploration drilling program at Mt Francisco*

*Figure 7: Production water bore drilling*

# SUSTAINABILITY REPORT

OUR SUSTAINABILITY VISION:

**CONTRIBUTE TO A SUSTAINABLE FUTURE THROUGH RESPONSIBLE OPERATIONS AND ETHICAL BUSINESS PRACTICES THAT DELIVER ECONOMIC RETURNS FOR OUR SHAREHOLDERS AND CREATE SHARED VALUE IN OUR COMMUNITIES.**

## OVERVIEW

Our rapid growth from explorer to producer, along with our role in the global energy transformation, has raised the bar for how we manage and disclose our sustainability performance.

For us, it's a privilege to be a part of this exciting energy transformation which will see our world shift from a fossil-fuel to a renewable-based energy economy in the years to come.

With this comes an inherent responsibility for us to sustainably manage the extraction and processing of the raw materials that are pivotal to driving this change. This includes ensuring that our operations are conducted with minimal environmental and social impact in line with the world we are striving to create.

While FY2019 is not the start of our sustainability journey, it is the year we commence formal 'year on year' disclosure of our performance through our annual reporting process. We will use this, our first sustainability report, to set a baseline for sustainability performance and establish the foundation for future reporting.

This is only the beginning of what will be a committed journey towards achieving full sustainability disclosure and reporting, and improvement year on year.

To support us on this journey and ensure we can continue to deliver and meet stakeholder expectations, we have established a sustainability working group within our organisation and a five-year plan that provides a step by step approach towards full sustainability reporting and disclosure as the business matures.

## IN PRACTICE

### INTERNAL POLICY

During FY2019 a Sustainability Policy was approved by our Board outlining our commitment and setting internal expectations in managing sustainability matters within our business.

Our internal approach to sustainable practices should be always to ask, 'how we can do this better?' This could be finding new ways to manage resources more efficiently, looking at how we can minimise our impact and promoting our inclusive and diverse culture across our operations, while ensuring we operate honestly, ethically and responsibly.

Our Sustainability Policy outlines our commitment and is located on our website **pilbaraminerals.com.au**.

### SUSTAINABILITY GOVERNANCE

A management level working group, comprising leaders from key business areas, has been established for FY2020 to manage sustainability at the operational level. This working group will meet quarterly to review sustainability performance and consider both our risks and opportunities.

The working group is chaired by our Manager Corporate Affairs, who reports directly to our Managing Director who has operational responsibility for sustainability at a Board level.

Sustainability performance, issues and activities for FY2020 and beyond will be reported quarterly to the Board through the Audit and Risk Committee (see *Figure 8*).

Our sustainability governance structure *Figure 8*

**Board**

↑

**Audit and Risk Committee**

↑

**Managing Director**

↑

Sustainability Working Group

**Chair - Manager Corporate Affairs**

| | | | | |
|---|---|---|---|---|
| **Risk and Compliance** | **Environment and Land Access** | **Human Resources** | **Contracts and Procurement** | **Community and Stakeholder Relations** |

# OUR 5 YEAR PLAN

## Year 1 - FY2019

- Material issue assessment
- Set sustainability practice and performance baseline
- First report

## Year 2 - FY2020

- Develop sustainability strategy
- Review policies
- Identify metrics and data systems
- Expand management framework
- Second report released

## Year 3 - FY2021

- Material issue refresh
- Review metrics, systems and policies
- Set targets
- Third report released

## Year 4 - FY2022

- Report against targets
- Review targets and metrics
- Fourth report released

## Year 5 - FY2023

- Revise strategy and material issue assessment
- Review metrics and targets
- Review international reporting standards
- Third party assurance
- Fifth report released



# INTERNATIONAL STANDARDS

Where appropriate we have taken guidance from internationally recognised frameworks to lead our reporting, including the Global Reporting Initiative (GRI) and the United Nations' Sustainable Development Goals (UNSDGs).

To show how we are supporting the achievement of the UNSDGs we have aligned our material issues to each of them.

The UNSDGs were adopted by the United Nations in 2015. These goals were developed as part of the 2030 Agenda for Sustainable Development which provides a blueprint on how to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.


# OUR APPROACH

## OUR UNDERSTANDING

To better understand our key environmental, social and governance issues and ensure our reporting content, and our areas of focus meet the needs of our stakeholders, in FY2019 we undertook a research project that involved:

- a desktop review of key issues for our industry and global trends;
- peer benchmarking;
- stakeholder interviews; and
- internal reviews.

Stakeholders selected for interviews were from a range of groups who have an interest in our business and/or whom our business impacts. These included:

- investors;
- financiers and brokers;
- directors;
- employees;
- contractors/suppliers;
- community including pastoralists and Traditional Owners; and
- industry groups.

This work identified several areas of focus which were then reviewed and validated by senior leaders within the business to define our material issues. Material issues are the issues that have the biggest impact on our business (both positive and negative) and matter the most to our stakeholders.

## OUR MATERIAL ISSUES

The most important material issues identified through this work are listed in order of priority in *Table 7*

*Table 7*

| Material Issue | UNSDG | Page |
|---|---|---|
| Worker health, safety and wellbeing | 3, 8 | 46 |
| Regulatory compliance | 16 | 52 |
| Employee attraction/retention | 8 | 50 |
| Climate change management | 7, 12, 13, 15 | 55 |
| Indigenous relations | 4, 16, 3 | 56 |
| Global energy transition | 7 | 42 |
| Regional economic impacts | 1, 9, 17 | 58 |
| Diversity and inclusion | 10, 5 | 51 |
| Workplace culture/conditions | 8 | 50 |
| Employee development | 4 | 51 |
| Indigenous opportunities | 4, 10 | 50 and 56 |
| Anti-bribery and corruption | 16 | 39 |
| Risk management | 16 | 41 |
| Human rights in supply chains | 8, 12, 16 | 40 |
| Land and resource use | 12, 13, 15 | 53 |

# ECONOMIC PERFORMANCE

**SOUND FINANCIAL MANAGEMENT PRACTICES AND OPERATING PERFORMANCE UNDERPIN OUR BUSINESS MODEL TO ENSURE WE CAN CONTINUE TO OPERATE AND ACHIEVE STRONG ECONOMIC PERFORMANCE.**

FY2019 saw us reach an important milestone financially as we realised the first revenue from product sales after four years of investment in the future of the business. While not representative of a full year of steady state production, the commissioning and ramp-up of our operation still made a positive contribution to our economic performance, as well as the State and Nation during FY2019.

Receipts from sales

**$131.57M**

Taxes paid (state and federal)

**$1.84M**

Salaries paid

**$22.26M**

Payments for goods and services (operating and capital)

**$206.78M**

Royalties paid to the WA State Government and Native Title parties

**$9.11M**

# CORPORATE GOVERNANCE

**GOOD CORPORATE GOVERNANCE IS THE BASIS TO DELIVERING ON OUR CORPORATE STRATEGY AND ESSENTIAL TO OPERATING RESPONSIBLY AND ETHICALLY.**

Our experienced Board takes its responsibilities as directors very seriously and instils a culture of accountability, integrity, leadership, transparency and compliance. The Board is our highest governing authority.

An established corporate governance framework outlines how our Board meets its commitment to good governance. The framework was developed with reference to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (Principles and Recommendations) and will be reviewed accordingly, in line with the 4th edition, published in February 2019.

Our Board is ultimately responsible and accountable for our governance, risk and compliance frameworks, including ensuring compliance with all policies and procedures, values, and various legislative and regulatory requirements.

The Corporate Governance Statement for FY2019 can be found at **pilbaraminerals.com.au**.

During FY2019, our Board reviewed all corporate governance documentation and, where appropriate, updated policies and practices. This is an annual practice that ensures our governance processes are relevant to the current operating environment.

To ensure our governance framework and statutory requirements are understood internally, and our employees are aware of their rights and responsibilities, a training program was established and rolled out in FY2019. This involved awareness training sessions for employees on relevant policies.

Some of our corporate policies include:

- Code of Conduct
- Compliance
- Diversity
- Continuous Disclosure
- Remuneration
- Securities Trading
- Shareholder Communication and Investor Relations
- Whistleblower
- Risk Management
- Sustainability

These policies are available online at **pilbaraminerals.com.au**.

Recognising transparency and disclosure are vital to enabling current and future shareholders to make informed investment decisions and exercise their rights, our Board mandates timely and equal access to material information concerning our financial position, performance, ownership and governance. In practice, this approach is supported by our Policy on Continuous Disclosure.

Our Board includes a majority of independent, Non-Executive Directors, including the Chair. The skills, expertise, experience, diversity, size and composition of our Board is reviewed regularly.

Anti-corruption and bribery were identified as secondary material issues for our company, and we believe it is important for all organisations. While it is not addressed fully in this report, we have committed to make this a focus area for FY2020.

### Look ahead FY2020

- **Continuation of strong corporate governance**
- **Implementation of an Anti-Corruption and Bribery Policy in addition to our Code of Conduct**
- **Preparing and updating relevant policies and procedures to align, where appropriate, with the 4th edition of the ASX Corporate Governance Principles and Recommendations**

# Modern slavery

Modern slavery is real, not only across the globe with an estimated 25 million people under some form of slavery worldwide, but also locally with about 4,300 Australians in slavery, according to the Australian Human Rights Law Centre (2017).

Modern slavery is a term used to describe a range of extreme labour rights abuses, including slavery, servitude, human trafficking and forced or compulsory labour.

Procuring goods ethically is not only a socially responsible business practice, but now a regulatory requirement following the passing of the Commonwealth Modern Slavery Act by the Australian Government. Following the passing of this Act, companies with annual consolidated revenue of AU$100M are required to submit a modern slavery statement to the Australian Government for FY2020.

As a business that sources goods and services both locally and internationally, we recognise the potential occurrence of modern slavery within our supply chain and the associated risks of this practice when procuring goods and services for the Pilgangoora Project. Therefore, we have a role to play in preventing and addressing modern slavery practices across the globe through our procurement practices.

FY2019 saw us commence a due diligence process to identify the risks of modern slavery within our supply chain. This process involves engaging with our suppliers and working with them to complete a detailed survey about their operations and supply chains.

This due diligence process will not only allow us to better understand our supply chain, but also allow us to take action to address any modern slavery risks and prepare us for the completion of our first Modern Slavery Statement in FY2020.

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS


16 PEACE, JUSTICE AND STRONG INSTITUTIONS

## RISK AND COMPLIANCE

Our rapid growth from developer to producer and subsequent changes related to going from the construction phase to an operating environment, imposed a renewed focus on compliance in FY2019 which is expected of a regulated mining operation.

This has involved the establishment of a dedicated internal function to focus on risk and compliance matters. This function is led by our Manager - Risk and Compliance who reports directly through to our Executive Leadership team and Board's Audit and Risk Committee.

Internally, risk management is an embedded practice which ranges from informal discussions through to formal reviews consistent with risk policy. Our Board are provided with consistent and up to date information in respect to risk.

To support this, a Compliance Policy and Management framework in accordance with AS ISO 19600:2015 has been established. This area is further supported by formal policies, implementation of a risk management system and quarterly risk review meetings.

In addition, the Audit and Risk Committee, together with our Executive and functional risk department have developed and implemented a risk appetite framework that is embedded within the overall risk management framework.

### Look ahead FY2020

- **Build upon the compliance and risk frameworks and associated obligations with a focus on continual improvement**
- **Continue to foster a culture of compliance**
- **Actively research emerging risk trends, particularly around sustainability issues including climate change, meeting stakeholder expectations, and social licence to operate**

# GLOBAL ENERGY TRANSITION

7 AFFORDABLE AND CLEAN ENERGY

THE REALITY OF CLIMATE CHANGE, AND THE ECONOMIC IMPERATIVE TO REDUCE ENERGY COSTS IS RAPIDLY CHANGING THE WAY IN WHICH THE WORLD GENERATES, STORES, USES AND DISTRIBUTES ENERGY.

## GLOBAL ENERGY TRANSITION

The impact of climate change is seeing an unprecedented global push to reduce emissions and build climate resistance across the world. Acknowledging it is a global challenge (that emissions in one country impact another) international action is being taken to combat climate change and adapt to its effects.

The Paris Agreement (the Agreement), which has been ratified by 183 nations and the European Union, is an example of countries coming together under this common cause to reduce greenhouse gas emissions (GHG emissions) through setting emission reduction targets and regular reporting.

GHG emissions are generated by carbon dioxide from the transportation and energy generation sectors, with around two thirds of GHG emissions generated through the consumption and production of energy. Globally, this has seen the acceleration in the uptake of EV transportation and renewable energy generation technologies as a way to tackle climate change and deliver on commitments under the Agreement.

This is resulting in significant growth in demand for lithium rechargeable batteries for use in the manufacture of these applications including energy storage, e-bikes, e-trains, hybrid-electric and fully electric passenger vehicles. Roskill forecasts that lithium-ion battery consumption will grow 28% per annum from 2018 to 2028, largely due to the uptake of EVs.

Lithium is a core element for battery chemistry because of its high electrode potential and its low atomic mass, which gives it a high charge and power-to-weight ratio, and therefore a high energy density. However, lithium battery technology has experienced some challenges in terms of cost, particularly for energy storage, and quality and range in EV applications. These challenges have presented some barriers to the more widespread adoption of these applications, particularly with the high-end car manufacturers.

As battery technology advances, the adoption of these applications will increase, which will be a strategic pivot point to seeing the Agreement's commitments realised. Therefore, investment in advancing lithium-based battery technology to reduce production costs and improve performance, as well as government incentives to increase adoption is continuing to receive significant attention.

### Major commitments by global car manufacturers:

"Over the next 10 years
**Volkswagen will be launching 70+ new pure electric vehicles..."**

"By 2025,
**BMW will offer 25 electrified models"**

**"The future of Volvo is electric**
and we are firmly committed to moving beyond the internal combustion engine"

"LITHIUM EXTRACTED FROM (HARD-ROCK) MINING FOR THE FUTURE-RELEVANT INTERMEDIATE PRODUCT LITHIUM HYDROXIDE IS COMMERCIALLY MORE ATTRACTIVE (THERE IS ONE LESS PRODUCTION STEP AS COMPARED TO SALAR PRODUCTION), MORE STABLE TO EXTRACT, EASIER TO SCALE AND GENERALLY MORE SUSTAINABLE," VOLKSWAGEN 2019.

## OUR ROLE

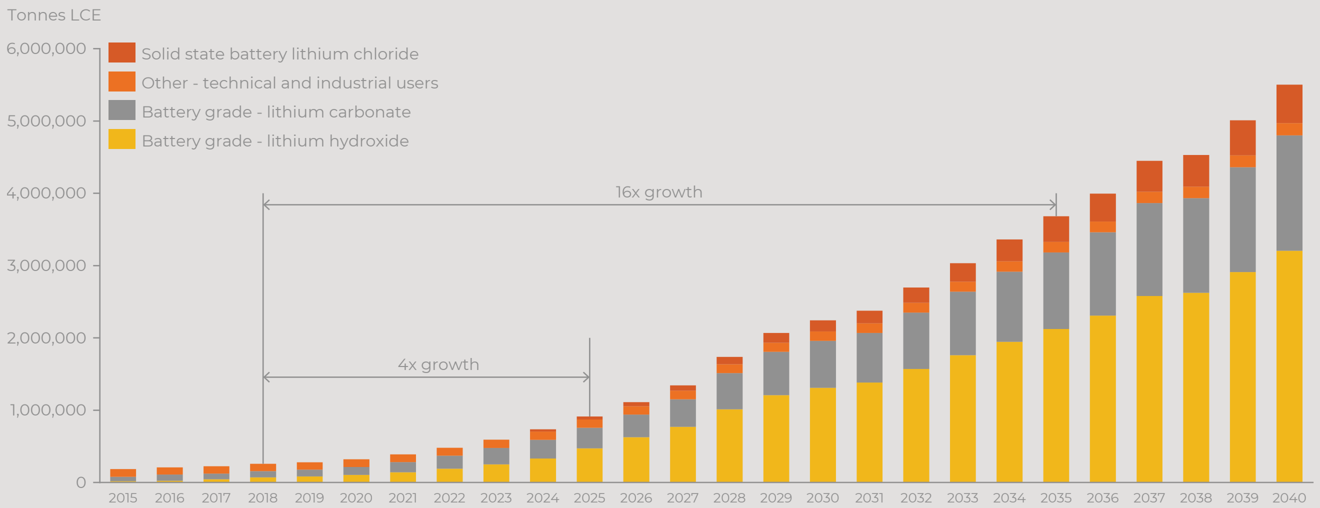
Lithium occurs in nature, either as compounds within hard rock, predominantly as spodumene, or alternatively in the form of petalite and/or lepidolite deposits, or in salt brines. Through the mining and extraction of lithia from the 'hard rock' spodumene ore at the Pilgangoora Project we play an important role in this supply chain by supplying the lithium raw materials (spodumene concentrate) that are used to produce lithium hydroxide and carbonate.

Spodumene is the preferred feedstock for the manufacture of lithium hydroxide as there is one less production step, making it commercially more attractive as it costs less to produce, is more stable to extract and is easier to scale.

As the industry evolves and the big car manufacturers (such as BMW, Volkswagen, Volvo) continue to move beyond internal combustion engines to produce hybrid vehicles or electric motors, high quality batteries will be an imperative to their supply chains.

The next generation of lithium battery technology is the high nickel cathode batteries, these batteries have higher energy density which delivers a longer lifespan and better driving range when used in EVs. This improved performance will make this technology the dominant rechargeable battery for these car manufacturers. This in turn, will exponentially grow market demand for a stable and secure supply of lithium hydroxide, which is the required lithium compound for these batteries (*Figure 9*).

Forecast for lithium demand by lithium chemical production across all sectors *Figure 9*




Source: Benchmark Mineral Intelligence, July 2018

# STAKEHOLDER ENGAGEMENT

## WE VALUE OUR PARTNERS AND RECOGNISE THEY ARE KEY TO OUR SUCCESS AND MAINTAINING OUR LICENCE TO OPERATE.

Our stakeholders and project partners play a pivotal role in the success of our business. As such, we are committed to engaging with them proactively, honestly, respectfully and consistently.

This commitment supports us as we continue to build these relationships across our operations and create an environment for open dialogue, through the following avenues;

- regular visits to local communities and pastoral stations;
- bi-annual operations meetings with contractors;
- site tours with community and government;
- regular meetings and phone calls;
- email updates;
- ASX reporting;
- presentations;
- shareholder meetings;
- company website;
- social media; and
- roadshows.

We are proud of the significant contribution the mining industry makes to the social and economic prosperity of our nation. Therefore, we are committed to playing an active role in supporting our industry and its future prosperity. Supporting this commitment, is our membership to industry representative bodies such as the Chamber of Minerals and Energy and the Association of Mining and Exploration Companies.

### Look ahead FY2020

- **Establish a formal grievance procedure**
- **Disclose a consolidated account of stakeholders and their key issues**

### We demonstrate our commitment to valuing our partners through:

1. **Collaboration**
2. **Accountability**
3. **Trust**
4. **Respect**
5. **Support**
6. **Recognition**

# SAFETY MATTERS

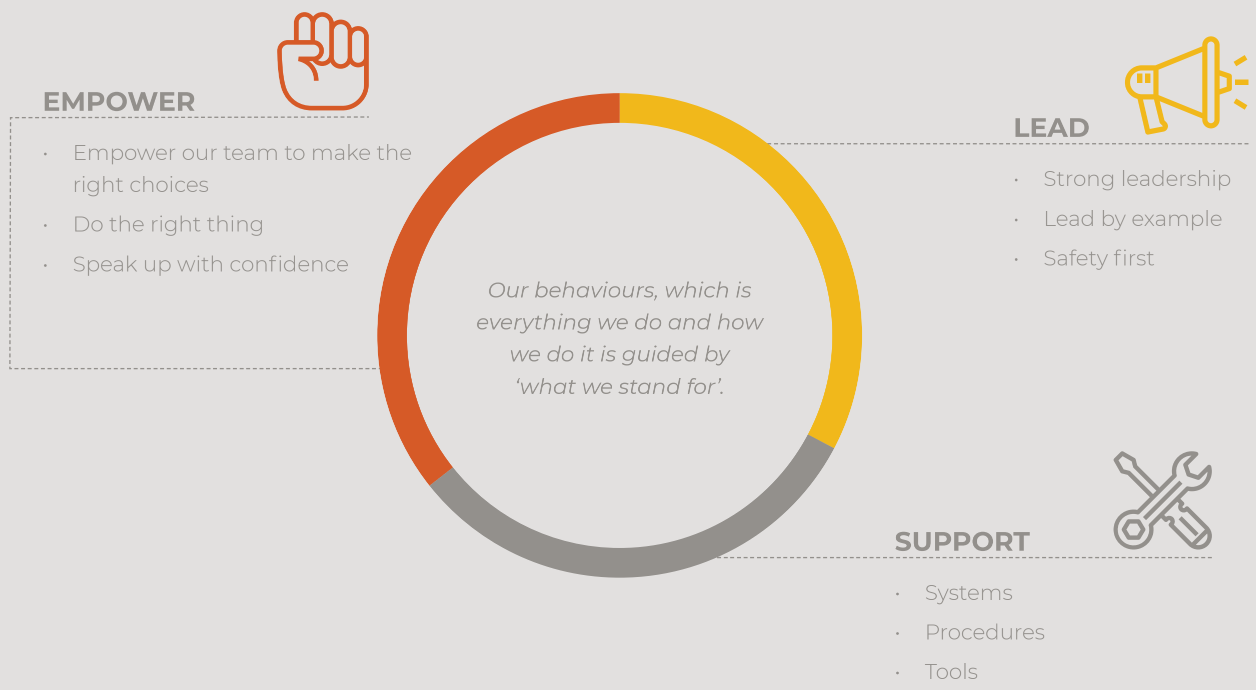
**WE WILL NOT COMPROMISE THE WELLBEING AND SAFETY OF OUR PEOPLE AND PARTNERS. THEREFORE, SAFETY COMES FIRST AND FOREMOST IN THE DEVELOPMENT AND OPERATION OF OUR COMPANY AND PROJECTS.**

'Safety matters' underpins our operational philosophy. For us, safety encompasses our whole wellbeing; physical and mental and we recognise that only by looking after all aspects can we continue to operate safely and build a healthy and resilient workforce into the future.

Our safety culture is founded on empowering, leading and supporting. This recognises the role our employees and partners play in maintaining a safe work environment. Through empowerment, employees and partners are encouraged to build sustainable solutions, that:

- help us make decisions based on a deep understanding of work conditions and constraints;
- challenge potentially unsafe behaviour and identify and assess the safety hazards, impacts and risks that arise from our activities;
- investigate incidents and monitor performance and systems; and
- regularly review, learn and identify opportunities for continual improvement.

This, along with strong leadership, creates an environment of collective ownership where our people are encouraged to have conversations, share lessons learnt and take a proactive role in improving their own safety practices and those of our operations. Through strong standards, clear direction and visible leadership we are committed to ensuring our people and partners are well supported to safely carry out their work.




Health and safety is everyone's responsibility. Reporting of safety to the Board rests with our Managing Director, with our Chief Operating Officer (COO) supporting through oversight of operations and development activities.

Our vision is 'no harm'. We recognise this is a long-term aspiration and that it won't happen overnight. We need to be clear on and committed to our journey to a stronger safety culture to ultimately deliver this.

In FY2019, we have taken many steps in this journey, including the build-out of safety systems and reporting. As well as a focus on early reporting and intervention which has provided opportunities to improve organisational safety performance.

An integrated health and safety event management system has been implemented to manage leading and lagging indicators such as incidents, audits and inspections. This system also provides transparency of health and safety performance across the business by allowing data to be shared and analysed. This information is then used to develop risk mitigation strategies and improve systems of work to limit the possibility of repeat events.

Deployment of this system also prepares us for the modernisation of federal and state occupational health and safety laws, which are expected to come into force in 2020.

In line with the process of embedding systems to support safety management, there was a specific focus to implement a safety 'system of work' inspection regime to ensure our management system remains relevant and applicable. This includes a regular systems health check which is undertaken by an independent auditor and extended to our contracting partners.

*Emergency response scenario training at the Pilgangoora Project in FY2019*

THIS YEAR OUR TEAM AND PROJECT PARTNERS FORMED A TEAM 'THE PILBARA 'STACHE' RAISING $31,898 IN SUPPORT OF MOVEMBER. AND, IT WASN'T ALL ABOUT THE MONEY. THE EVENT ALLOWED US TO HAVE IMPORTANT CONVERSATIONS ABOUT PHYSICAL AND MENTAL HEALTH ACROSS OUR OPERATION.

## EMERGENCY RESPONSE

We conducted over 130 emergency scenario training sessions in FY2019. The isolated nature of the Pilgangoora Project means we must be prepared and self-reliant in dealing with any emergency scenarios that could arise. These training sessions therefore cover a diverse range of topics including confined space rescue, fire events, vehicle and road crash rescue.

It also means we must work in collaboration with our partners and local communities to support each other in the event of a local emergency. A Memorandum of Understanding is in place which outlines our commitment to the local community, with support to date provided during bush fires, flooding and local road incidents.

Our Emergency Response Team on site comprises employees with strong representation from all our site operation contracting business partners.

## SAFETY PERFORMANCE

In FY2019, there were no fatalities or any serious injuries or illnesses at the Pilgangoora Project. Our lost time injury frequency rate (LTIFR) was 0.79 and total recordable injury frequency rate (TRIFR) was 3.93. This was an improvement from last year's TRIFR rate of 4.14. The group remains focused on continued improvement moving into FY2020.

## MENTAL HEALTH WELLBEING

Mental health and wellbeing are a focus of the mining sector, given the nature of the work and the often-remote places where operations are located. During FY2019, we actively contributed to the development of the State Government's FIFO Code of Practice; Mentally healthy workplaces for fly-in-fly-out workers in the resources and construction sectors (FIFO Code of Conduct).

This contribution acknowledges the role of the FIFO Code of Conduct in supporting our industry's FIFO workforce.

We are in the early stages of implementation and are working towards finalising our Mental Health Strategy in FY2020. To support our team in the meantime, several other initiatives have been put in place including our Employee Assistance Program (EAP), village and lifestyle improvements e.g. social activities and food quality, and mental health promotion though events such as Movember and RUOK Day. Importantly, the independent EAP program is a 24-hour service available to all employees and family members.

These initiatives are underpinned by a set of policies, including policies on bullying and harassment and whistleblowing, which are in place and help support the mental health of our employees.

### Look ahead FY2020

- **Safety behavioural leadership program development and training**
- **Mental health strategy finalisation and implementation**
- **Critical control effectiveness model development**
- **Development of principle hazard program**

# GREAT PEOPLE


**TO SUPPORT OUR GREAT PEOPLE, WE STRIVE TO CREATE A WORK ENVIRONMENT WHERE EVERYONE FEELS SAFE, VALUED AND EMPOWERED, SO THEY CAN BE THE BEST THEY CAN BE.**

FY2019 has seen our company change from a project developer to an operator, and therefore transform from a construction to an operational workforce. This rapid change has presented some challenges for how we manage and support a permanent operational workforce. We acknowledge there is still much more to be done, however, we have taken positive steps towards building our culture and enhancing our workplace conditions in FY2019.

As at 30 June 2019, we employed approximately 159 people, which were made up of 136 permanent, 12 fixed term and 8 casuals, across our corporate and operational workforce.

## WORKPLACE CULTURE AND CONDITIONS

Our purpose and what we stand for is communicated internally through workshops, regular leadership forums, a newsletter, intranet and announcements. To build understanding amongst our main project partner group which includes mining contractor MACA, crushing contractor CSI, transport contractor Qube and camp manager Action, a site monthly leadership award program was established to highlight initiatives that demonstrate 'what we stand for'.

To support us and our great people, we have the following policies, procedures and programs in place:

- Employee Relations Policy
- Recruitment and Selection Policy
- Parental Leave Policy
- Employee Assistance Program
- Study Assistance Program
- Workplace Discrimination, Harassment and Bullying Procedure
- Internal Communications Policy and Procedure

## FIFO

FIFO rosters can potentially have a negative impact on a person's physical and mental health. During FY2019 we initiated a review of our operational workforce roster structure. This resulted in roster changes for around 40 operational employees from a 9 days on and 5 days off FIFO roster, to an 8 days on and 6 days off schedule in recognition of this roster's better work/life balance and link to improved mental health and wellbeing outcomes.

In FY2020, we will continue to review our rosters in line with industry best practice and operational requirements, as well as introduce a Mental Health Strategy in line with the State Government's FIFO Code of Conduct.

## EMPLOYEE DEVELOPMENT

Employee development is a key priority as we stabilise our operational workforce in FY2020, to not only ensure we have the right skills, but also to provide our people with opportunities for skills development and to progress their careers.

In FY2019, as a practical step recruitment processes promoted consideration of internal candidates for vacancies and promotion opportunities prior to market testing. In addition, we provided a range of technical and professional development opportunities through both on-the-job and course-based learning, as well as encouraging professional development through our Study Assistance Program.

## DIVERSITY AND INCLUSION

We value the difference between our people and the contribution this makes to our company. For us, diversity and inclusion are about recognising and valuing the unique contribution our people make because of their individual background and different skills, experiences and perspectives.

Mining has traditionally been male dominated, however we continued to maintain a workforce with above 20% female participation (23% for CY2019), which compares strongly relative to the Australian mining industry average.

Our Indigenous employment rate in FY2019 was 5%, and while not at the level we would hope to achieve in the future, we are proud of our efforts and actively work with Traditional Owners to secure employment and business opportunities at the Pilgangoora Project.

Diversity relates to a range of factors including age, gender, disability, ethnicity, marital or family status, religious or cultural background and gender identity. Being inclusive means creating an environment where everyone has access to the same opportunities and resources, and their contributions and views are respected and valued.

To support our approach, we have implemented a Diversity Policy and we have a well-established Workplace Discrimination, Harassment and Bullying procedure, as well as targeted recruitment campaigns, paid parental leave and flexible work arrangements. In line with the Diversity Policy and subsequent to the FY2019 year end, our Board introduced gender diversity objectives that aim to improve current female Board representation and female representation at a senior manager and executive manager level when appropriate.

During FY2019, we implemented a new remuneration framework that is benchmarked against industry remuneration market data to ensure internal and external pay equity.

### Look ahead FY2020

- **Develop and implement a three-year human resources strategy with a focus on organisational culture**
- **Develop and implement a company-wide employee performance and incentive scheme**
- **Continue to review FIFO rosters**

**GREAT PEOPLE ARE CENTRAL TO ACHIEVING OUR PURPOSE... OUR TEAM OF GREAT PEOPLE, WORKING WITH OUR PARTNERS, SAFELY, TO DELIVER QUALITY PRODUCTS THAT MAKE A DIFFERENCE IN THE WORLD.**

# REGULATORY COMPLIANCE

WE COMPLY WITH OUR OPERATING LICENCES AND APPROVALS THROUGH A COMMITMENT TO SOUND SYSTEMS AND CONTROLS, REGULAR REVIEWS, REPORTING, EMPLOYEE TRAINING AND ENGAGEMENT WITH GOVERNMENT.

The Pilgangoora Project is governed under several licences issued by the WA State Government, including:

- Works approval
- Operating licence
- Mining proposal

To ensure regulatory compliance, we have developed and implemented a series of internal controls and systems across the operation. Internal operations are governed by a set of policies, standards and procedures which are supported by workplace training and annual compliance audits. Importantly, these audits are completed by an independent third party.

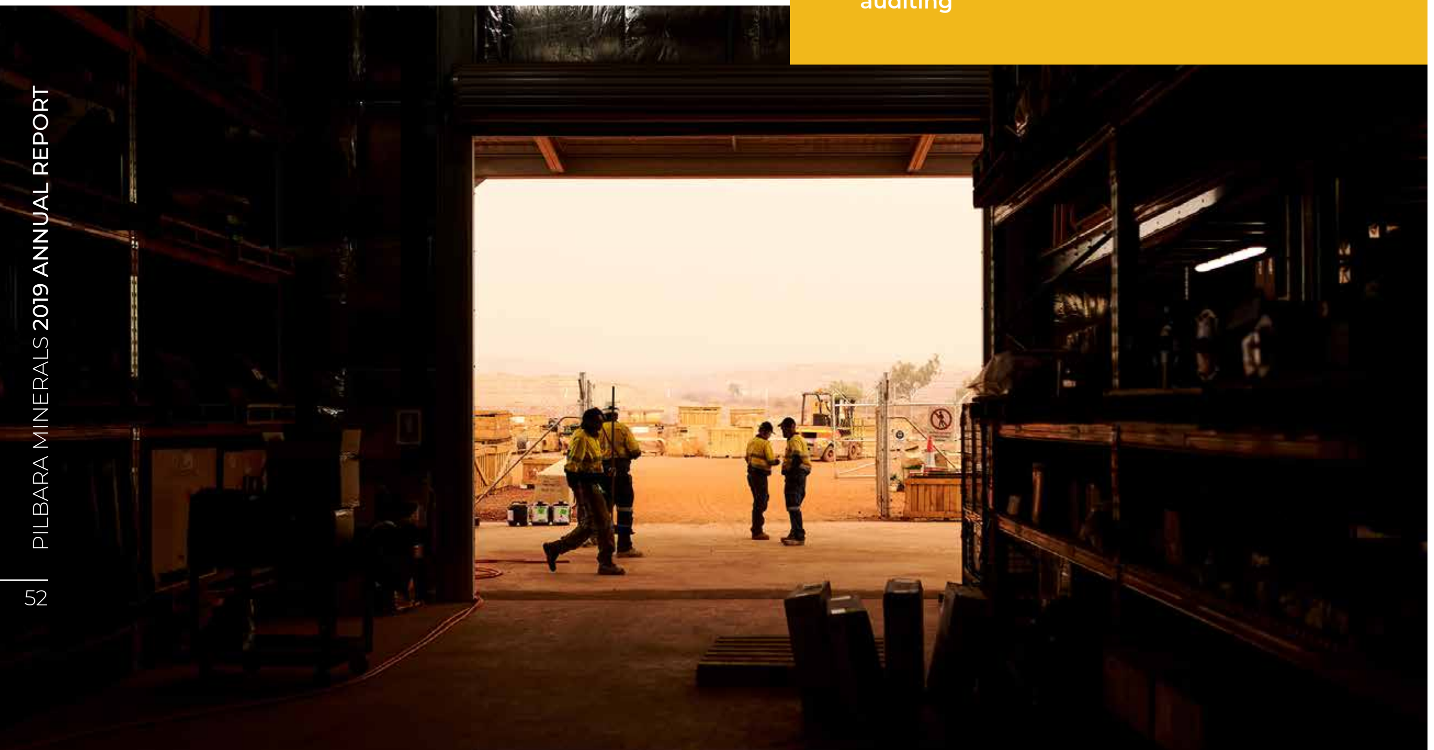
In FY2019, we implemented specialised software to help manage our environmental data and compliance reporting. Site based environmental officers monitor key environmental parameters, including water consumption, land clearing, waste generation and rehabilitation, and log these details into a database for analysis and interpretation. This data is then used to inform our annual compliance reports and quarterly reporting to other stakeholders, including the Njamal People, the Traditional Owners of the land in which our mining tenements are located.

We also regularly engage with key State Government regulatory agencies to ensure that all activities meet or exceed regulatory expectations. This engagement includes site visits and inspections.

There were no recorded non-compliances during FY2019.

## Look ahead FY2020

- **Deliver first annual compliance report under our operating licence**
- **Complete first tailings management facility geotechnical audit**
- **Continue annual independent compliance auditing**



# LAND AND RESOURCE USE

WE WORK HARD TO ENSURE WE USE OUR RESOURCES EFFICIENTLY, SO THAT OUR OPERATIONS ARE CONDUCTED WITH MINIMAL IMPACT AND IN LINE WITH THE WORLD WE ARE TRYING TO CREATE.

We deliver on this commitment by integrating environmental protection into our normal work practices by setting clear objectives and targets, data collection and regular environmental monitoring and reporting.

Our people and partners are integral to us meeting our obligations, and so we deliver regular training to ensure awareness and understanding of land and resource use, and waste management policies, procedures and standards.

## LAND USE

Any land impacts associated with our activities are identified and a risk assessment undertaken to ensure strategies can be implemented to minimise negative environmental impacts. This is done in line with our Risk Management Framework, regulatory and licencing conditions and heritage management plans. If a breach does occur, it is reported immediately in accordance with our Incident Management Procedure.

Our environmental footprint is a key impact of our operations and therefore native vegetation clearing is governed by a series of procedures including:

- Land Use Certificate Procedure
- Topsoil Management Procedure
- Borrow Pit Management Procedure (to ensure areas where material is extracted is rehabilitated)

A Mine Closure Plan has been developed and approved by the relevant authorities which includes a strategy and targets for rehabilitation.

## WATER USE

The Pilgangoora Project is located on a regional catchment divide and does not have access to enough surface water supplies to support mining and processing activities. Our operation therefore relies on the efficient use of groundwater reserves for processing, civil construction, dust suppression and potable requirements.

To ensure we have adequate supplies, we completed exploration programs to identify and then develop groundwater targets in line with operational requirements. An extensive exploration program in FY2019 located enough groundwater reserves to support both the Stage 1 operation and future expansion to 5Mtpa.

Water is a shared resource and we acknowledge that we are part of a broader regional community that relies on these resources. Therefore, we closely manage how we take and use water and work with local stakeholders, such as pastoralists, on how we utilise and share resources.

Our internal surface water and groundwater management plans outline how we manage water resources and ensures our people and partners are aware of our regulatory requirements and licence conditions. As well as their responsibilities to ensuring these resources are used in a safe, efficient and sustainable way to protect local water resources and the ecosystem.

During FY2019, we used 1.927Gl of water.

## WASTE GENERATION

Waste generation is governed internally by our Waste Management Standard. A fundamental principle of this standard is ensuring our operation complies with regulatory requirements and licence conditions, while actively working to minimise any potential impacts to the environment by recycling and minimising waste generation.

Solid waste streams from construction and operations are segregated to enable the removal and recycling of high-value wastes such as steel, batteries and hydrocarbon.

Processing waste (tailings) are managed in a single integrated waste rock / tailings landform designed, constructed and operated to minimise environmental impacts to ground and surface water resources. Our operation does not discharge wastewater into the environment.

Wastewater streams from the tailings management facility are re-used throughout the processing plant. We are actively seeking to improve how we reuse waste streams, which are managed under the environmental operating licence, with an assessment underway for the proposed reuse of water from the reverse osmosis plant and wastewater treatment facility.

During FY2019, mining and construction activities generated a total of 8,422,540t of waste rock and a total of 1,455,052m³ tailings.

## ENERGY USE

The operation is powered by a 18MW diesel fired power station as there is currently no interconnected power grid established at the Pilgangoora Project site. This type of power generation is considered the industry standard for a project of the scale, size and remoteness of the Pilgangoora Project. Now that construction is complete, alternative power sources and the ability to utilise a renewable energy source are currently being assessed.

During FY2019, the average power load for the Pilgangoora Project was 10MW and the total amount of diesel used was 16,367,350L.

For $CO_2$ emissions refer to page 55.

### Look ahead FY2020

- Develop and implement a land rehabilitation procedure
- Investigate alternative power solutions including interconnected grid power and/or the application of renewable sources
- Complete assessment and implement any opportunities associated with the reuse of water within the operation

### IN FY2019 WE RECYCLED:

Waste oil

**135,800L**

Printer ink cartridges

**10 bags**

Scrap metal

**53t**

Batteries (vehicle)

**7 full pallets**

Drill rods were also donated locally for reuse as cattle yards



# CLIMATE CHANGE

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

**WE ACKNOWLEDGE THE IMPACT OF OUR BUSINESS ON CLIMATE CHANGE, BUT ALSO ITS ROLE IN ENABLING THE TRANSITION TO A LOWER CARBON FUTURE.**

As an emerging business, our work in this area is evolving. Our operation has an impact on the climate, but is also an enabler for the development of renewable energy technologies that combat the effects of climate change.

By increasing the availability of hard-rock lithium extracted from spodumene ore, our operation will assist in driving down the cost of battery manufacture and improving battery quality and performance which will support the uptake of applications such as EVs, battery storage and other forms of renewable energy sources.

During FY2019, we commenced tracking and reporting of our Scope 1 and Scope 2 greenhouse gas emissions via the National Greenhouse and Energy Reporting Scheme (NGERS) and lodged our first report. This report will be uploaded publicly on the Clean Energy Regulator's website **cleanenergyregulator.gov.au**.

In FY2019 our $CO_2$ emissions were 112,467t.

The first reporting period in FY2018 included project construction and initial commissioning, and it is expected that FY2019 forms the first full-year from which baseline emission intensities can be established. In FY2020, we are seeking to develop an annual carbon intensity target for the production of our primary product, spodumene concentrate.

Climate change projections for the Pilbara region predict that extreme temperature and rainfall events will increase in both frequency and intensity. Such events could impact transportation, flood control infrastructure, water scarcity and rehabilitation success. We have incorporated consideration of these factors into our long-term mine planning and our emergency response plans.

### Look ahead FY2020

- Undertake an assessment of climate risks and opportunities
- Develop and implement a Climate Change Policy
- Identify opportunities to reduce our carbon footprint e.g. using renewable energy

# COMMUNITY


**WE PLAY AN IMPORTANT ROLE IN CONTRIBUTING TO THE SOCIAL AND ECONOMIC PROSPERITY OF THE COMMUNITIES IN WHICH WE OPERATE AND ARE COMMITTED TO MAKING A POSITIVE IMPACT.**

Our early stage of operations has meant we have had to find innovative ways to deliver on this commitment through both direct and in-kind contributions. These circumstances have also meant community investment activities have focused on supporting the communities close to where we operate.

Our community engagement activities are underpinned by a Community Engagement and Relations policy. This policy outlines our commitment to building relationships with the local communities though active engagement, two-way communication and respect. These relationships allow us to engage with the community about how they can participate in project activities, whether through employment, education, training, or business development initiatives.

Our team regularly undertakes community visits, site tours, meetings and phone calls. During FY2019, we provided financial assistance to several community initiatives including a local sporting club, education scholarships and charities, as well as in-kind support through drought assistance and school site visits.

### Yandeyarra Community School site tour

**A key part of our community engagement activities is regular visits to local communities to listen to their concerns and ambitions, and determine how we can work together in developing strong communities. For Yandeyarra Community School one of the areas of focus is enhancing students' career prospects and establishing post-school pathways to form part of their education plans. With many of the students not having much understanding of the opportunities that exist within the mining industry, we hosted a site visit to the Pilgangoora Project for students ranging from year 1 to 12 in March 2019. The visit provided an opportunity for the students, and teachers, not only to experience an operating mine site, but also learn from the team about their experiences in the industry.**

## INDIGENOUS RELATIONS

We are committed to working with Traditional Owners to ensure, where possible, Traditional Owners are meaningfully engaged through employment and enterprise development opportunities arising from the Pilgangoora Project.

We acknowledge and respect Aboriginal people, their culture, language, traditions and connection to country, and actively work to create mutual understanding and strengthen engagement across all our operations. In acknowledgement of this, the Njamal People performed a welcome to country at our official project opening during FY2019.

We have engaged extensively with the Traditional Owners of the area encompassing the Pilgangoora Project the Njamal People, and the Kariyarra People who are the Traditional Owners of the surrounding area where regional exploration is undertaken and supporting project infrastructure is located.

To support these relationships separate agreements are in place with both groups. A Native Title Agreement (NTA) and a Heritage Protection Agreement is in place with the Njamal People and an Infrastructure Agreement (utilities and access roads) and Heritage Protection Agreement with the Kariyarra People.

In negotiating and now implementing these agreements, we consider not only the legal aspects but also for Traditional Owners;

- preservation and protection of their way of life and Aboriginal traditions;
- their interests, proposals, opinions, aspirations and wishes;
- the growth and development of social, cultural and economic structures;
- procedures for access to country and the freedom to carry out on the rites, ceremonies and other activities in accordance with Aboriginal Tradition; and
- the preservation of the natural environment.

To cultivate positive engagement and create greater understanding across our workforce, regular Cultural Awareness Training is delivered to employees and partners. We also celebrate Aboriginal culture and people by marking key events such as NAIDOC week and Reconciliation Day.

Quarterly Implementation Committee meetings with the Njamal People provide an open forum to address not only the legal requirements and implementation of the NTA, but also to address any concerns and provide project updates.

The Njamal People have a strong aspiration for current and future generations to benefit economically from the Pilgangoora Project. In response, we have placed a strong focus on engaging around business and employment opportunities. Our Aboriginal Liaison Officer (ALO) (who is a Njamal elder) is the liaison between the business, Njamal and other Aboriginal groups. Specifically, our ALO works to identify opportunities for employment and mentor's Indigenous employees on site. Njamal businesses are engaged on a regular basis both informally and formally through monthly business development meetings. Some of the opportunities created were;

- contract employment;
- crane hire;
- transport and freight;
- camp management;
- mine and heritage surveys; and
- engineering (shut down contractor) services.

A cultural heritage management plan has been developed to ensure controls are in place to safeguard known sites and provide procedures for any newly discovered sites.

The Kariyarra People are engaged on a regular basis around work programs, business opportunities, employment and cultural heritage and any issues arising from project activities.

In FY2019 we procured

**$16M**

of good and services from the regional community


## REGIONAL ECONOMIC IMPACTS

Both economic and social benefits arise from remote operations such as ours and we acknowledge local communities' aspirations to actively participate in the Pilgangoora Project.

In FY2019 we engaged several regional businesses to provide goods and services to the Pilgangoora Project. These have included local pastoralists, vehicle and transport supply companies, and contractors. In total, we provided about $16M of local contracts during the year.

We have developed an Australian Industry Participation plan to support the Stage 1 project. This plan outlines our commitment to providing fair and reasonable opportunities for Australian businesses to participate, and we report progress on the plan to government. Opportunities are promoted through engagement with local councils and industry bodies, and our website and direct contact. In addition, we encourage our partners to use local businesses, where possible, and provide introductions to suitable local providers where appropriate.

FY2019 saw approximately $7.5M invested in regional road infrastructure. Part of this investment resulted in a previously untenable road corridor reopened to provide the local community an alternate access route from the project area to Port Hedland.

### Look ahead FY2020

- Develop community investment strategy
- Establish a formal grievance procedure



### Working with Kangan Station

**As a remote based operation, we are committed to being a good neighbour and helping out our local community where we can. This commitment sees us play an active role, not only through financial means, but also through in-kind contributions by providing access to equipment and resources that are not always readily available in remote communities. This year Kangan Cattle Station (located 100km west of our operation) faced a drought situation which resulted in hardship for the station and in some cases cattle deaths. Over four days, our team and project partners rallied together and mobilised a team and equipment to work with the station managers to restore existing and install new watering points providing immediate relief for the remaining cattle on the station.**

# STATEMENTS, ABBREVIATIONS AND DEFINITIONS

## COMPETENT PERSONS' STATEMENT

The Mineral Resources and Ore Reserves statements in this Annual Report were approved as a whole by Mr John Holmes (full-time Exploration and Geology Manager of Pilbara Minerals Limited), a suitably qualified Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

The information in this report that relates to Exploration Results and Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr John Holmes (full-time Exploration Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Holmes is a member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Holmes consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to Mineral Resources is based on and fairly represents information compiled by Mr Lauritz Barnes, (Consultant with Trepanier Pty Ltd) and Mr John Holmes (full-time Exploration and Geology Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Barnes is a member of the Australasian Institute of Mining and Metallurgy and Mr Holmes is a member of the Australasian Institute of Geoscientists and both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barnes and Mr Holmes consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

The information in this report that relates to Ore Reserves is based upon information and supporting documentation prepared by Mr Kim Russell (previously full-time Technical Manager – Mining of Pilbara Minerals Limited) and mine planning work compiled by Mr Glen Williamson (Principal Consultant of AMC Consultants Pty Ltd). Mr Russell is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Williamson is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Russell and Mr Williamson consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

## FORWARD-LOOKING STATEMENT

This Annual Report 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. Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.



## ABBREVIATIONS

| | |
|---|---|
| AU$/AUD | Australian dollars |
| B | Billion |
| CFR | Cost and freight |
| CIF | Cost plus insurance and freight |
| CEO | Chief Executive Officer |
| $CO_2$ | Carbon dioxide |
| CY2019 | 2019 calendar ear |
| DMS | Heavy/dense media separation |
| dmt | Dry metric tonnes |
| DFS | Definitive Feasibility Study |
| DSO | Direct shipping ore |
| EBITDA | Earnings before interest, tax, depreciation and amortsation |
| EPC | Engineering/design, procurement and construction |
| EV | Electric vehicle |
| ECL | Expected credit loss |
| $Fe_2O_3$ | Iron oxide |
| FIFO | Fly in, fly out |
| FID | Final investment decision |
| FY | Financial year |
| GHG | Greenhouse gas |
| GRI | Global Reporting Initiative |
| Gl | Gigalitres |
| lbs | Pounds |
| JORC | Joint Ore Reserves Committee |
| JV | Joint venture |
| KMP | Key management personnel |
| Km | Kilometres |
| Ktpa | Kilo tonnes per annum |
| LCE | Lithium carbonate equivalent |
| $Li_2O$ | Lithium oxide |

| | |
|---|---|
| LIMS | Low intensity magnetic separation |
| LOM | Life of mine |
| LTI | Long term incentives |
| LTIFR | Lost time injury frequency rate |
| m | Metres |
| M | Million |
| MD | Managing Director |
| Mlbs | Million pounds |
| Mt | Million tonnes |
| Mtpa | Million tonnes per annum |
| MOU | Memorandum of Understanding |
| MW | Megawatt |
| NPV | Net present value |
| NRV | Net realisable value |
| NSR | Net smelter return |
| NTA | Native Title Agreement |
| ppm | Parts per million |
| RC | Reverse circulation |
| STI | Short term incentives |
| T | Tonnes |
| $Ta_2O_5$ | Tantalite |
| TSR | Total shareholder return |
| Tpa | Tonnes per annum |
| Tph | Tonnes per hour |
| TRIFR | Total recordable injury frequency rate |
| WHIMS | Wet high intensity magnetic separation |
| wmt | Wet metric tonnes |
| US$/USD | United States dollars |
| VW | Volkswagen |
| VWAP | Volume weighted average share price |

## DEFINITIONS

### MINERAL RESOURCES

Is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form, quantity or quality that there are no reasonable prospects for eventual economic extraction. The location, quality, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

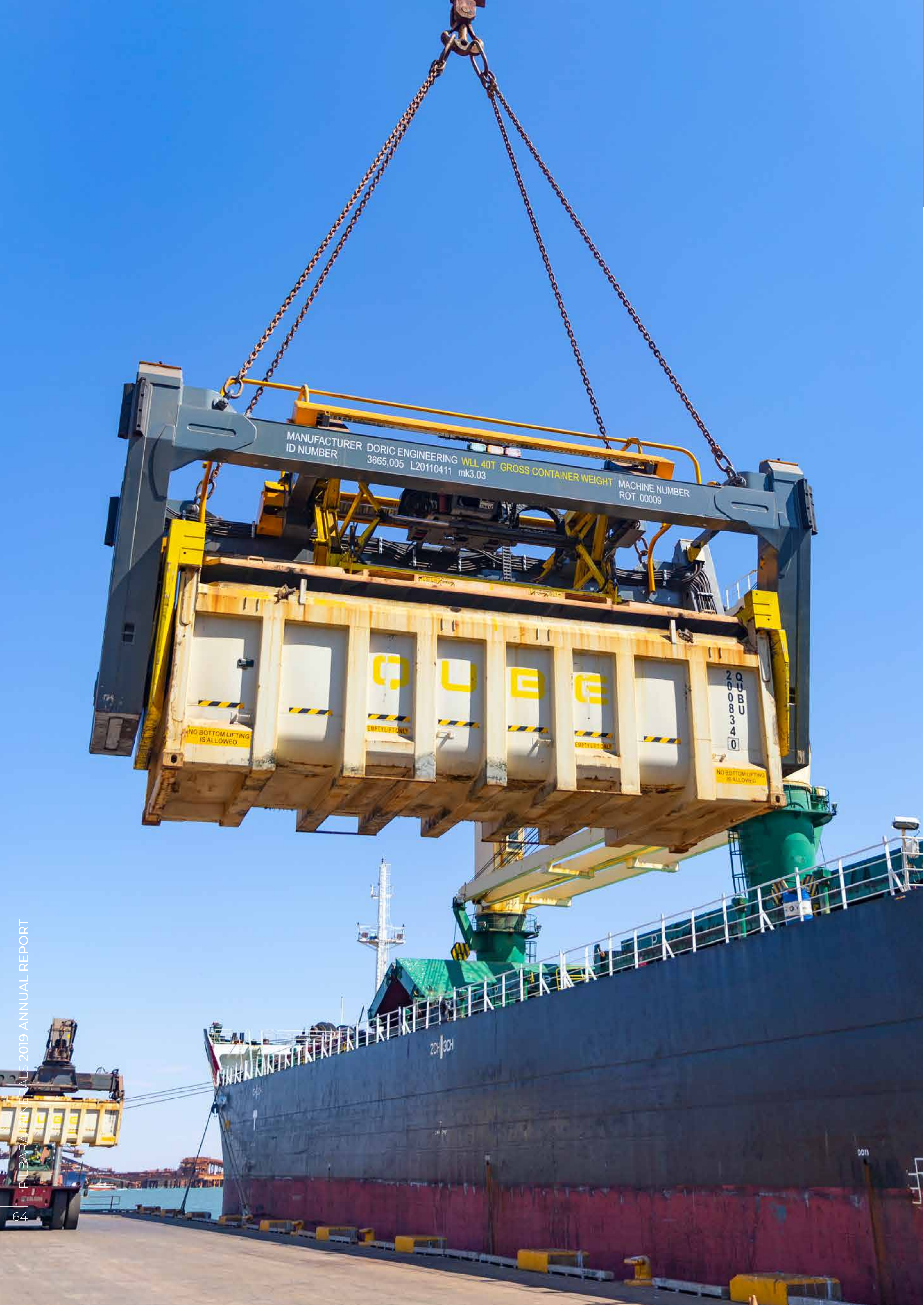
### ORE RESERVES

Is the economically mineable part of a Measured and/or Indicated Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out that demonstrate at the time of reporting that extraction could be reasonably justified.

# FINANCIAL STATEMENTS CONTENTS








# DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Pilbara Minerals Limited ("**Pilbara Minerals or the Company**") and its subsidiaries for the financial year ended 30 June 2019 and the auditor's report thereon. The Directors' report and consolidated financial statements are presented in Australian dollars, except where otherwise indicated.

## DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

| Name, qualifications and independence status | Experience, special responsibilities and other directorships |
|---|---|
| **Mr Anthony Kiernan**<br>LLB<br>**Chairman and Independent Non-Executive Director**<br>Appointed 1 July 2016 | Mr Kiernan is a former solicitor with extensive experience gained over 35 years in the management and operation of listed public companies. As both a lawyer and general consultant, he has practiced and advised extensively in the fields of resources and business generally.<br>Mr Kiernan is a member of the Remuneration and Nomination Committee.<br>Mr Kiernan is also Chairman of the Fiona Wood Foundation which focuses on research into burns injuries.<br>**Other current ASX directorships:** Saracen Mineral Holdings Limited (since September 2018) and Venturex Resources Limited (since 2010).<br>**Former ASX directorships in the last three years:** Chalice Gold Mines Limited (2007 to September 2018), BC Iron Limited (2006 to December 2016) and Danakali Limited (2013 to February 2017). |
| **Mr Ken Brinsden**<br>B. Eng (Mining), MAusIMM, MAICD<br>**Chief Executive Officer and Managing Director**<br>Appointed 4 May 2016 | Mr Brinsden is a mining engineer with over 25 years' experience in surface and underground mining operations, including roles in mine management, production, and brown-fields and green-fields development roles across a range of commodities.<br>Mr Brinsden was appointed as Chief Executive Officer of the Company in January 2016 and subsequently appointed to the Board as Managing Director effective from 4 May 2016.<br>**Other current ASX directorships:** None.<br>**Former ASX directorships in the last three years:** Atlas Iron Limited (February 2012 to April 2016). |

*Image left: Loading of first spodumene concentrate shipment, Port Hedland port 2 October 2018*

| Name, qualifications and independence status | Experience, special responsibilities and other directorships |
|---|---|
| **Mr Steve Scudamore**<br>FCA, MA (Oxon), FAICD, SF Fin<br>**Independent Non-Executive Director**<br>Appointed 18 July 2016 | Mr Scudamore is an experienced Australian company director. His distinguished career includes more than three decades with KPMG, including senior roles in Australia, London and PNG including Chairman of Partners WA, Head of Corporate Finance in WA and National Head of Valuations, KPMG Australia.<br><br>Mr Scudamore is Chairman of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee.<br><br>Since 2012, he has been a Non-Executive Director and Chairman of MDA National Insurance Pty Ltd, the insurance arm of a mutual medical defence organisation founded in Perth in 1925. He is a non-executive director of various not-for-profit and community organisations and until 11 June 2019, Mr Scudamore was also a non-executive director of a Malaysian listed company, Selangor Properties Berhad.<br><br>**Other current ASX directorships:** Regis Resources Ltd (since May 2019) and Australis Oil & Gas Limited (since November 2016).<br>**Former ASX directorships in the last three years:** Altona Mining Limited (March 2013 to April 2018). |
| **Mr Nicholas Cernotta**<br>B. Eng (Mining)<br>**Independent Non-Executive Director**<br>Appointed 6 February 2017 | Mr Cernotta has more than 30 years' experience in the mining industry, spanning various commodities and operations in Australia, Africa, South East and Central Asia, Saudi Arabia and Papua New Guinea.<br>He holds a Bachelor of Mining Engineering and has held senior executive roles with extensive operational experience in both the public and private sectors of the mineral resources industry.<br>Previous roles held include Director of Operations at Fortescue Metals Group Ltd, Chief Operating Officer at MacMahon Contracting and Director of Operation at Barrick Gold.<br>Mr Cernotta is a member of the Audit and Risk Committee and is Chairman of the Remuneration and Nomination Committee.<br><br>**Other current ASX directorships**: Panoramic Resources Limited (since May 2018), New Century Resources Ltd (since March 2019) and Northern Star Resources Ltd (from July 2019).<br>**Former ASX directorships in the last three years:** ServTech Global (October 2016 to November 2017). |

| Name, qualifications and independence status | Experience, special responsibilities and other directorships |
|---|---|
| **Ms Sally-Anne Layman**<br>B. Eng (Mining) Hon, B.Com, CPA, MAICD<br>**Independent Non-Executive Director**<br>Appointed 20 April 2018 | Ms Layman is a mining professional, corporate financier and advisor with 25 years' of international and cross-commodity experience. Previously, Ms Layman held a range of senior positions with Macquarie Group Limited, including as Division Director and Joint Head of the Perth office of the Metals, Mining & Agriculture Division.<br>More recently, Ms Layman has worked as a consultant providing financial consulting services to miners and explorers, including strategy and business development.<br>Ms Layman is a member of the Audit and Risk Committee.<br><br>**Other current ASX directorships**: Perseus Mining Limited (since September 2017), IMDEX Limited (since February 2017) and Beach Energy Limited (since February 2019).<br>**Former ASX directorships in the last three years:** Gascoyne Resources Limited (June 2017 to May 2019). |

## COMPANY SECRETARY

**Mr Alex Eastwood**, B. Economics; LLB
Mr Eastwood was appointed Company Secretary on 1 September 2016 and has more than 20 years' experience as a commercial lawyer, company secretary and corporate finance executive. Mr Eastwood has previously held partnerships with two international law firms, Deacons (now Norton Rose) and K&L Gates in its Energy, Infrastructure and Resources division. He has extensive experience as an executive director in the corporate finance area including as a director of Blackswan Equities and New Holland Capital and has held a number of senior positions including as General Counsel and Company Secretary for ASX listed companies in the mining and mining services sectors.

The Directors of the Company who held office during the year and up to the date of this report are stated below. Directors were in office for this entire year unless otherwise stated.

## DIRECTORS MEETINGS

The number of board and committee meetings attended by each Director of the Company during the financial year are:

| | Board Meetings | | Audit and Risk Committee | | Remuneration and Nomination Committee | |
|---|---|---|---|---|---|---|
| Number of Meetings | 14 | | 5 | | 3 | |
| Director | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |
| Anthony Kiernan | 14 | 14 | - | - | 3 | 3 |
| Ken Brinsden | 14 | 14 | - | - | - | - |
| Steve Scudamore | 13 | 14 | 5 | 5 | 3 | 3 |
| Nicholas Cernotta | 14 | 14 | 5 | 5 | 3 | 3 |
| Sally-Anne Layman | 14 | 14 | 5 | 5 | - | - |

The Audit and Risk Committee and Remuneration and Nomination Committee consist solely of non-executive directors.

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration, development and operation of the Pilgangoora Lithium-Tantalum Project ("**Pilgangoora Project**").

### Objectives

The Group's objectives are:

- to sell premium products from the conduct of safe mining and processing activities at the 100% owned Pilgangoora Project located in the Pilbara region of Western Australia;
- to increase the existing JORC resource and reserve at the Pilgangoora Project, and to undertake further exploration at its other North Pilbara exploration projects; and
- to create opportunities through the establishment of deeper links with the lithium raw materials supply chain, including participation in downstream chemical processing opportunities to leverage the size and quality of the Pilgangoora Project.

In order to meet these objectives, the following targets have been set for the 2020 financial year and beyond:

- Safety:
  - total recordable injury frequency rate ("**TRIFR**") of less than 4.0.
- Operation of Pilgangoora Stage 1 (**"Stage 1"**) being the 2 million tonnes per annum ("**Mtpa**") operation:
  - achieve nameplate production capacity of 330,000dmt per annum of high-quality 6.0% spodumene concentrate and 300,000lbs per annum of tantalite product.
- Development of Pilgangoora Stage 2 (**"Stage 2"**) being an expansion of up to 5 Mtpa to produce approximately 800,000 to 850,000dmt per annum of 6.0% spodumene concentrate:
  - secure funding to enable commencement of development of the Stage 2 expansion with a view to target commissioning during the December 2020 half-year, or at a date that ensures alignment of the additional production from the Stage 2 expansion with the requirements of the Company's customers.
- Diversification into downstream lithium chemical processing:
  - agree terms to establish a joint venture with POSCO for Pilbara Minerals' 30% participation in the development and operation of a 40,000tpa downstream chemical conversion facility in South Korea.

## REVIEW OF OPERATIONS

During the year, the Company became a major new global lithium producer having completed the commissioning and ramp up of the Stage 1 Pilgangoora Project. The first shipment of spodumene concentrate was delivered to customers in October 2018, with commercial production declared from April 2019. The Stage 1 operation comprises a 2Mtpa mining and processing operation to deliver a life of mine (LOM) nameplate production of 330,000tpa of 6% spodumene concentrate and 300,000lbs per annum of 5% tantalum concentrate.

The official opening of the Pilgangoora Project was held on site in November 2018 and came, just over four years after the date of the Company's first drill hole.

The opportunity to expand future production at the Pilgangoora Project was reinforced during September 2018 with the announcement of a 35% increase in Ore Reserves resulting in an extension to the mine life to approximately 23 years based on the proposed Stage 2, 5Mtpa operation.

In November 2018 the Board conditionally approved a Final Investment Decision (FID) for the Stage 2, 5Mtpa expansion of the Pilgangoora Project following the completion of a positive definitive feasibility study (DFS) in August 2018. The DFS financial outcomes included a post-tax $NPV_{10\%}$ of $2,160 million, average annual LOM EDITDA of $370M and an estimated initial capital spend of $231M.

Early in the 2019 calendar year, the Company exercised an option to participate in a 40ktpa LCE downstream joint venture chemical conversion facility in South Korea with POSCO, subject to completion of satisfactory technical due diligence by the Company and financing. The joint venture will provide an opportunity for the Company to participate in downstream chemical processing in South Korea which in turn allows the Company to diversify its spodumene concentrate sales arrangements. Arrangements are expected to be concluded during the second half of 2019, but at the date of this report remain subject to completion of technical due diligence, a final Board decision by the Company, the formalisation of joint venture terms, a technology licensing agreement (to facilitate the use of POSCO's PosLX patented technology) and supporting amendments to the existing offtake agreement.

During the March 2019 quarter the Company completed a positive Stage 3 scoping study to ultimately expand processing capacity at the Pilgangoora Project to up to 7.5Mtpa. The final decision on any Stage 3 expansion will be dependent on further feasibility studies, market conditions, and customer requirements.

In March 2019 the Company commenced a partnering process to consider the combination of Stage 3 offtake, a potential sell-down of a 20% to 49% interest in the Pilgangoora Project and participation in vertically integrated chemical facilities. At the date of this report, no agreement has been reached with any party and there is no certainty that any transaction will be entered into.

During the June 2019 quarter spodumene concentrate market conditions in China were tempered by delays in the construction, commissioning and ramp-up of chemical conversion facilities that handle spodumene concentrate supply as a raw material feedstock. This industry-wide phenomenon was also true for the Company's Stage 1 offtake customer group, with both General Lithium and Jiangxi Ganfeng Lithium Co Ltd (Ganfeng Lithium) taking longer than expected with the construction, commissioning and ramp-up of their new chemical conversion capacity during the last 6 to 9 months leading up to year end. These delays resulted in lower than expected shipped tonnes from the Pilgangoora Project during the June 2019 quarter.

In response to these softer market dynamics and following discussions with both Ganfeng Lithium and General Lithium, the Company responded proactively to these market conditions in June 2019 by moderating production at the Pilgangoora Project to better align with customer requirements.

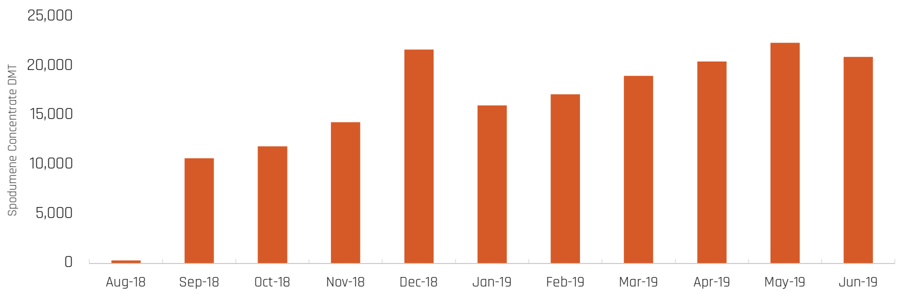
The Company continues to monitor market conditions on an ongoing basis, including engaging with its key offtake partners, and will make further changes to its operating strategy (where necessary) in response to changing customer requirements or market conditions.

**Stage 1 – Pilgangoora Project**

The move through commissioning and into production involved commencement of production activities including processing plant operation, concentrate production, stockpile creation and final product movements. The year ended with a total reportable injury frequency rate ("TRIFR") of 3.93, which was a 5.1% improvement on the prior year's TRIFR rate of 4.14.

The year was highlighted by the plant commissioning and ramp up of the 2Mtpa operation at the Pilgangoora Project, with commercial production declared effective from 1 April 2019 following sustained spodumene concentrate production and the achievement of pre-determined design capacity levels, plant feed rates, product quality and recovery rates.

Total spodumene concentrate production achieved for the year was 174,952dmt with the monthly ramp up of spodumene concentrate production (dmt) set out below:




During the year, 128,373dmt of spodumene concentrate was shipped to customers at an average selling price of US$674/dmt CIF, reflective of the offtake pricing model developed with key customers. Pending final assay results, a provisional 104,062lb of tantalite concentrate was sold during the year.

In addition, 205,766 tonnes of direct shipping ore was sold to Atlas Iron under a Mine Gate Sale Agreement.

Key operating statistics achieved at the Pilgangoora Project during the year include:

**Table 1: Total ore mined and processed**

| | Units | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Total |
|---|---|---|---|---|---|---|
| **Ore mined** | *wmt* | 487,978 | 762,531 | 540,426 | 640,173 | 2,431,117 |
| **Waste mined** | *wmt* | 1,921,907 | 2,154,690 | 2,445,917 | 1,900,027 | 8,422,540 |
| **Total material mined** | *wmt* | 2,409,894 | 2,917,220 | 2,986,342 | 2,540,200 | 10,853,657 |
| **Ore processed** | *wmt* | 173,667[1] | 420,221 | 414,223 | 456,541 | 1,464,652 |

[1] A proportion of processed ore tonnes resulted in off-specification spodumene concentrate (approximately 5,074dmt) which is typical during the commissioning and process ramp-up phase. These tonnes will be either reprocessed or sold.

**Table 2: Production and shipments**

| | Units | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Total |
|---|---|---|---|---|---|---|
| **Direct Shipping Ore (DSO) sold** [1] | *wmt* | 205,766 | - | - | - | 205,766 |
| **Spodumene concentrate produced** | *dmt* | 11,015 | 47,859 | 52,196 | 63,752 | 174,952 |
| **Spodumene concentrate shipped** | *dmt* | - | 46,598 | 38,562 | 43,214 | 128,373 |
| **Tantalite concentrate produced** | *lb* | 22,151 | 56,663 | 33,374 | 67,075 | 180,077 |
| **Tantalite concentrate sold** | *lb* | 7,378 | 27,821 | 30,356 | 38,538[2] | 104,062 |

[1] The DSO program was suspended in Q2 FY19 and subsequently terminated.

[2] Sales estimates pending final assays results.

Since 1 April 2019, the Company has continued to undertake plant improvement projects in parallel with production activities including works to optimise the processing plant to increase both lithia recovery and throughput. The Company is targeting to achieve design lithia recovery rates of approximately 75%.

The Company's engineering, procurement and construction (EPC) contractor went into administration in November 2018 and subsequently liquidation. At the time, plant construction was mostly complete. The Company has since exercised its contractual 'step-in' rights to complete a series of outstanding rectification works, which has been funded from the contract bank guarantees.

## Pilgangoora Project expansion and partnering

During the year feasibility work was progressed on both the Stage 2 and 3 expansion projects that could incrementally increase the production capacity at the Pilgangoora Project from the current 2Mtpa capacity up to 7.5Mtpa.

In November 2018 the Board conditionally approved the Stage 2, 5Mtpa expansion, subject to securing the necessary approvals and balance of funding. This decision followed the completion in August 2018 of the Stage 2 DFS The Stage 2 expansion will be supported by offtake agreements with customers POSCO, Ganfeng Lithium and the Great Wall Motor Company. The timing of the Stage 2 expansion remains conditional on finalising approvals and funding, with delivery of product to be ultimately aligned with the requirements of customers.

In exchange for each customer accessing an additional 75,000tpa of Stage 2 product, Ganfeng Lithium provided an AU$50 million equity placement (completed in March 2019) and Great Wall Motor Company have committed to providing a US$25 million prepayment facility. It is contemplated that the design for Stage 2 will be engineered and built to allow for the potential Stage 3 expansion of up to 7.5Mtpa which will unlock future processing capacity.

Early project work on the engineering and procurement of long-lead items of capital equipment for Stage 2 commenced during the second half of the year. Commissioning of the Stage 2 project is indicatively targeted for the December 2020 half-year however, the delivery and timing of the Stage 2 expansion remains conditional on finalising funding and approvals, as well as ensuring alignment of the incremental Stage 2 production with the delivery requirements of the Company's customers.

The Company is also considering alternative project delivery strategies for Stage 2 that subdivide the capital investment and stage production growth to allow the Company to better utilise latent production capacity within the existing Stage 1 project to meet its customers' short-term delivery requirements. This approach will have the benefit of reducing the required investment in the near-term. Engineering studies considering these project delivery options are currently underway.

In March 2019 the Company released the outcomes of a scoping study to assess the merits of a Stage 3 expansion, from 5Mtpa to 7.5Mtpa, at the Pilgangoora Project. The study delivered strong economic results including a LOM project revenue of A$16.6B, a post-tax $NPV_{10\%}$ of A$3.73B and an average annual LOM cash operating cost of US$291/tonne CIF. An estimated incremental capital cost of A$225.83M (+/- 30%) would be required to deliver the proposed Stage 3 expansion.

If approved, the Stage 3 expansion would build off the current Stage 1 operation and the proposed Stage 2 expansion, through the construction of a parallel processing train. While the key process steps would remain unchanged, the build would involve the construction of an additional 2.5Mtpa crushing circuit to complement the combined 5Mtpa processing capacity of the Stage 1 and 2 circuits. A final investment decision and delivery schedule for Stage 3 will be dependent on further feasibility studies, market conditions, customer requirements and funding.

### Exploration and Ore Reserves

On 17 September 2018 the Company announced an increase of 35% in the JORC Ore Reserve estimate at the Pilgangoora project to 108.2 million tonnes (Mt) grading 1.25% $Li_2O$, 120ppa $Ta_2O_5$ and 1.17% $Fe_2O_3$. The new ore reserve was calculated based on the updated JORC Mineral Resource also delivered in September 2018 of 226.0Mt @ 1.27% $Li_2O$ containing an estimated 2.86Mt of $Li_2O$. The Mineral Resources used a cut-off of 0.2% $Li_2O$. The update in the mineral resource estimation supports the potential for further increase to meet future growth beyond Stage 2 and 3. Much of the Pilgangoora Project area remains under-explored and several recently identified target areas are showing potential for further resource growth.

**Pilgangoora Tantalum-Lithium Project JORC Ore Reserve Estimate**

| Category | Tonnage (Mt) | $Li_2O$ (%) | $Ta_2O_5$ (ppm) | $Fe_2O_3$ (%) | $Li_2O$ (Mt) | $Ta_2O_5$ (Mlbs) |
|---|---|---|---|---|---|---|
| Proved | 22.1 | 1.30 | 135 | 1.11 | 0.29 | 6.6 |
| Probable | 86.1 | 1.24 | 116 | 1.19 | 1.07 | 21.9 |
| | 108.2 | | | | | |

Notes:
1. Ore loss was estimated to be 10% of the convertible Measured and Indicated Mineral Resource.
2. The Ore Reserve estimate includes 6% of diluting material at zero grade for Li2O and Ta2O5.
3. The grade of Fe2O3 associated with waste rock dilution was estimated into a waste model using ordinary kriging and applied locally.
4. All Inferred Mineral Resource and unclassified mineral inventories within the mining envelope were treated as waste.
5. Oxidized mineralization was treated as waste.
6. The Lynas Find Pit and associated waste land forms are located on M45/1266, which is currently under application and expected to be granted in the near term. All other pits and landforms are located within existing granted mining leases held by Pilbara Minerals Ltd.
7. Totals may not add up due to rounding.
8. The Ore Reserve was estimated using the Net Smelter Return (NSR) method. The marginal economic cut-offs were estimated to be between $25-30 per tonne, depending on the distance from the process plant.

The Company completed its inaugural exploration program at Mt Francisco during the year resulting in a greatly improved understanding of the globally significant pegmatite system in the Pilgangoora district. Drilling intercepted multiple pegmatites with thicknesses ranging up to 30m. The pegmatites contain elevated levels of tantalum and lithium mineralisation, but geological logs and follow up sampling show that the lithium is associated with zinnwaldite and lepidolite. Whilst drilling to date has only focused on a relatively small portion of the Mt Francisco project area, numerous geological and surface geochemical targets remain untested with the Company's focus being on geology supporting spodumene occurrences. The Company has now satisfied the earn-in expenditure commitment and as a result increased its interest in the project from 51% to 70%. Future exploration will include a detailed assessment of the geology and analytical results prior to undertaking any further drilling.

During the year the Company also completed an extensive program of exploration, and strategic drilling at Pilgangoora with results continuing to demonstrate further exploration upside to the endowment of the Pilgangoora lithium-tantalum deposit. Drilling primarily focused on testing a selection of exploration targets outside the mine area with an additional objective to sterilise unexplored areas for potential infrastructure and materials handling. All up, a total of 98 holes were drilled for 10,725m. Drilling has returned a number of significant intersections, in particular along strike from the South End deposit with results including;

- 18m @ 1.62% $Li_2O$ and 145ppm $Ta_2O_5$ from 89m (PLS1289)
- 12m @ 1.80% $Li_2O$ and 74ppm $Ta_2O_5$ from 90m (PLS1291)
- 13m @ 1.26% $Li_2O$ and 58ppm $Ta_2O_5$ from 153m (PLS1293)
- 13m @ 1.71% $Li_2O$ and 53ppm $Ta_2O_5$ from 4m (PLS1299)

RC grade control drilling programs continued this year within the Central Pit and primarily in the Eastern area, with a total of 537 holes drilled for an advance of 20,756m. Average hole depth was 38 metres and the information gained from these programs has provided further confidence in the reserve base and will allow mining to continue in the current pits for an extended period before further RC grade control drilling is required.

The Company continued to make strong progress with its water exploration program with the discovery of a new borefield to the west of Pilgangoora during the year. A total of 50 exploration pilot holes were drilled of which 16 have been or will be developed into production bores. Pipelines, pumps and other infrastructure have been installed with extraction planned on receipt of regulatory approvals. The discovery of the supplementary water supply will add significantly to the overall water balance in support of current activities and future water requirements for project expansion(s).

### Corporate

In July 2018, the final drawdown of the US$100 million Nordic Bond facility for Stage 1 of the Pilgangoora Project was completed following the satisfaction of the cost to complete tests. The Company achieved project completion under the terms of the bond in January 2019.

In August 2018, the Company executed a US$15 million working capital facility and foreign exchange hedging facility with BNP Paribas to support risk and capital management initiatives during the Company's growth phase and the commissioning of the Stage 1 operation and the potential Stage 2 expansion. At 30 June 2019 this working facility remained undrawn.

In March 2019 the Company received a A$50 million equity placement from its offtake customer Ganfeng Lithium. This equity placement allowed Ganfeng Lithium to secure an additional offtake supply of 75,000tpa of spodumene concentrate from Stage 2 production. Ganfeng's total Stage 2 offtake agreement is now 150,000tpa of spodumene concentrate.

The Company also reached agreement with Great Wall Motor Company to provide a US$25 million prepayment facility in exchange for an additional 75,000tpa of offtake supply of spodumene concentrate from Stage 2 production. Great Wall Motor Company's total Stage 2 offtake agreement is 150,000tpa. The pre-payment facility is presently undrawn and remains conditional on securing the balance of funding for Stage 2.

Following completion of the Stage 3 scoping study in the March 2019 Quarter, the Company commenced a partnering process to consider Stage 3 offtake, further vertically integrated chemical facilities and the potential sale of a minority project level interest in the Pilgangoora Project of between 20% to 49%. As at the date of this report no agreement has been reach with any party and there is no certainty that any transaction will be completed. This partnering process does not include the Company's potential interest in the proposed POSCO JV for a ~40ktpa lithium hydroxide facility in South Korea.

### Review of financial conditions

The consolidated net loss for the year ended 30 June 2019 was $28.9 million (2018 loss $19.4 million). The loss included the following non-cash items:

- share based payment expense $2.2 million (2018: $4.6 million)
- depreciation and amortisation $4.3 million (2018: $1.5 million)
- unrealised foreign exchange loss of $6.5 million (2018: $6.4 million) largely related to the restatement of the USD denominated secured bond to AUD at the year end closing foreign exchange rate.

During the nine month period up to 31 March 2019 when the Pilgangoora operation was in pre-production commissioning and ramp up phase, all costs associated with the production of spodumene concentrate at the Pilgangoora Project (net of revenue derived from the sale of spodumene concentrate and inventory movements) were classified as project development costs and capitalised to the balance sheet accordingly. Following the declaration of commercial production effective 1 April 2019, all operating costs were either allocated to inventory or expensed to the statement of profit and loss.

At 30 June 2019 the Company had a cash balance of $63.6 million and a market capitalisation of $1.0 billion.

**Share Placements and Issues**

During the financial year, the Company issued the following shares, excluding options exercised, before costs:

| Date | No. of shares | Price per share ($) | Amount issued ($'000) |
|---|---|---|---|
| 26 March 19 | 77,663,871 | $0.64 | 50,000 |

**Options Issued**

During the financial year, the Company granted the following options:

| Option | Grant date | Exercise price | Expiry date | Vested | Options unexercised at 30 June 2019 |
|---|---|---|---|---|---|
| 2,000,000 | 28-Nov-18 | $0.93 | 21-Dec-21 | 1,333,333 [a] | 2,000,000 |
| 1,321,100 | 28-Nov-18 | $0.88 | 31-Dec-21 | - [b] | 1,321,100 |
| 1,783,485 | 21-Dec-18 | $0.88 | 31-Dec-21 | - [b] | 1,783,485 |

[a] The vesting conditions attached are:
- 33.33% vest on the date of allotment;
- 33.33% vest on 30 June 2019, subject to the Director remaining in service at that date; and
- 33.33% vest on 30 June 2020, subject to the Director remaining in service at that date.

[b] The vesting conditions attached are:
- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

**Performance Rights Issued**

During the financial year, the Company granted the following performance rights:

| Performance rights | Grant date | Expiry date | Vested |
|---|---|---|---|
| 271,493 | 28-Nov-18 | 30-Jun-21 | - [a] |
| 769,206 | 21-Dec-18 | 30-Jun-21 | - [a] |

[a] The vesting conditions attached are:
- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over a 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

## DIVIDENDS

The Directors recommend that no dividend be declared or paid.

## SIGNIFICANT CHANGES

There have been no changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report.

## EVENTS SUBSEQUENT TO REPORTING DATE

Other than as disclosed in this financial report, there has not been any matter or circumstance that has arisen since the end of the year which has significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

## ENVIRONMENTAL REGULATION

The Group holds all necessary approvals to undertake exploration, mining and construction and operation of the Pilgangoora Project and its associated activities. These approvals include conditions in relation to the protection of the environment through appropriate storage of dangerous substances, control of emissions, auditing and reporting obligations and the rehabilitation of disturbed land. The Group is committed to maintaining a high level of environmental performance and compliance with all regulations and obligations.

The Group reports emissions under the *National Greenhouse and Energy Reporting Act* and the *National Environmental Protection (National Pollutant Inventory) Measure*. The Group has developed data collection and management systems to support these reporting requirements. Water usage and efficiency is reported to State regulatory agencies, along with annual compliance reports for vegetation clearing, implementation of Mining Proposals and estimation of mine closure costs.

Following an internal review carried out in 2018 in relation to the Group's environmental approvals for the Pilgangoora Project, the Group implemented additional environmental management systems including compliance-specific training programs and the adoption of compliance and environmental monitoring databases. During the reporting period, the Group engaged with and submitted numerous reports and statements to the relevant regulatory authorities demonstrating compliance with all necessary licences and approval obligations. There have been no material breaches of the Groups licences during the reporting period and all mining, exploration and associated activities have been undertaken in accordance with the relevant environmental regulations.

## DIRECTORS INTERESTS

The relevant interest of each Director in the shares, rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

| Director | Pilbara Minerals Limited | | | |
|---|---|---|---|---|
| | Ordinary shares | Options over ordinary shares | | Performance rights |
| Anthony Kiernan | 287,858 | 8,000,000 | (i) | - |
| Steve Scudamore | 142,850 | 1,333,334 | (i) | - |
| Nicholas Cernotta | 156,570 | 2,000,000 | (ii) | - |
| Sally-Anne Layman | 88,600 | 2,000,000 | (iii) | - |
| Ken Brinsden | 7,838,165 | 1,321,100 | (iv) | - |

Vesting conditions attached to these options are set out in:
[i] footnote (c) of Note 2.2.2 to the Financial Statements.
[ii] footnote (f) of Note 2.2.2 to the Financial Statements.
[iii] footnote (g) of Note 2.2.2 to the Financial Statements.
[iv] footnote (h) of Note 2.2.2 to the Financial Statements.

## SHARE OPTIONS

At the date of this report, unissued shares of the Group under option are:

| Expiry date | Exercise price | Number of options |
|---|---|---|
| 08 September 2019[a] | $0.63 | 1,500,000 |
| 07 November 2019[b] | $0.55 | 500,000 |
| 17 November 2019[b] | $0.55 | 500,000 |
| 12 December 2019[c] | $0.63 | 9,333,334 |
| 31 August 2020[d] | $0.45 | 2,000,000 |
| 31 August 2020[e] | $0.45 | 750,000 |
| 08 December 2020[f] | $0.90 | 2,000,000 |
| 21 December 2021 [g] | $0.93 | 2,000,000 |
| 31 December 2021 [h] | $0.88 | 3,104,585 |

Vesting conditions attached to these options are set out in footnote (a) to (h) of Note 2.2.2 of the Financial Statements.

## PERFORMANCE RIGHTS

At the date of this report, unissued shares of the Group pursuant to performance rights issued under the Company's Employee Award Plan are:

| Date performance rights granted | Expiry date | Number of performance rights |
|---|---|---|
| 28 November 2018 [a] | 30 June 21 | 271,493 |
| 21 December 2018 [a] | 30 June 21 | 769,206 |

[(a)]Vesting conditions attached to these performance rights are set out in Note 2.2.2 of the Financial Statements.

Unless stated there are no other vesting conditions on options or performance rights on issue.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has agreed to indemnify current and past directors and officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not, during or since the financial period, indemnified or agreed to indemnify the auditor of the Company against a liability incurred as an auditor.

## INSURANCE PREMIUMS

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors, officers, and senior executives of the Company and its controlled entities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## NON-AUDIT SERVICES

KPMG provided non-audit services of $363 in the financial year ended 30 June 2019. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services did not compromise the auditor independence requirements of the *Corporations Act 2001* because none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 94 and forms part of the Directors' Report for the financial year ended 30 June 2019.

## ROUNDING OF AMOUNTS

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Instrument, amounts in the consolidated financial statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## AUDITED REMUNERATION REPORT

### a. Introduction

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements for Directors and other Key Management Personnel ("**KMP**") of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

The information provided in this Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, and the following sections have been audited in accordance with Section 308(3C) of the *Corporations Act 2001*.

The following were KMP of the Group during the financial year and unless otherwise indicated were KMP for the entire financial year:

| Non-Executive Directors | Executive Directors | Other KMP |
|---|---|---|
| Anthony Kiernan<br>Steve Scudamore<br>Nicholas Cernotta<br>Sally-Anne Layman | Ken Brinsden | Brian Lynn<br>Alex Eastwood<br>Dale Henderson |

Within this Remuneration Report reference to 'executive(s)' includes Executive Directors and other KMP.

## b. Role of remuneration and nomination committee

The Company has established a Remuneration and Nomination Committee under a formal charter which is comprised of independent Non-Executive Directors.

The role of the Remuneration and Nomination Committee is to advise the Board each year on remuneration arrangements for Executive Directors, Non-Executive Directors and other KMP in accordance with the Group's remuneration policy approved by the Board. Each year the Committee reviews and makes recommendations to the Board on such remuneration arrangements, including in relation to fixed remuneration for KMP, all awards by way of the long-term Incentives **(LTI)** under the Company's Employee Award Plan and the level of short-term incentives **(STI)**.

During the year ending 30 June 2019, the Remuneration and Nomination Committee consulted with Ernst and Young to obtain general information in relation to benchmarking executive remuneration against remuneration market data from comparator groups for S&P/ASX 200 companies based on comparable industry and market capitalisation. In addition, Ernst and Young were consulted on selecting a relative Total Shareholder Return **(TSR)** peer group in respect of the Company's long-term incentive remuneration framework. This did not involve providing the Committee with any remuneration recommendations as defined by the Corporations Act 2001. The total fees paid to Ernst and Young during the year to perform this work was $60,049 including GST.

Further information relating to the role of the Remuneration and Nomination Committee can be found in the Remuneration and Nomination Committee Charter on the Company's website.

## c. Executive Remuneration policy and framework

The Directors are responsible for ensuring that the remuneration arrangements of its executives are aligned with the Company's overall business strategy and shareholder interests.

As part of the FY2019 Executive Remuneration Framework, the Board determined that remuneration packages should include an appropriate balance of fixed remuneration and performance based remuneration. The Board considers reward for performance is market competitive and it is appropriate to align executive reward with the achievement of short-term and long-term strategic objectives to create and drive shareholder value.

The Board endeavours to ensure that the executive remuneration framework satisfies the following key criteria in line with appropriate corporate governance practices:

- attract, retain and motivate key executives at important stages of the Company's development linked to strategy, performance and shareholder return;
- reward executives against determined performance goals/targets to achieve successful and sustainable project development and operations;
- ensure effective benchmarking for total annual remuneration in accordance with market practices and clearly defined peer group of similar companies to ensure remuneration is fair and competitive;
- align executive interests with those of the Company's shareholders; and
- comply with applicable legal requirements and appropriate standards of governance.

**Elements of Executive Remuneration**

Executive remuneration packages for KMP each year comprise a mix of the following:

| | **Fixed Remuneration** | **Variable Remuneration**<br>Performance-based remuneration | |
|---|---|---|---|
| | | **Short-term Incentives (STIs)** | **Long term Incentives (LTIs)** |
| Includes: | Base salary, superannuation as guaranteed fixed element of remuneration | Cash bonuses or incentives subject to achievement of annual performance targets. | Annual grant of options and/or performance rights issued under the shareholder approved Employee Award Plan which vest over a long term vesting period subject to achievement of performance targets. |
| Objective: | To attract and retain talent | Reward shorter term performance. | Reward longer term performance that drives long-term strategic growth of the Company and delivers shareholder return.<br>Longer term retention of talent. |
| Purpose: | Provide competitive remuneration on or about the 50th percentile with benchmarking based on;<br>• company size and industry<br>• role complexity<br>• individual responsibility<br>• skills and experience | Achievement of a pre-defined set of shorter term (12-month period) performance targets that are linked to safety, production and cost. | Achievement of pre-defined longer-term performance targets linked to relative TSR and strategic objectives aligned with the Company's sustainable development and growth. |

**Targeted remuneration mix**

Market trends, strategic business objectives and shareholder interests as well as the experience, role and responsibilities of executives are considered each year when determining the mix of maximum remuneration for executives and how each component would drive desired outcomes. Based on these considerations, the target maximum remuneration components for executives for the 2019 financial year were as follows:

| Name | Fixed Remuneration | STI [1] | LTI [1] |
|---|---|---|---|
| Managing Director ("**MD**") and Chief Executive Officer ("**CEO**") | 100% | 100% | 100% |
| Other KMP | 100% | 60% | 60% |

[1] Calculated as a % of Fixed Remuneration comprising base salary and employer superannuation contributions.

In positioning the remuneration framework for KMP for FY2019, the Remuneration and Nomination Committee sought to create a performance based culture within the executive team of the Company. Fixed remuneration for KMP was therefore targeted at or about the 50th percentile with maximum total remuneration eligible to be received by executives (inclusive of performance based maximum STIs and LTIs) positioned to be aligned with the 50th to 75th percentile when compared to independent market surveys and the comparator groups in the S&P/ASX 200 based on comparable industry and market capitalisation of the Company.

## d. 2019 Executive Remuneration

**Overview**

In developing the remuneration framework for the 2019 financial year, the Remuneration and Nomination Committee and Board recognised that the executives had previously delivered a high level of performance with a strong track record of delivering value for shareholders.

It was considered that the remuneration framework for FY19 needed to be aligned to:

- ensure retention of executives;
- provide market competitive fixed and variable remuneration for a high level of performance;
- keep executive's highly motivated to continue to achieve outstanding performance and shareholder value;
- recognise the levels of responsibilities and accountabilities they assume;
- ensure continued growth in the Company; and
- be fit for purpose for an ASX 200 company as it moved into the operational phase of its asset life cycle.

For 2019, the primary focus of the remuneration framework was on concluding the construction and commissioning of the Pilgangoora Project and achieving the commencement of safe and sustainable operations in line with production and unit cost goals set for FY2019. The longer term objectives of the framework focused on ongoing growth including the successful achievement of the Stage 2 expansion and achievement of participation in downstream chemical processing opportunities, both of which continue to be actively pursued by the Company.

With the objective of creating a performance based culture and positioning the remuneration of the executives at an appropriate level relative to market data and comparator peer groups, the Remuneration and Nomination Committee and the Board sought to remunerate executives for their fixed remuneration at or around the 50th percentile and their maximum total remuneration (inclusive of both fixed and variable performance based remuneration) within the 50-75th percentile.

To that end, and in addition to having regard to market data provided in independent market surveys, the Company sought external advice from an independent remuneration consultant, Ernst & Young, on the overall design of the remuneration framework including market practices in relation to STIs and LTIs and general information in relation to benchmarking executive remuneration against market data from comparator groups for S&P/ASX 200 companies based on comparable industry and market capitalisation.

For the 2020 financial year, the Company has adopted a similar remuneration framework by setting a performance based culture with performance targets for STIs focusing on continued safe and sustainable operations with specific sales and production targets for the financial year. Longer term targets for LTIs have continued to focus on relative total shareholder return and strategic goals linked to sustainable growth and development. Fixed remuneration of executives and their the maximum entitlements to STIs and LTIs as a percentage of fixed remuneration has remained unchanged from FY2019.

Further details of the remuneration framework for executives for the 2019 financial year including fixed remuneration paid and awarded STIs and LTIs inclusive of performance targets and vesting conditions are set out below.

**Fixed Remuneration**

For the year ended 30 June 2019, the executives received fixed remuneration in the form of a base cash salary plus superannuation entitlements.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The nature and amount of fixed remuneration for executives depends on the nature of the role and market rates for the position, which are determined with the assistance of external advisors (where necessary), surveys and reports, taking into account the experience and qualifications of each individual. The Committee ensures that the remuneration paid to executives is consistent with market conditions and practices and demonstrates a correlation to performance and creation of value for shareholders. During FY2019 the fixed salary for executives was reviewed to bring them in line with the market based on comparator groups for S&P/ASX 200 companies with comparable industry and market capitalisation. Details of executives' fixed remuneration is outlined in section (g) executive contractual arrangements. For FY2020, it was determined that there will be no changes recommended for the fixed remuneration for executives.

**Short Term Incentives**

Subsequent to the year ended 30 June 2019, the Board determined to pay STI to the executives in recognition of achievements made against performance targets set for the 2019 financial year. The STIs were assessed on the following criteria outlined in the 2019 KMP Remuneration Framework:

- 30% weighting for Safety;
- 60% weighting for Production and Costs; and
- 10% weighting for Personal Leadership and Management Performance.

No STI was paid in relation to the performance target concerning production and cost as performance targets were not met.

During the 2019 financial year the Company achieved a TRIFR of 3.93 against a TRIFR stretch target of 3.50 (100% payable) and a target TRIFR of 4.0 (75% payable) with the STIs paid, on a pro rata basis, to executives for the achievement of a TRIFR between these targets.

STIs were paid to KMP in relation to their assessed personal leadership and management performance objective during the year.

The maximum STI available to executives is in accordance with the targeted remuneration mix outline in section (c).

As a result of the assessment of each executive's performance against these outcomes, for FY2019 the Board approved payment of the following STIs in the form of cash:

| Name | Position | Maximum STI ($) | Achieved STI ($) | Achieved STI (%)[1] |
|---|---|---|---|---|
| Ken Brinsden | MD and CEO | 600,000 | 186,300 | 31.1% |
| Brian Lynn | Chief Financial Officer | 270,000 | 90,585 | 33.6% |
| Alex Eastwood | General Counsel and Company Secretary | 270,000 | 90,585 | 33.6% |
| Dale Henderson | Chief Operating Officer | 270,000 | 90,585 | 33.6% |

% of STI achieved

**Long Term Incentives**

Vesting of LTIs under FY2018 Remuneration Framework

In FY2018 the Company granted 768,748 performance rights to executives under the FY2018 Remuneration Framework which had a 2 year vesting period and a vesting date of 30 June 2019.

The maximum value of LTIs awarded to executives under the FY2018 Remuneration Framework was at the time determined to be 60% of total remuneration for the MD and CEO and 40% of total fixed remuneration for other KMP.

The vesting of these FY2018 LTIs was subject to achievement of performance targets based on relative TSR and strategic objectives.

The LTI awards were payable in the form of a mix of cash bonuses (50%) and performance rights (50%) issued under the Company's shareholder approved Employee Awards Plan.

The performance targets set for these LTIs were based on:

- relative TSR measured against a defined peer group of companies based on for the 2 year measurement period with vesting to occur between the 50th and 85th percentile (50% weighting) (**TSR Performance Target**); and
- performance targets based on project and strategic objectives of the Company relevant to the development of the Pilgangoora Project (50% weighting) (**Strategic Performance Targets**).

At the time of their grant in 2017, the Company was considered to be at a crucial stage of development of the Pilgangoora Project. It was therefore considered appropriate to adopt a 2 year vesting period to ensure executives were retained and adequately motivated to achieve very specific and more 'shorter term' objectives required for the successful development of the Pilgangoora Project. This was a "one off" grant of LTIs on this basis and the subsequent remuneration frameworks for FY2019 and FY2020 adopted LTIs with longer 3 year vesting periods.

TSR Performance Target (50% weighting):
The TSR peer group for these LTIs was determined by the Remuneration and Nomination Committee at the beginning of FY2018 and was based on companies which at the time were of similar industry, size and life cycle to the Company. Companies in the peer group included: Altura Mining Limited, Galaxy Resources, Kidman Resources Limited, Western Areas Limited, Orocobre Limited, Neometals Limited, Metals X Limited, BC Iron Limited, Gold Road Resources, Dacian Gold Limited, Beadell Resources and Blackham Resources Limited.

In accordance with the terms of these LTIs the vesting of awards based on satisfaction of the relative TSR performance target was calculated as follows:

- if the Company's relative TSR was below the 50th percentile, none of the relevant cash bonuses or performance rights vest; or
- if the Company's relative TSR was in the 50th percentile or higher, the relevant cash bonuses or performance rights will vest according to a pro rata linear scale whereby:
- if the Company's TSR was at the 50th percentile, 50% of the relevant cash bonuses and performance rights vest; and
- if the Company's TSR was at the 85th percentile or higher, 100% of the relevant cash bonuses and performance rights vest.

Post 30 June 2019, the Company's relative TSR for the 2 year measurement period was independently determined to be 43.42% which was approximately in the 82nd percentile of the defined TSR peer group. Applying the TSR linear scale, for each executive, 95.7% of the maximum awards in cash bonuses (50%) and performance rights (50%) for the TSR performance target was achieved and will be paid out to the executive's post 30 June 2019.

For any future LTI awards based on relative total shareholder return, the Company proposes to introduce positive EBITDA as a vesting requirement. This will be introduced in future executive remuneration frameworks.

Strategic Performance Targets (50% weighting):
In relation to the vesting of LTIs issued to executives under the FY2018 Remuneration Framework, targets were also set for each executive in relation to the following strategic objectives:

- the shipment of stage 1 tonnes achieves FY19 budget (weighting 20%)
- Stage 1 being funded to first production (weighting 10%)
- completion of Stage 2 definitive feasibility study (DFS), offtake, final investment decision and funding (weighting 10%)
- Stage 1 production and specifications against FY19 budget (weighting 5% to 10%)
- diversify customer sales (weighting 5%)
- downstream processing initiatives (weighting 5%)

The specific performance targets and weighting varied across each executive depending on their 'line of sight' over these objectives and their respective roles and responsibilities.

Post 30 June 2019 and as a result of the assessment of each executives performance against these strategic objectives, the Board has approved payment of the following LTIs in the form of cash bonuses (50%) and ordinary fully paid shares in the Company (upon vesting and conversion of performance rights on a 1 for 1 basis) (50%):

| Name | Maximum | | Achieved | | |
|---|---|---|---|---|---|
| | 50% cash $ | 50% ordinary shares | 50% cash $ | 50% ordinary | LTI (%) |
| Ken Brinsden | 147,825 | 317,221 | 103,995 | 223,165 | 70% |
| Brian Lynn | 71,175 | 152,737 | 51,851 | 111,269 | 73% |
| Alex Eastwood | 71,175 | 152,737 | 51,851 | 111,269 | 73% |
| Dale Henderson | 68,400 | 146,781 | 48,974 | 105,095 | 72% |
| | 358,575 | 769,476 | 256,671 | 550,798 | |

Options and Performance Rights Granted under FY2019 Remuneration Framework

During the year ended 30 June 2019 an annual grant of performance based LTIs were awarded to executives under the FY2019 Remuneration Framework in the form of options and performance rights under the Company's shareholder approved Employee Awards Plan.

The LTIs were issued to executives on the following basis:

- the maximum dollar value of LTIs awarded to KMP was determined to be 100% of total remuneration for the MD and CEO and 60% of total fixed remuneration for other KMP;

- the LTIs will vest subject to pre-determined and weighted performance conditions which are measured over a 3 year vesting period beginning 1 July 2018 and ending 30 June 2021; and
- Subject to vesting, LTI payments will comprise a mix of 60% options and 40% performance rights.

3,104,585 unlisted options and 638,006 performance rights over ordinary shares in the Company were granted to executives during the year under the Company's Employee Award Plan.

The awards were issued to executive's subject to achievement of the following conditions to be measured over the 3 year vesting period:

- 50% weighting towards relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies; and
- 50% weighting on performance conditions aligned to longer term project and strategic objectives of the Company as follows;
  - 30% weighting towards sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure, and
  - 20% weighting towards participation in a downstream processing opportunity at a level satisfactory to the Board.

None of these options and performance rights were eligible for vesting in the 2019 financial year.

Further details of fixed remuneration paid, STI bonuses, options and performance rights are detailed in the Directors and Executive Officers Remuneration table in section (i) for the years ended 30 June 2018 and 30 June 2019.

## e. Assessing performance and clawback of remuneration

The Board is responsible for assessing executive's performance against vesting conditions and determining the STI and LTI components to be paid based upon reports from management, market conditions and Company performance.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may in its discretion cancel or defer performance-based remuneration and may also clawback performance-based remuneration paid in previous financial years.

## f. Consequences of performance on shareholder wealth

Executive remuneration is aimed at aligning the strategic and business objectives with the creation of shareholder wealth and return. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Profit/(loss) for the year attributable to owners of Pilbara Minerals Limited ($'000) | (28,932) | (19,415) | (25,954) | (55,607) | (6,620)* |
| Basic earnings/(loss) per share (cents) | (1.63) | (1.19) | (2.11) | (6.76) | (1.12)* |
| Dividend payments ($'000) | - | - | - | - | - |
| Share price - 30 June | $0.55 | $0.87 | $0.38 | $0.62 | $0.11 |
| Increase/(decrease) in share price (%) | (37.4) | 128.9 | (38.7) | 463.6 | 452.6 |

* Restated for the change in exploration and evaluation accounting policy.

## g. Executive contractual arrangements

The agreements relating to remuneration and other terms of employment for the executives are set out below.

| | K Brinsden Managing Director/ Chief Executive Officer | B Lynn Chief Financial Officer | A Eastwood Company Secretary & General Counsel | D Henderson Chief Operations Officer |
|---|---|---|---|---|
| Total fixed remuneration per annum inclusive of superannuation | $600,000 | $450,000 | $450,000 | $450,000 |
| Resignation notice | 16 weeks | 16 weeks | 12 weeks | 12 weeks |
| Termination notice for cause | None | None | None | None |
| Termination notice without cause | 12 months | 12 months | 6 months | 6 months |
| Termination in case of illness or injury or incapacity | Greater of 1 month or NES | Greater of 1 month or NES | Greater of 1 month or NES | Greater of 1 month or NES |
| Redundancy* | NES | NES | NES | NES |

* Any payment made to the Executive in lieu of notice is set off against National Employment Standards (NES).

## h. Non-executive director remuneration

Fees and payments to the Non-Executive Directors reflect the demands made, and the responsibilities placed on the Non-Executive Directors. Non-executive director fees and payments are reviewed annually by the Remuneration and Nomination Committee and Board taking into account comparable roles and market data.

The maximum annual aggregate directors' fee pool limit is currently set at $750,000 and was approved by shareholders at the annual general meeting on 24 November 2016. No changes are currently proposed for FY2020.

The Board reviewed the Chairman's fee and Committee fees with effect from 1 July 2018.

| | From 1 July 2018 $ | From 1 July 2017 $ |
|---|---|---|
| **Base fees (annual)** | | |
| Non-Executive Chairman | 170,000 | 150,000 |
| Other Non-Executive Directors | 100,000 | 70,000 |
| **Committee Fees (annual)** | | |
| Chairperson of Committee | 10,000 | 10,000 |
| Member of Committee | 7,500 | 5,000 |

Fees for Non-Executive Directors are not linked to performance of the Company.

Other than Ms Sally-Anne Layman who was issued 2,000,000 options on 28 November 2018 following receipt of shareholder approval, there were no options or other equity-based instruments issued to Non-Executive Directors in the relevant period. The options issued to Ms Sally-Anne Layman are not subject to performance related conditions but vest in 3 tranches over a 3 year vesting period subject to remaining in service as a Non-Executive Director.

## i. Directors' and Executive Officers' Remuneration

Details of the remuneration of the KMP of the Group for the 2018 and 2019 financial years are set out in the following tables.

| | | Fixed Remuneration | | | Variable Remuneration | | | | Total | Performance Related Remuneration % |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary and fees | Annual and long service leave | Post-employment benefit | Non-performance shares[A] | Performance shares[B] | STI Cash Payment[C] | LTI Cash Payment[D] | | |
| **Non-Executive Directors** | | | | | | | | | | |
| Anthony Kiernan | 2019 | 155,251 | - | 14,749 | 217,378 | - | - | - | 387,378 | 0% |
| | 2018 | 136,986 | - | 13,014 | 845,958 | - | - | - | 995,958 | 0% |
| Steve Scudamore | 2019 | 107,306 | - | 10,194 | 54,344 | - | - | - | 171,844 | 0% |
| | 2018 | 77,626 | - | 7,374 | 211,490 | - | - | - | 296,490 | 0% |
| Nicholas Cernotta | 2019 | 107,306 | - | 10,194 | 175,458 | - | - | - | 292,958 | 0% |
| | 2018 | 77,626 | - | 7,374 | 666,742 | - | - | - | 751,742 | 0% |
| Sally-Anne Layman | 2019 | 107,607 | - | - | 451,419 | - | - | - | 559,026 | 0% |
| | 2018 | 13,111 | - | 1,364 | - | - | - | - | 14,475 | 0% |
| John Young[1] | 2019 | - | - | - | - | - | - | - | - | 0% |
| | 2018 | 53,273 | - | 5,061 | - | - | - | - | 58,334 | 0% |
| Neil Biddle[2] | 2019 | - | - | - | - | - | - | - | - | 0% |
| | 2018 | 4,892 | - | - | - | - | - | - | 4,892 | 0% |
| **Executive Directors** | | | | | | | | | | |
| Ken Brinsden | 2019 | 579,469 | 69,124 | 20,531 | - | 475,108 | 186,300 | 37,474 | 1,368,006 | 51% |
| | 2018 | 472,701 | 26,768 | 20,049 | - | 848,288 | 295,650 | 66,521 | 1,729,977 | 70% |
| **Other KMP** | | | | | | | | | | |
| Brian Lynn | 2019 | 429,469 | 33,853 | 20,531 | - | 178,082 | 90,585 | 19,822 | 772,342 | 37% |
| | 2018 | 335,826 | 14,040 | 20,049 | - | 392,921 | 142,350 | 32,029 | 937,215 | 61% |
| Alex Eastwood | 2019 | 429,469 | 22,640 | 20,531 | - | 142,431 | 90,585 | 19,822 | 725,478 | 35% |
| | 2018 | 335,826 | 10,304 | 20,049 | - | 291,619 | 142,350 | 32,029 | 832,177 | 56% |
| Dale Henderson | 2019 | 429,469 | 22,794 | 20,531 | - | 105,359 | 90,585 | 19,049 | 687,787 | 31% |
| | 2018 | 313,794 | 898 | 16,707 | - | 224,307 | 136,311 | 29,925 | 721,942 | 54% |
| **Total Directors and KMP remuneration** | | | | | | | | | | |
| | **2019** | **2,345,346** | **148,411** | **117,261** | **898,599** | **900,980** | **458,055** | **96,167** | **4,964,819** | **29%** |
| | **2018** | **1,821,661** | **52,010** | **111,041** | **1,724,190** | **1,757,135** | **716,661** | **160,504** | **6,343,202** | **42%** |

[A] Non-performance shares only have service based conditions. The amount disclosed in the table above relates to the non-cash value ascribed to share options under Australian Accounting Standards using the Black Scholes option valuation methodology.

[B] The amount disclosed in the table above relates to the non-cash value ascribed to share options and performance rights under Australian Accounting Standards using the Black Scholes and Monte Carlo valuation methodologies.

[C] 2019 STI cash bonuses relate to those declared for FY2019 but paid subsequent to the year ended 30 June 2019.

[D] Relates to the 2018 LTI cash bonuses accrued in FY2018 and FY2019. The bonuses will be determined subject to satisfying performance conditions at the end of the vesting period (30 June 2019) and paid subsequent to the year ended 30 June 2019.

[1] Mr Young resigned as an Executive Director on 31 July 2017 and subsequently resigned as Non-Executive Director on 20 April 2018.

[2] Mr Biddle resigned as Non-Executive Director on 26 July 2017.

## j. Equity Instruments

**Share Based Payment Expense**

Details of the share based payment expense for the KMP of the Group for the year ending 30 June 2019 is shown in the table below:

| | Year of Grant | Equity Options | Performance Rights | Non-performance | Performance | | |
|---|---|---|---|---|---|---|---|
| | | No. | No. | Equity Options ($) | Equity Options ($) | Performance Rights ($) | Total ($) |
| Anthony Kiernan | 2017 | 8,000,000 | - | 217,378 | - | - | - |
| Steve Scudamore | 2017 | 1,333,334 | - | 54,344 | - | - | - |
| Nicholas Cernotta | 2018 | 2,000,000 | - | 175,458 | - | - | - |
| Sally-Anne Layman | 2019 | 2,000,000 | - | 451,419 | - | - | - |
| Ken Brinsden | 2016 | 15,000,000 | - | - | 253,339 | - | 253,339 |
| | 2018 | - | 316,922 | - | - | 93,479 | 93,479 |
| | 2019 | 1,321,100 | 271,493 | - | 84,670 | 43,620 | 128,290 |
| | | | | | | | **475,108** |
| Brian Lynn | 2017 | 6,000,000 | - | - | 90,029 | - | 90,029 |
| | 2018 | 375,000 | 152,592 | - | 12,818 | 46,311 | 59,129 |
| | 2019 | 594,495 | 122,171 | - | 17,094 | 11,830 | 28,924 |
| | | | | | | | **178,082** |
| Alex Eastwood | 2017 | 4,000,000 | - | - | 54,378 | - | 54,378 |
| | 2018 | 375,000 | 152,592 | - | 12,818 | 46,311 | 59,129 |
| | 2019 | 594,495 | 122,171 | - | 17,094 | 11,830 | 28,924 |
| | | | | | | | **142,431** |
| Dale Henderson | 2018 | 2,000,000 | 146,642 | - | 34,182 | 42,253 | 76,435 |
| | 2019 | 594,495 | 122,171 | - | 17,094 | 11,830 | 28,924 |
| | | | | | | | **105,359** |
| **Total** | | **44,187,919** | **1,406,754** | **898,599** | **593,516** | **307,464** | **900,980** |

**Options over Equity Instruments granted as Compensation Instruments**

All options refer to unlisted options over ordinary shares in the Company, which are exercisable on a one-for-one basis under the Employee Award Plan which was approved by shareholders on 25 January 2017.

Details on unlisted options over ordinary shares in the Company that were granted as compensation to each KMP during the financial year are as follows:

| | No. of options granted during the year | Grant date | Fair value per option at grant date | Exercise price per option | Expiry date | No. of options vested during the year |
|---|---|---|---|---|---|---|
| Sally-Anne Layman[1] | 2,000,000 | 28-Nov-18 | $0.271 | $0.93 | 21-Dec-21 | 1,333,333 |
| Ken Brinsden[2] | 660,550 | 28-Nov-18 | $0.270 | $0.88 | 31-Dec-21 | - |
| Ken Brinsden[2] | 660,550 | 28-Nov-18 | $0.289 | $0.88 | 31-Dec-21 | - |
| Brian Lynn[2] | 297,248 | 21-Dec-18 | $0.121 | $0.88 | 31-Dec-21 | - |
| Brian Lynn[2] | 297,247 | 21-Dec-18 | $0.130 | $0.88 | 31-Dec-21 | - |
| Alex Eastwood[2] | 297,248 | 21-Dec-18 | $0.121 | $0.88 | 31-Dec-21 | - |
| Alex Eastwood[2] | 297,247 | 21-Dec-18 | $0.130 | $0.88 | 31-Dec-21 | - |
| Dale Henderson[2] | 297,248 | 21-Dec-18 | $0.121 | $0.88 | 31-Dec-21 | - |
| Dale Henderson[2] | 297,247 | 21-Dec-18 | $0.130 | $0.88 | 31-Dec-21 | - |

[1] The vesting conditions attached to these unlisted options are as follows:

- 33.33% vest on the date allotment;
- 33.33% vest on 30 June 2019, subject to not having ceased to be a Director at that date; and
- 33.33% vest on 30 June 2020, subject to not having ceased to be a Director at that date.

[2] The vesting conditions attached to these unlisted options are as follows:

- 50% based on relative Total Shareholder Return (TSR) ranking (between the 50th to 85th percentile) of the Company over the vesting period relative to the performance of the nominated peer group;
- 30% vest upon a Board determination in respect of the sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure.; and
- 20% based upon a Board determination in respect of participation in a downstream processing opportunity at a level satisfactory to the Board.

The exercise price of the options issued to Ms Sally-Anne Layman during the year ended 30 June 2019 of 93 cents was based on the Volume Weighted Average Share Price ("**VWAP**") for the 30-day period ending 30 September 2018, and represented a 14.3% premium to the closing share price on the date the Board approved the grant of option, subject to obtaining shareholder approval.

The exercise price of the options issued to other KMP during the year ended 30 June 2019 of 88 cents represented the VWAP for the 1st quarter of FY2019 being the period from 1 July 2018 to 30 September 2018.

**Fair value of options granted**

All options issued as compensation to KMPs are non-cash in nature. They are valued using the Black Scholes option valuation methodology which calculates an implied value for each option based on the Company's share price volatility, the risk-free rate of return, the life of the option, the Company's share price at the grant date and the option exercise price. The model inputs for the options granted during the year include:

| | Options expiring 21 December 2021 | Options expiring 31 December 2021 | Options expiring 31 December 2021 |
|---|---|---|---|
| Exercise price | $0.930 | $0.884 | $0.884 |
| Grant date | 28-Nov-18 | 28-Nov-18 | 21-Dec-18 |
| Expiry date | 21-Dec-21 | 31-Dec-21 | 31-Dec-21 |
| Share price at grant date | $0.84 | $0.84 | $0.58 |
| Expected volatility of the Company's shares | 50% | 50% | 50% |
| Expected dividend yield | 0% | 0% | 0% |
| Risk-free interest rate | 2.09% | 2.09% | 1.90% |

**Exercise of Options granted as Compensation Instruments**

During the year, the following ordinary shares were issued on the exercise of unlisted options previously granted as compensation.

| | No. of shares | Amount paid per share |
|---|---|---|
| Ken Brinsden | 15,000,000 | $0.40 |
| Brian Lynn[1] | 1,335,320 | $0.00 |
| Alex Eastwood[2] | 890,213 | $0.00 |

[1] Exercised 6,000,000 options under the cashless exercise facility available under the Company's Employee Award Plan
[2] Exercised 4,000,000 options under the cashless exercise facility available under the Company's Employee Award Plan

There are no amounts unpaid on any ordinary shares issued as a result of the exercise of unlisted options during the 2019 financial year.

**Performance Rights over Equity Instruments granted as Compensation Instruments**

Details on performance rights over ordinary shares in the Company that were granted as LTI compensation to each KMP and details on performance rights that vested during the reporting period are shown in the table below:

| 2019 | No. of performance rights granted | Grant date[1] | Fair value per performance right at grant date | Expiry date | No. of performance rights vested |
|---|---|---|---|---|---|
| Ken Brinsden | 135,747 | 28-Nov-18 | $0.840 | 30-Jun-21 | - |
| Ken Brinsden | 135,747 | 28-Nov-18 | $0.628 | 30-Jun-21 | - |
| Brian Lynn | 61,086 | 21-Dec-18 | $0.580 | 30-Jun-21 | - |
| Brian Lynn | 61,085 | 21-Dec-18 | $0.349 | 30-Jun-21 | - |
| Alex Eastwood | 61,086 | 21-Dec-18 | $0.580 | 30-Jun-21 | - |
| Alex Eastwood | 61,085 | 21-Dec-18 | $0.349 | 30-Jun-21 | - |
| Dale Henderson | 61,086 | 21-Dec-18 | $0.580 | 30-Jun-21 | - |
| Dale Henderson | 61,085 | 21-Dec-18 | $0.349 | 30-Jun-21 | - |

[1] In relation to Mr Brinsden, these performance rights were approved by shareholders on 28 November 2018

As disclosed above, 50% of the performance rights will vest based on relative TSR as measured against a defined peer group and 50% will vest on the achievement of performance conditions linked to the Company's strategic objectives. The performance rights were provided at no cost and expire on the earlier of the expiry date or termination of the KMP's employment.

**Fair value of performance rights granted**

All performance rights issued as compensation to KMPs are non-cash in nature. They are valued using the Monte Carlo simulation model (market based conditions) and the Black Scholes option valuation methodology (non-market based conditions) that takes into account the term of performance rights, the share price at grant date and expected volatility of the underlying performance right, the expected dividend yield, the risk free rate for the term of the performance right and the correlations and volatilities of the peer companies. The model inputs for the performance rights granted during the year include:

| | Executive Director | Other KMP |
|---|---|---|
| | Performance rights granted | Performance rights granted |
| Exercise price | - | - |
| Grant date | 28-Nov-18 | 21-Dec-18 |
| Expiry date | 30-Jun-21 | 30-Jun-21 |
| Share price at grant date | $0.84 | $0.58 |
| Expected volatility of the | 50% | 50% |
| Expected dividend yield | 0% | 0% |
| Risk-free interest rate | 2.09% | 1.90% |

**Details of Equity Incentives affecting Current and Future Remuneration**

Details of vesting profiles of the unlisted options and performance rights held by each KMP of the Group as at 30 June 2019 are detailed below.

| | Instrument | No. of instruments | Grant date | % vested in year | % forfeited in year [1] | Financial year in which grant vests |
|---|---|---|---|---|---|---|
| Anthony Kiernan | Options | 8,000,000 | 24-Nov-16 | 33.33% | 0% | 2017, 2018 and 2019 |
| Steve Scudamore | Options | 1,333,334 | 24-Nov-16 | 33.33% | 0% | 2017, 2018 and 2019 |
| Nicholas Cernotta | Options | 2,000,000 | 23-Nov-17 | 33.33% | 0% | 2018 and 2019 |
| Sally-Anne Layman | Options | 2,000,000 | 28-Nov-18 | 66.67% | 0% | 2019 and 2020 |
| Ken Brinsden | Options | 1,321,100 | 28-Nov-18 | 0% | 0% | 2021 |
| | Performance Rights | 316,922 | 23-Nov-17 | 70% | 30% | 2019 |
| | Performance Rights | 271,493 | 28-Nov-18 | 0% | 0% | 2021 |
| Brian Lynn | Options | 375,000 | 01-Sep-18 | 50% | 0% | 2019 |
| | Options | 594,495 | 21-Dec-18 | 0% | 0% | 2021 |
| | Performance Rights | 152,592 | 11-May-18 | 73% | 27% | 2019 |
| | Performance Rights | 122,171 | 21-Dec-18 | 0% | 0% | 2021 |
| Alex Eastwood | Options | 375,000 | 01-Sep-18 | 50% | 0% | 2019 |
| | Options | 594,495 | 21-Dec-18 | 0% | 0% | 2021 |
| | Performance Rights | 152,592 | 11-May-18 | 73% | 27% | 2019 |
| | Performance Rights | 122,171 | 21-Dec-18 | 0% | 0% | 2021 |
| Dale Henderson | Options | 2,000,000 | 01-Sep-17 | 100% | 0% | 2019 |
| | Options | 594,495 | 21-Dec-18 | 0% | 0% | 2021 |
| | Performance Rights | 146,642 | 11-May-18 | 72% | 28% | 2019 |
| | Performance Rights | 122,171 | 21-Dec-18 | 0% | 0% | 2021 |

1 The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to performance criteria not being achieved.

**Analysis of Movements in Equity Instruments**

The number and total fair value of unlisted options and performance rights over ordinary shares in the Company granted during the reporting period is detailed below.

| | Options | | Performance Rights | |
|---|---|---|---|---|
| | Options granted in the year | Fair value of options granted in year [1] ($) | Performance Rights granted in year | Fair value of performance rights granted in the year [1] ($) |
| Sally-Anne Layman | 2,000,000 | 542,000 | - | - |
| Ken Brinsden | 1,321,100 | 369,247 | 271,493 | 199,276 |
| Brian Lynn | 594,495 | 74,609 | 122,171 | 56,748 |
| Alex Eastwood | 594,495 | 74,609 | 122,171 | 56,748 |
| Dale Henderson | 594,495 | 74,609 | 122,171 | 56,748 |

1 The value of options and maximum value of performance rights granted during the year is the fair value of the unlisted options and performance rights calculated at grant date. These amounts are allocated to remuneration over their applicable vesting periods.

**Unlisted Options over Equity Instruments**

The movement during the current financial year, by number of unlisted options over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

| | Held at 1-Jul-18 | Granted as compensation | Exercised/ transferred | Held at 30-Jun-19 | Vested during the year |
|---|---|---|---|---|---|
| Anthony Kiernan | 8,000,000 | - | - | 8,000,000 | 2,666,667 |
| Steve Scudamore | 1,333,334 | - | - | 1,333,334 | 666,667 |
| Nicholas Cernotta | 2,000,000 | - | - | 2,000,000 | 666,667 |
| Sally-Anne Layman | - | 2,000,000 | - | 2,000,000 | 1,333,333 |
| Ken Brinsden | 15,000,000 | 1,321,100 | (15,000,000) | 1,321,100 | 5,000,000 |
| Brian Lynn | 6,375,000 | 594,495 | (6,000,000) | 969,495 | 2,375,000 |
| Alex Eastwood | 4,375,000 | 594,495 | (4,000,000) | 969,495 | 1,708,334 |
| Dale Henderson | 2,000,000 | 594,495 | - | 2,594,495 | 2,000,000 |

### Key Management Personnel Transactions

### Movements in Shares

The movement during the current financial year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

| | Held at 1 July 2018 | Received on exercise of options | Other changes[1] | Held at 30 June 2019 |
|---|---|---|---|---|
| Anthony Kiernan | 287,858 | - | - | 287,858 |
| Steve Scudamore | 142,850 | - | - | 142,850 |
| Nicholas Cernotta | 156,570 | - | - | 156,570 |
| Sally-Anne Layman | - | - | 88,600 | 88,600 |
| Ken Brinsden | 869,565 | 15,000,000 | (8,254,565) | 7,615,000 |
| Brian Lynn | 293,865 | 1,335,320 | (597,045) | 1,032,140 |
| Alex Eastwood | 280,876 | 890,213 | (680,876) | 490,213 |
| Dale Henderson | - | - | - | - |

[1] Other changes represent shares that were purchased or sold during the year or shares held by KMP who resigned in the year.

End of Audited Remuneration Report.

### COMPETENT PERSONS STATEMENTS

The information in this report that relates to Exploration Results and Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr John Holmes (Exploration Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Holmes is a member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Holmes consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to Mineral Resources is based on and fairly represents information compiled by Mr Lauritz Barnes, (Consultant with Trepanier Pty Ltd) and Mr John Holmes (Exploration and Geology Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Barnes is a member of the Australasian Institute of Mining and Metallurgy and Mr Holmes is a member of the Australasian Institute of Geoscientists and both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barnes and Mr Holmes consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

The information in this report that relates to Ore Reserves is based upon information and supporting documentation prepared by Mr Kim Russell (Technical Manager – Mining of Pilbara Minerals Limited) and mine planning work compiled by Mr Glen Williamson (Principal Consultant of AMC). Mr Russell is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Williamson is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Russell and Mr Williamson consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

**Note for Exploration Targets:** Any discussion in relation to Exploration Targets including potential quantity and grade are conceptual in nature. There has been insufficient exploration to define a mineral resource in addition to the current JORC compliant Mineral Resources and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

This Directors' Report is made out in accordance with a resolution of the directors:

Anthony Kiernan
**Chairman**

Dated this 22nd day of August 2019

KPMG

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Pilbara Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Pilbara Minerals Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

R Gambitta
Partner

Perth

22 August 2019





# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

Pilbara Minerals

| | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Revenue from contracts with customers | 2.1.1 | 42,785 | 10,188 |
| Cost of sales | 2.1.2 | (36,581) | (6,213) |
| **Gross profit** | | **6,204** | **3,975** |
| Other income | | 570 | 1,157 |
| **Expenses** | | | |
| General and administration expense | | (14,906) | (9,889) |
| Exploration costs expensed | 2.2.1 | (8,000) | (7,367) |
| Depreciation and amortisation expense | | (179) | (151) |
| Share based payment expense | 2.2.2 | (2,229) | (4,630) |
| **Operating loss** | | **(18,540)** | **(16,905)** |
| Finance income | | 1,586 | 6,704 |
| Finance costs | | (11,978) | (9,214) |
| **Net financing costs** | 2.3 | **(10,392)** | **(2,510)** |
| **Loss before income tax expense** | | **(28,932)** | **(19,415)** |
| Income tax expense | 2.6 | - | - |
| **Net loss for the period** | | **(28,932)** | **(19,415)** |
| **Other comprehensive income** | | | |
| Changes in the fair value of other financial assets | | - | 3,975 |
| Other financial assets reclassified to profit or loss on disposal | | - | (3,975) |
| | | **-** | **-** |
| **Total comprehensive loss for the period** | | **(28,932)** | **(19,415)** |
| Basic and diluted loss per share for the period (cents per share) | 2.7 | (1.63) | (1.19) |

The notes on pages 99 to 136 are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4.1.1 | 63,576 | 119,978 |
| Restricted cash | 4.1.1 | - | 12,308 |
| Trade and other receivables | 4.2 | 11,087 | 12,807 |
| Inventories | 4.3 | 51,197 | 7,543 |
| **Total current assets** | | **125,860** | **152,636** |
| **Non-current assets** | | | |
| Property, plant, equipment and mine properties | 3.1 | 433,948 | 372,985 |
| Deferred exploration and evaluation expenditure | 3.2 | 6,401 | 6,361 |
| Inventories | 4.3 | 16,062 | - |
| **Total non-current assets** | | **456,411** | **379,346** |
| **Total assets** | | **582,271** | **531,982** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 4.4 | 48,146 | 49,733 |
| Provisions | 3.3 | 1,953 | 867 |
| Borrowings | 5.2 | 8,912 | 177 |
| **Total current liabilities** | | **59,011** | **50,777** |
| **Non-current liabilities** | | | |
| Provisions | 3.3 | 16,523 | 6,997 |
| Borrowings | 5.2 | 130,087 | 130,965 |
| **Total non-current liabilities** | | **146,610** | **137,962** |
| **Total liabilities** | | **205,621** | **188,739** |
| **Net assets** | | **376,650** | **343,243** |
| **Equity** | | | |
| Issued capital | 5.1 | 479,720 | 419,610 |
| Reserves | 5.1 | 9,216 | 18,924 |
| Retained earnings | | (112,286) | (95,291) |
| **Total equity** | | **376,650** | **343,243** |

The notes on pages 99 to 136 are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

| | Notes | Issued Capital $'000 | Share-based payment reserve $'000 | Investment revaluation reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2017** | | 261,756 | 32,502 | - | (94,084) | 200,174 |
| Loss for the period | | - | - | - | (19,415) | (19,415) |
| Other comprehensive income | | - | - | 3,975 | - | 3,975 |
| Assets reclassified to profit or loss | | - | - | (3,975) | - | (3,975) |
| **Total comprehensive income/(loss) for the period** | | - | - | - | (19,415) | (19,415) |
| Issue of ordinary shares | 5.1.1 | 139,910 | - | - | - | 139,910 |
| Share issue costs | 5.1.1 | (2,026) | - | - | - | (2,026) |
| Option conversions | 5.1.1 | 19,970 | - | - | - | 19,970 |
| Issue of options and performance rights | 5.1.2 | - | 4,630 | - | - | 4,630 |
| Transfer on conversion of options | 5.1.2 | - | (18,208) | - | 18,208 | - |
| **Balance at 30 June 2018** | | **419,610** | **18,924** | **-** | **(95,291)** | **343,243** |
| | | | | | | |
| **Balance at 1 July 2018** | | 419,610 | 18,924 | - | (95,291) | 343,243 |
| Loss for the period | | - | - | - | (28,932) | (28,932) |
| **Total comprehensive income/(loss) for the period** | | - | - | - | (28,932) | (28,932) |
| Issue of ordinary shares | 5.1.1 | 50,000 | - | - | - | 50,000 |
| Share issue costs | 5.1.1 | (586) | - | - | - | (586) |
| Option conversions | 5.1.1 | 10,696 | - | - | - | 10,696 |
| Issue of options and performance rights | 5.1.2 | - | 2,229 | - | - | 2,229 |
| Transfer on conversion of options | 5.1.2 | - | (11,937) | - | 11,937 | - |
| **Balance at 30 June 2019** | | **479,720** | **9,216** | **-** | **(112,286)** | **376,650** |

The notes on pages 99 to 136 are an integral part of these consolidated financial statements

| | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 47,735 | 6,997 |
| Cash paid to suppliers and employees | | (54,182) | (14,034) |
| Payments for exploration and evaluation expenditure | | (7,569) | (7,238) |
| Interest received | | 1,961 | 2,229 |
| Other receipts | | 1,614 | 3,048 |
| **Net cash outflow from operating activities** | 4.1.2 | **(10,441)** | **(8,998)** |
| **Cash flows from investing activities** | | | |
| Sales proceeds from commercial pre-production activities | | 83,837 | - |
| Payments for property, plant, equipment and mine properties[1] | | (178,216) | (219,043) |
| Payments for acquired exploration and evaluation expenditure | | (40) | (30) |
| Proceeds from sale of property, plant and equipment | | - | 300 |
| Proceeds from sale of investments | | - | 4,283 |
| **Net cash outflow from investing activities** | | **(94,419)** | **(214,490)** |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of shares and exercise of options | | 60,697 | 156,430 |
| Capital raising costs | | (586) | (3,044) |
| Transaction costs related to borrowings | | (1,526) | (626) |
| Transfer from restricted cash | | 12,308 | 120,709 |
| Repayment of borrowings | | (4,800) | (161) |
| Interest and other costs of finance paid | | (17,110) | (17,264) |
| **Net cash inflow from financing activities** | | **48,983** | **256,044** |
| Net (decrease)/increase in cash held | | (55,877) | 32,556 |
| Cash and cash equivalents at the beginning of the period | | 119,978 | 87,248 |
| Effect of exchange rate fluctuations on cash held | | (525) | 174 |
| **Cash and cash equivalents at the end of the period** | 4.1.1 | **63,576** | **119,978** |

1. Includes Stage 1 pre-production commissioning and ramp costs, and costs associated with the development and construction of both Stage 1 and Stage 2 of the Pilgangoora Project. The Company declared commercial production effective 1 April 2019, with the Pilgangoora Project considered to have been in the commissioning and ramp-up phase until this date. Prior to the declaration of commercial production, all commissioning and pre-production ramp-up costs incurred at the Pilgangoora Project (net of revenue derived from the sale of spodumene concentrate) were capitalised against project development costs. Similarly, cash flows associated with commissioning and pre-production ramp-up activities were classified as cash flows from investing activities until such time as commercial production was declared.

The notes on pages 99 to 136 are an integral part of these consolidated financial statements





## Note 1 – BASIS OF PREPARATION

In preparing the 2019 financial statements, Pilbara Minerals Limited ("**the Company**") has grouped notes into sections under six key categories:

1. Basis of Preparation
2. Results for the Year
3. Assets, Liabilities and Provisions supporting Exploration, Evaluation, Development and Mining
4. Working Capital
5. Equity and Funding
6. Other Disclosures

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

All amounts have been rounded to the nearest thousand, unless otherwise stated in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

### 1.1 Reporting Entity

Pilbara Minerals Limited is a listed public company incorporated and domiciled in Australia.
The Company's registered office is at Level 2, 88 Colin Street, West Perth, WA 6005. These consolidated financial statements comprise the Company and its subsidiaries together referred to as the "**Group**". The Group is a for-profit entity and is primarily involved in the exploration, development and mining of minerals.

### 1.2 Basis of Accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("**AAS**") adopted by the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("**IFRS**") adopted by the International Accounting Standards Board ("**IASB**"). They were authorised for issue by the Board of Directors on 22 August 2019.

### 1.3 New and Amended Accounting Standards

**1.3.1 New and Amended Standards Adopted by the Group**

AASB 15 *Revenue from Contracts with Customers*
The Group has applied the new provisions from 1 July 2018 in accordance with the standard and the Group's accounting policies. Under the new standard, receivables arising from provisional pricing adjustments outlined in AASB15 *Revenue from Contracts with Customers* will be measured at fair value through the profit and loss however the overall impact to the Statement of Profit or Loss and balance sheet is the same as under the previous standards. Therefore, there has been no material impact to the Group's assets from the implementation of the standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

**1.3.2 New and Amended Standards issued but not yet Effected and Adopted**

AASB 16 Leases

The standard has an effective date for the Group of 1 July 2019. The Group will adopt the new standard on the required effective date.

The new standard principally removes the distinction between finance and operating leases with all leases brought onto the balance sheet. The key change is in the definition of a lease away from a transfer of "substantially all the risks and reward incidental to ownership of an asset" to "the right to control the use of an identified asset".

The Group is required to recognise all 'right to use' assets and liabilities, except for short-term (12 months or less) and low value leases on the balance sheet. The lease liability is measured at the present value of the future lease payments and includes lease extension options when the Group is reasonably certain that it will exercise the option. The right to use asset at initial recognition reflects the lease liability and is depreciated over the term of the lease.

The Groups' contracts that contain leases under the new standard include; office and vehicle leases, mining equipment and mining contractor equipment contracts.

The adoption of the new standard will result in lower operating costs and higher finance and depreciation expenses in the statement of profit or loss. The impact to the statement of finance position will be an increase to non-current assets (right to use asset) and an increase in current and non-current liabilities (lease liability).

All new contracts of the Group will need to be assessed, on an ongoing basis, to determine if a right to use asset exists and if they require recognition under the requirements of AASB 16 *Leases.*

For transition, as permitted by AASB 16, the Group will apply the modified retrospective approach to existing leases which will be capitalised under the new standard (i.e. retrospectively, with the cumulative effect recognised at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

On 1 July 2019 the Group estimates an initial recognition of $39.6 million of right to use assets and lease liabilities on the balance sheet. $8.3 million of the lease liability will be recorded as a current liability.

## 1.4 Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group's principal cash generating asset is the Pilgangoora Project located in Western Australia. The Group declared commercial production at the Pilgangoora Project effective 1 April 2019, having achieved a sustained level of spodumene concentrate production. Since 1 April 2019 the Group has continued to undertake plant improvement projects in parallel with works to optimise the processing plant to increase both lithia recovery and throughput in order to achieve nameplate capacity.

During the June 2019 quarter, spodumene market conditions in China were tempered by delays in the construction, commissioning and ramp-up of chemical conversion facilities that handle spodumene concentrate supply as a raw material feedstock. These delays resulted in lower than expected shipped tonnes from the Pilgangoora Project during the June 2019 quarter. The Group has responded to these market dynamics by moderating future production at the Pilgangoora Project to better align with customer requirements.

For the year ended 30 June 2019 the Group incurred a loss of $28.9 million (2018: $19.4 million) and had a net current asset surplus of $66.8 million (2018: $101.9 million).

At the date of this report, the Directors are satisfied there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due and the Group complies with debt covenants at 30 June 2019 (refer note 5.2.3). At 30 June 2019 the Group had cash and cash equivalents of $63.6 million (2018: $119.9 million), finished goods on hand of $36.4 million (2018: $2.1 million) and an undrawn working capital facility of $21.4 million (US$15.0 million).

Future operating cashflows are largely dependent on the achievement of key operating parameters such as spodumene concentrate sales and production (through forecast improved recoveries), forecast spodumene concentrate selling prices and reduction in all-in sustaining costs. Should adverse operating conditions continue to prevail the Group has the ability, if required, to raise additional funding through debt or equity markets or a combination of both.

## 1.5 Basis of Consolidation

**1.5.1 Business Combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**1.5.2 Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**1.5.3 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 1.6 Foreign Currency Translation

**1.6.1 Functional and Presentational Currency**

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

**1.6.2 Transactions and balances**

Foreign currency transactions are translated into foreign currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

## 1.7 Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Judgements and estimates which are material to the financial report are found in the following sections:

- Note 2.1.1 – measurement of provisional pricing for sales revenue
- Note 2.2.2 – measurement of share-based payment transactions
- Note 3.1 – estimation of ore resources and reserves and deferred stripping costs
- Note 3.3 – measurement of mine rehabilitation provision
- Note 4.3 – estimation of selling prices and cost to completion for any net realisable value calculations of inventory

## 1.8 Measurement of Fair Values

The consolidated financial statements have been prepared on the historical cost basis. The Group does not have any assets or liabilities measured at fair value at the reporting date.

Financial assets measured at amortised cost are assessed at each reporting date to determine whether they require impairment by way of a forward looking expected credit loss (ECL) review. In accordance with AASB9 *Financial Instruments* the Group applies the simplified approach for lease, trade and other receivables and the general approach for all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk.

Under the simplified approach ECL are based on lifetime ECL based on the Group's historical credit loss experience adjusted for other debtors, specific and economic environment factors.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

## NOTE 2 – RESULTS FOR THE YEAR

Sales of spodumene concentrate from the Pilgangoora Project commenced in October 2018. The Group declared commercial production effective from 1 April 2019 with the project considered to have been in a commissioning and ramp up phase until that date. Prior to that date, all operational, commissioning and pre-production ramp up costs (net of revenue derived from spodumene concentrate sales) were capitalised to project development costs.

Following the achievement of commercial production all revenue from spodumene concentrate sales and operational costs associated with the Pilgangoora Project were recognised in the statement of profit or loss.

Revenue and operating costs related to the direct shipping ore (DSO) minegate sales program were recognised in the statement of profit or loss until its suspension in the second quarter of 2019.

### 2.1.1 Revenue from contracts with customers

Accounting policy

**Revenue from contracts with customers**

The Group early adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2017, resulting in a change to the Group's revenue recognition accounting policy. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under the new standard revenue recognition changed from one based on the transfer of risk and reward of ownership, to one based on the transfer of control of ownership.

**Product Sales**

Revenue is recognised when the control of the product has passed to the customer based upon the agreed cost, insurance and freight (CIF) terms. For spodumene concentrate there are three performance obligations with the first recognised when the product is loaded onto the ship and revenue from shipping and insurance recognised when the vessel arrives at the port of discharge. Tantalum and direct shipping ore sales have only one performance obligation as they are collected from the minesite and revenue is recognised at the time of collection.

Customer sales contracts can contain provisional pricing at the time the product is delivered to the vessel, with the final pricing to be determined at a later time when the relevant pricing information is available. The provisional pricing related to quality and quantity of the product is included in sales to customers under contracts. Provisional pricing related to market-based pricing indices are accounted for as an embedded derivative in accordance with AASB 9 *Financial Instruments* and disclosed separately as other revenue.

**Shipping and insurance**

Customer sales that involve the Group being responsible for shipping and insurance create separate performance obligations. Revenue related to shipping and insurance are recognised when these obligations have been met and included in sales to customers under contracts.

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Sales to customers under contracts | 42,205 | 9,880 |
| Recovery of royalties under contracts with customers | 580 | 308 |
| | 42,785 | 10,188 |

### 2.1.2 Cost of sales

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Mining and processing costs | 49,623 | 3,089 |
| Royalty expenses | 4,540 | 1,844 |
| Depreciation and amortisation | 4,081 | 1,350 |
| Inventory movement[1] | (19,337) | - |
| By-product revenue | (2,293) | - |
| Foreign exchange (gain)/loss | (33) | (70) |
| | 36,581 | 6,213 |

[1] Inventory movement includes $1.7M of low grade spodumene concentrate inventory written down to net realisable value

## 2.2 Expenses

### 2.2.1 Exploration and evaluation expenditure

**Accounting policy**

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each "area of interest". Each "area of interest" is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation costs are written off in the year they are incurred, apart from acquisition costs which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**Accounting policy**

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Exploration and evaluation assets are transferred to Mine Properties in Development once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are included in testing for impairment, and any impairment loss is recognised, prior to being reclassified.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Costs expensed in relation to areas of interest in the exploration and evaluation phase | 8,000 | 7,367 |

The current years' expense includes $1.2 million (2018: $4.5 million) for the definitive feasibility study ("DFS") of the Stage 2, 5Mtpa expansion of Pilgangoora Project, which was completed on 2 August 2018.

### 2.2.2 Share-based payment expense

**Accounting policy**

**Share-based payment arrangements**

The grant-date fair value of equity-settled share-based payment arrangements granted to holders of equity-based instruments (including employees) are generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

In determining the fair value of share-based payments granted, a key estimate and judgement is the volatility input assumed within the pricing model. The Group uses historical volatility of the Group to determine an appropriate level of volatility expected, commensurate with the expected instrument's life.

The share-based payment expense included within the Statement of Profit or Loss can be broken down as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Share options expense | 1,883 | 4,325 |
| Performance rights expense | 346 | 305 |
| | 2,229 | 4,630 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Pilbara Minerals

**Share options**

The following table shows options issued during the year ended 30 June 2019 and the value attributed to each option granted, by the category holder:

| Holder | No. of options | Exercise Price | Expiry Date | Fair Value ($/option) | Total Value ($'000) |
|---|---|---|---|---|---|
| Non-executive Directors | 2,000,000 | $0.93 | 21-Dec-21 | $0.271 | 542 |
| Executive Directors | 660,550 | $0.88 | 31-Dec-21 | $0.270 | 178 |
| Executive Directors | 660,550 | $0.88 | 31-Dec-21 | $0.289 | 191 |
| Other KMP | 891,744 | $0.88 | 31-Dec-21 | $0.121 | 108 |
| Other KMP | 891,741 | $0.88 | 31-Dec-21 | $0.130 | 116 |

The number and weighted average exercise prices of unlisted share options are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Weighted average exercise price | No. of options | Weighted average exercise price | No. of options |
| Outstanding at 1 July | $0.52 | 55,083,334 | $0.47 | 101,568,181 |
| Exercised during the period *^ | $0.47 | (38,242,000) | $0.43 | (51,984,847) |
| Forfeited during the period | $0.40 | (258,000) | - | - |
| Granted during the period | $0.90 | 5,104,585 | $0.61 | 5,500,000 |
| Outstanding at 30 June | $0.69 | 21,687,919 | $0.52 | 55,083,334 |
| Exercisable at 30 June | | 17,916,667 | | 38,500,000 |

* 2019 includes 11,500,000 cashless options exercised and subsequently converted to 2,501,123 ordinary shares.
^ 2018 includes 5,800,000 cashless options exercised and subsequently converted to 3,193,585 ordinary shares.

The classes of the unlisted options on issue as at 30 June 2019 are as follows:

| Expiry date | Options issued | Exercise price | Number of options not yet exercised |
|---|---|---|---|
| 08 September 2019[a] | 13,000,000 | $0.63 | 1,500,000 |
| 07 November 2019[b] | 500,000 | $0.55 | 500,000 |
| 17 November 2019[b] | 500,000 | $0.55 | 500,000 |
| 12 December 2019[c] | 10,000,000 | $0.63 | 9,333,334 |
| 31 August 2020[d] | 2,000,000 | $0.45 | 2,000,000 |
| 31 August 2020[e] | 1,500,000 | $0.45 | 750,000 |
| 08 December 2020[f] | 2,000,000 | $0.90 | 2,000,000 |
| 21 December 2021[g] | 2,000,000 | $0.93 | 2,000,000 |
| 31 December 2021[h] | 3,104,585 | $0.88 | 3,104,585 |

[a] The vesting conditions attached are:
- 33.33% vest upon the delivery of a final DFS for the 2Mtpa Pilgangoora Project to a standard acceptable to the Board;
- 33.33% vest upon the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;
- 33.33% vest upon a Board determination in respect of the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time each milestone is achieved.

[b] The vesting conditions attached are:
- 50% vest upon a Board determination in respect of the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;
- 50% vest upon a Board determination in respect of the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time each milestone is achieved.

[c] The vesting conditions attached are:
- 33.33% vest on the date of allotment;
- 33.33% vest on 31 December 2017 subject to the Directors remaining in service at that date; and
- 33.33% vest on 31 December 2018 subject to the Directors remaining in service at that date.

[d] The vesting conditions attached are:
- 6 months service condition;
- a Board determination in respect of the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time the above performance milestone is achieved.

[e] The vesting conditions attached are:
- 50% vest upon the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- 50% vest immediately on the date of allotment.
- A continuing employment service condition at the time each milestone is achieved.

[f] The vesting conditions attached are:
- 33.33% vest on the date of allotment;
- 33.33% vest on 30 June 2018, subject to the Director remaining in service at that date; and
- 33.33% vest on 30 June 2019, subject to the Director remaining in service at that date.

[g] The vesting conditions attached are:
- 33.33% vest on the date of allotment;
- 33.33% vest on 30 June 2019, subject to the Director remaining in service at that date; and
- 33.33% vest on 30 June 2020, subject to the Director remaining in service at that date.

[h] The vesting conditions attached are:
- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure;
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

Unless stated, there are no other vesting conditions on options on issue.

**Performance rights**
The following table shows performance rights issued during the year ended 30 June 2019 and the value attributed to each performance right granted, by the category holder:

| Holder | No of performance rights | Expiry Date | Fair value ($/Right) | Total Value ($'000) |
|---|---|---|---|---|
| Executive Director | 135,747 | 30-Jun-21 | $0.840 | 114 |
| Executive Director | 135,747 | 30-Jun-21 | $0.628 | 85 |
| Other KMP | 183,258 | 30-Jun-21 | $0.580 | 106 |
| Other KMP | 183,255 | 30-Jun-21 | $0.349 | 64 |
| Other employees | 201,347 | 30-Jun-21 | $0.580 | 117 |
| Other employees | 201,346 | 30-Jun-21 | $0.349 | 70 |

The Pilbara Performance Rights Plan ("**Plan**") was introduced following approval at the AGM on 23 November 2017.

The performance rights granted and on issue pursuant to the Performance Rights Plan as at 30 June 2019 are as follows:

| Date performance rights granted | Expiry date | Number of performance rights |
|---|---|---|
| 23 November 2017 [a] | 30 June 19 | 316,922 |
| 11 May 2018 [a] | 30 June 19 | 451,826 |
| 28 November 2018[b] | 30 June 21 | 271,493 |
| 21 December 2018[b] | 30 June 21 | 769,206 |

[a] These performance rights vested on 30 June 2019 and will be automatically exercised, in August 2019 on the vesting notice date. The vesting conditions attached to these unlisted performance rights were:

- Service Condition: Holder must remain an employee until the period ending 30 June 2019.
- Market Condition: Ranking of relative Total Shareholder Return (TSR) of Pilbara Minerals to a nominated peer group of companies measured over the period 1 July 2017 to 30 June 2019 ("Performance Period").
- Strategic Objective Conditions measured over the Performance Period based on the following metrics:
  - Production capacity development (growth) based on the following performance indicators:
    - Target shipment of Stage 1 product; and
    - FID of the Board in respect of Stage 2 (5Mtpa).
  - Sustainability of operations (sustainability) based on the following performance indicators:
  - Achieve product specifications for target production capacity;
  - Diversify customer sales; and
  - Participation in downstream processing initiatives.

[b] The vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over a 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.



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## 2.3 Net Financing Costs

**Accounting policy**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign exchange gains and losses;
- income from sale of financial investments; and
- gains and losses on derivatives related to financing activities.

Interest income or expense is recognised using the effective interest method.

In addition to contracts with customers, the Group receives interest income from monies held in its bank accounts. Interest revenue is recognised on an accruals basis based on the interest rate, deposited amount and time which lapses before the reporting period end date.

Net financing costs can be analysed as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Interest income on bank accounts | 1,586 | 2,729 |
| Income on sale of financial assets | - | 3,975 |
| **Finance income** | 1,586 | 6,704 |
| Fair value movement in derivative | - | (1,557) |
| Interest expense - borrowings | (5,470) | (1,200) |
| Interest expense - other | - | (28) |
| Net foreign exchange loss [1] | (6,508) | (6,429) |
| **Finance costs** | (11,978) | (9,214) |
| **Net finance costs recognised in profit or loss** | (10,392) | (2,510) |

[1] Unrealised foreign exchange loss relates to the revaluation of the US$100 million denominated bond, cash held in US$ denominated bank accounts and US$ denominated debtors.

Interest costs of $12.62 million (2018: $14.80 million) incurred prior to the declaration of commercial production and directly attributable to the US$ secured bond debt facility were capitalised during the year as part of the cost of the Pilgangoora Project, as a result of it being considered a qualifying development asset.

## 2.4 Operating Segments

The Group has one reportable operating segment which is exploration, development and mining of minerals in Australia.

The Group's operating segment has been determined with reference to the information and reports the Chief Operating Decision Makers use to make strategic decisions regarding Company resources.

Due to the size and nature of the Group, the Managing Director is considered to be the Chief Operating Decision Maker. Financial information is reported to the Managing Director and Board as a single segment and all significant operating decisions are based upon analysis of the Group as one segment. The financial results of this segment are equivalent to the financial statements of the Group as a whole.

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## 2.5 Personnel Expenses

Accounting policy

**Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

**Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

The table below sets out personnel costs expensed during the year:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Wages and salaries (including superannuation) | 20,984 | 5,264 |

## 2.6 Income Tax Expenses

Accounting policy

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Accounting policy

- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that future taxable profits will be available (convincing evidence is required) against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**Tax consolidation legislation**

Pilbara Minerals and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

Pilbara Minerals recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

### 2.6.1 Income tax expense

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Current income tax expense | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019



### 2.6.2 Reconciliation of income tax expense

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Loss before tax from continuing operations | (28,932) | (19,415) |
| Income tax benefit at the Australian tax rate of 30% (2018: 30%) | (8,680) | (5,825) |
| Tax effect of items which are not deductible in calculating taxable income: | | |
| Non-deductible expenses | | |
| Share based payment expense | 670 | 1,389 |
| Research and development offset | (122) | (278) |
| Unrealised foreign currency translation | 2,188 | - |
| Other | 38 | 18 |
| Tax losses not recognised | 19,669 | 11,366 |
| Temporary differences not brought to account | (13,763) | (6,670) |
| Income tax expense reported in the consolidated statement of profit or loss | - | - |

Potential deferred tax assets have not been recognised at 30 June 2019 for deductible temporary differences and tax losses because, at the time, there is not convincing evidence to support the position that sufficient future taxable profits will be available against which the Group can use the benefits. The deferred tax losses not recognised at 30 June 2019 have a tax effected value of $50.2 million (2018: $20.1 million).

### 2.7 Loss per share

| | 2019 | 2018 |
|---|---|---|
| Basic loss per share | | |
| Net loss attributable to ordinary shareholders ($'000) | (28,932) | (19,415) |
| Issued ordinary shares at 1 July ('000) | 1,744,513 | 1,466,538 |
| Effect of shares issued ('000) | 27,322 | 161,686 |
| Weighted average number of ordinary shares at 30 June ('000) | 1,771,835 | 1,628,224 |
| Basic and diluted loss per share (cents)* | (1.63) | (1.19) |

* Due to the fact that the Group made a loss, potential ordinary shares from the exercise of options have been excluded due to their anti-dilutive effect.

This section focuses on the exploration, evaluation, development and mining assets which form the core of the Group's business, including those assets and liabilities that support the ongoing exploration, evaluation, development and mining activities as well as commitments existing at the year end.

### 3.1 Property, Plant, Equipment and Mine Properties

Accounting policy

**Property, Plant and Equipment**

**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

**Depreciation**

Depreciation is calculated to write off the cost of items of property plant and equipment less their estimated residual value using an appropriate method (either straight line, diminishing value or units of production basis) over either the estimated useful life or the estimated resource. Depreciation is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Office equipment 2 to 20 years
- Plant and equipment 2 to 20 years
- Motor vehicles 3 to 5 years
- Mine properties Units of production basis over the life of mine
- Deferred stripping Units of ore extracted basis over the life of mine
- Leased equipment Over the shorter of the lease term and the life of the asset

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted appropriately.

**Leased Assets**

Leased asset, which result in the Group receiving substantially all of the risk and rewards of ownership are capitalised as property, plant and equipment. Leased assets are initially measured at the lower of their fair value or the present value of the minimum lease payments.

A leased asset is depreciated over its useful life. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Mine Properties**

**Mine Properties in Development**

Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred. Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred into the relevant category of Property, Plant and Equipment depending on the nature of the asset and depreciated over the useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Accounting policy

Development expenditure includes the direct costs of construction, pre-production costs, borrowing costs incurred during the construction phase, reclassified exploration and evaluation assets (acquisition costs) and subsequent development expenditure on the reclassified areas of interest.

These costs are not amortised, the carrying value is assessed for impairment whenever the facts and circumstances suggest that the carrying amount of the asset may exceed the recoverable amount.

**Mine Properties in Production**

All development expenditure incurred once a mine property is in commercial production is immediately expensed to the Statement of Profit or Loss except where it is probable that future economic benefits will flow to the Group, in which case it is capitalised as Mine Properties in Production.

Amortisation is provided on a unit of production basis which results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable mineral reserves).

A regular review is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of mine properties exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

**Deferred Stripping**

Stripping activity costs incurred are assessed as to whether the benefit accruing from that activity is to provide access to ore than can be used to produce ore inventory, or whether it in addition provides improved access to ore that will be mined in future periods.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the principles of AASB 102 *Inventories*. A stripping activity asset is brought to account if it is probable that future economic benefit (improved access to the ore body) will flow to the Group, the component of the ore body for which access has been improved can be identified and costs relating to the stripping activity can be measured reliably.

The amount of stripping costs that are capitalised is determined based on a comparison of the stripping ratio in the relevant period with the life of mine stripping ratio. To the extent that there is a period of sustained stripping that exceeds the average life of mine stripping ratio, mine waste stripping costs are capitalised to the stripping activity asset and presented within mine properties in production. Such capitalised costs are amortised over the life of that mine on a units of production basis. The life of mine ratio is based on ore reserves of the mine. Changes to the life of mine are accounted for prospectively.

**Mineral Rights**

Mineral Rights are capitalised exploration and evaluation acquisition costs transferred from Deferred Exploration and Evaluation Expenditure upon a decision to mine, as well as other intangible assets that are transferred from Mine Properties in Development upon completion of development and commencement of commercial production.

*Key Estimates and Judgements*

**i) Resources**

Resources are estimates of the amount of saleable product that can be economically extracted from the Group's mine properties. In order to calculate resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long-term commodity prices and exchange rates.

Estimating the quantity and/or grade of resources requires the size, shape and depth of orebodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret the data.

Accounting policy

The Group determines and reports ore resources under the Australian Code of Reporting for Mineral Resource and Ore Reserves (2012), known as the JORC Code. The JORC Code requires the use of reasonable assumptions to calculate resources. Due to the fact that economic assumptions used to estimate resources may change from period to period, and geological data is generated during the course of operations, estimates of resources may change from period to period. Changes in reported resources may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimates of future cash flows;
- Amortisation charged in the profit and loss statement may change where such charges are calculated using the units of production basis;
- Decommissioning, site restoration and environmental provisions may change due to changes in the estimated resources after expectations about the timing or costs of the activities change; and
- Recognition of deferred tax assets, including tax losses.

**ii) Deferred Stripping**

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio). Any resulting changes are accounted for prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

### 3.1.1 Property, plant, equipment and mine properties

| | Property, plant and equipment $'000 | Leased assets $'000 | Mine properties in production $'000 | Mine properties in development $'000 | Mineral rights $'000 | Mine rehabilitation $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **At 30 June 2018** | | | | | | | |
| Opening net book value | 507 | 45 | - | 48,810 | 54,804 | 207 | 104,373 |
| Additions | 470 | 640 | 9,876 | 237,908 | - | 6,791 | 255,685 |
| Capitalised interest | - | - | - | 14,798 | - | - | 14,798 |
| Disposals | (325) | (45) | - | - | - | - | (370) |
| Depreciation charge | (151) | - | (1,350) | - | - | - | (1,501) |
| **Net book value** | 501 | 640 | 8,526 | 301,516 | 54,804 | 6,998 | 372,985 |
| **At 30 June 2019** | | | | | | | |
| Opening net book value | 501 | 640 | 8,526 | 301,516 | 54,804 | 6,998 | 372,985 |
| Additions [1] | 368 | 4,496 | 5,742 | 33,121 | - | 9,525 | 53,252 |
| Capitalised interest | - | - | - | 12,623 | - | - | 12,623 |
| Disposals | (12) | (640) | - | - | - | - | (652) |
| Transfers [2,3] | - | (4,496) | 333,325 | (328,829) | - | - | - |
| Depreciation charge | (179) | - | (1,718) | (2,119) | (207) | (37) | (4,260) |
| **Net book value** | 678 | - | 345,875 | 16,312 | 54,597 | 16,486 | 433,948 |

1. Additions, net of commercial pre-production sales revenue.
2. Mine development and infrastructure assets attributable to the mining of material under the DSO minegate sale agreement were transferred to mine properties in development following the suspension of the DSO program during the 1HY, as they form part of the overall Pilgangoora Project.
3. Following the declaration of commercial production on 1 April 2019, all Stage 1 Pilgangoora assets where transferred to mine properties in production.

As at 30 June 2019 the Group had outstanding contractual capital commitments of $7.8 million (2018: $18.5million) which are expected to be settled prior to 30 June 2020.

## 3.2 Exploration and Evaluation Expenditure

| Accounting policy |
|---|
| Refer to Note 2.2.1 for the Group's exploration and evaluation expenditure policy. |

### 3.2.1 Exploration and evaluation assets

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Costs carried forward in relation to areas of interest in the exploration and evaluation phase | 6,401 | 6,361 |
| **Reconciliations: Exploration and evaluation phase** | | |
| Carrying amount at the beginning of the year | 6,361 | 6,331 |
| Acquisitions | 40 | 30 |
| Carrying amount at the end of the year | 6,401 | 6,361 |

### 3.2.2 Exploration licence expenditure commitments

The Group has minimum exploration licence commitments as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Within one year | 501 | 392 |
| Later than one year but less than five years | 1,258 | 1,179 |
| Greater than five years | 2,788 | 2,096 |

## 3.3 Provisions

Accounting policy

**Provisions**

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

**Mine Rehabilitation**

In accordance with the applicable legal requirements, a provision for site rehabilitation in respect of returning the land to its original state is recognised when land is disturbed.

At each reporting date, the site rehabilitation provision is remeasured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Pilbara Minerals

| Accounting policy |
|---|
| *Key estimates and judgements* |
| Significant judgement is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When the factors become known in the future, such differences will impact the mine rehabilitation provision in the period in which the changes become known. |
| **Employee leave benefits**<br>The current provision for employee benefits includes accrued annual and sick leave. The entire amount of the leave provision is recognised as current, since the Group does not have the unconditional right to defer settlement for any of the obligations. |

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Current – Provisions** | | |
| Employee leave benefits | 1,953 | 867 |
| | 1,953 | 867 |
| **Non-Current – Provisions** | | |
| Mine rehabilitation provision | 16,523 | 6,997 |
| | 16,523 | 6,997 |

## NOTE 4 – WORKING CAPITAL

### 4.1 Cash, Cash Equivalents and Restricted Cash

| Accounting policy |
|---|
| Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to six months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.<br>Restricted cash represents funds whose access is restricted until such time as certain conditions precedent are satisfied. |

### 4.1.1 Cash, cash equivalents and restricted cash

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Bank balances | 13,623 | 82 |
| Call deposits | 49,953 | 119,896 |
| Cash and cash equivalents in the Statement of Financial Position | 63,576 | 119,978 |
| Restricted cash | - | 12,308 |
| | 63,576 | 132,286 |

The prior period restricted cash balance of $12.3 million represented funds received following settlement of a US$100 million senior secured bond (refer Note 5.2). Funds received were required to be held in a US$ denominated escrow bank account in the name of the Groups 100% wholly owned subsidiary Pilgangoora Operations Pty Ltd until the Group completed the customary cost to complete tests. These tests were completed and the balance of the funds were drawn down during the 2019 financial year.

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and all call deposits.

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Cash, cash equivalents and restricted cash | 63,576 | 132,286 |
| Less: Restricted cash | - | (12,308) |
| Cash and cash equivalents in the Statement of Cash Flows | 63,576 | 119,978 |

### 4.1.2 Reconciliation of cash flows from operating activities

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | (28,932) | (19,415) |
| Adjustments for: | | |
| - Depreciation and amortisation expense | 4,260 | 1,501 |
| - (Profit)/Loss on sale of property, plant and equipment | 12 | - |
| - Net financing costs | 5,470 | 5,005 |
| - Unrealised foreign currency | 7,142 | - |
| - Share based payment expense | 2,229 | 4,630 |
| - Capitalised R&D claim | 1,039 | - |
| Operating loss before changes in working capital and provisions | (8,780) | (8,279) |
| Change in trade and other receivables | 5,226 | (4,965) |
| Change in trade payables and employee benefits | 15,289 | 4,838 |
| Change in inventories | (22,176) | (592) |
| Net cash used in operating activities | (10,441) | (8,998) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 4.2 Trade and Other Receivables

**Accounting policy**

Trade and other receivables are recognised initially at fair value which is usually the value of the invoice sent to the counterparty and subsequently at the amounts considered recoverable.

The Group undertakes expenditure on activities that are categorised as "eligible expenditure" under the Research and Development Tax Incentive which, dependent upon certain criteria, may be subject to a tax offset. Where a tax offset has been received or is receivable in cash, the Group accounts for the tax offset as follows:

- Where a grant is received or receivable in relation to research and development costs which have been capitalised, the tax offset is deducted from the carrying amount of the asset; or
- Where a grant is received or receivable in relation to research and development costs which have been charged to profit or loss during this or a prior financial year, the tax offset shall be credited to the Statement of Profit or Loss.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current** | | |
| Trade debtors | 3,199 | 6,235 |
| Goods and services tax receivable | 2,271 | 2,841 |
| Security deposits | 673 | 673 |
| Prepayments | 2,159 | 1,734 |
| Other receivables | 2,785 | 1,324 |
| | 11,087 | 12,807 |

## 4.3 Inventories

**Accounting policy**

Finished goods and work in progress ore stockpiles are surveyed and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct materials, direct labour, depreciation and an appropriate portion of fixed and variable production overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Tantalum inventory is treated as a by-product and valued at net realisable value (NRV).

Consumables are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average cost. Any allowance for obsolescence is determined by reference to specific stock items identified.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Finished goods and work in progress ore stockpiles which are not expected to be processed or sold in the 12 months after the reporting date are classified as non-current inventory. There is a reasonable expectation the processing or sale of these stockpiles will have a future economic benefit to the Group, accordingly these stockpiles are valued at NRV. The NRV is the estimated selling price, in the ordinary course of business less the estimated cost of completion and estimated selling costs.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current** | | |
| Finished goods[1] | 34,691 | 2,123 |
| Work-in-progress[2] | 6,326 | 1,733 |
| Consumables | 10,180 | 3,687 |
| | 51,197 | 7,543 |
| **Non-Current** | | |
| Finished goods (carried at NRV) | 1,734 | - |
| Work-in-progress[2] | 14,328 | - |
| | 16,062 | - |

1. Finished goods includes 10,105dmt of spodumene concentrate shipped to China in June 2019. Whilst the contractual arrangement supported the transfer of legal title, risks and rewards of ownership the other terms of this contractual arrangement meant that the shipment was not capable of being classified as a sale pursuant to the recognition criteria of AASB15 *Revenue from Contracts with Customers* at year end.
2. Work-in-progress includes run of mine (ROM) and coarse ore stockpiles.

## 4.4 Trade and Other Payables

**Accounting policy**

**Trade payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and the majority of suppliers are usually payable within 30-60 days' net of recognition. Trade payables are recognised initially at the value of the invoice received from a supplier.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current – Trade and other payables** | | |
| Trade payables | 23,122 | 8,334 |
| Accruals | 23,561 | 37,460 |
| Interest payable | 432 | 356 |
| Unearned revenue | 1,016 | 2,600 |
| Other payables | 15 | 983 |
| | 48,146 | 49,733 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## NOTE 5- EQUITY AND FUNDING

### 5.1 Capital and Reserves

| Accounting policy |
|---|
| Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are recognised as a deduction from equity, net of any tax effects. |

### 5.1.1 Ordinary shares

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | $'000 | Number ('000) | $'000 | Number ('000) |
| Fully paid ordinary shares | 479,720 | 1,851,420 | 419,610 | 1,744,513 |
| Total share capital on issue at 30 June | 479,720 | 1,851,420 | 419,610 | 1,744,513 |
| Movements in ordinary shares on issue: | | | | |
| On issue at 1 July | 419,610 | 1,744,513 | 261,756 | 1,466,538 |
| Shares issued during the period: | | | | |
| Issued for cash | 50,000 | 77,664 | 136,910 | 220,514 |
| Issued for assets | - | - | 3,000 | 8,083 |
| Exercise of share options | 10,696 | 29,243 | 19,970 | 49,378 |
| Share issue costs | (586) | - | (2,026) | - |
| On issue at 30 June | 479,720 | 1,851,420 | 419,610 | 1,744,513 |

On 26 March 2019 the Group completed a $50 million equity subscription with Jiangxi Ganfeng Lithium Co. Ltd and issued 77.7 million ordinary shares at an issue price of $0.6438 per ordinary share (being the 5-day VWAP prior to execution of the subscription agreement in March 2019).

**Terms and conditions of ordinary shares**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors with respect to any proceeds of liquidations.

### 5.1.2 Reserves

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Share-based payment reserve | 9,216 | 18,924 |
| | 9,216 | 18,924 |

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Movements in share-based payment reserve: | | |
| Balance at 1 July | 18,924 | 32,502 |
| Share based payment expense following issue of options and performance rights | 2,229 | 4,630 |
| Options exercised and transferred to accumulated losses | (11,937) | (18,208) |
| Balance at reporting date | 9,216 | 18,924 |

The share-based payment reserve is used to record the fair value of the options and performance rights issued. Options issued to directors and employees during the year and their associated value impact on the share-based payment reserve are as follows:

| Option ** | Grant date (valuation purposes)* | Share price on date of grant | Exercise price | Expiry date | Valuation (cents per option) |
|---|---|---|---|---|---|
| 2,000,000 | 28-Nov-18 | $0.84 | $0.93 | 21-Dec-21 | 27.10 |
| 1,321,100 | 28-Nov-18 | $0.84 | $0.88 | 31-Dec-21 | 27.00/28.90 |
| 1,783,485 | 21-Dec-18 | $0.58 | $0.88 | 31-Dec-21 | 12.10/13.00 |

* This is the grant date used for valuation purposes and represents the date options are awarded to employees or directors, it is not the date the options are issued.

** The vesting conditions attached to these unlisted options are detailed in Note 2.2.2

All option valuations during the period were performed by an independent third-party valuer. The Black Scholes option valuation methodology was used to value the options. Inputs to the option valuation model included the Company's share price volatility, risk free rates, option life, and the option exercise price. Option volatility was calculated using the share price movement of the Company over the past 12 months up until the date the options were granted. The key inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

| | 2019 | 2018 |
|---|---|---|
| Expected volatility (weighted average) | 50% | 67.4% |
| Expected life (weighted average) | 3.0 years | 3.0 years |
| Risk free interest rate (based on government bonds) (weighted average) | 1.90% and 2.09% | 2.0% |

Performance rights issued to directors and employees during the year and their associated fair value are as follows:

| Performance rights | Grant date (valuation purposes) | Share price on date of grant | Expiry date | Valuation (cents per right) |
|---|---|---|---|---|
| 384,603 | 21-Dec-18 | $0.62 | 30-Jun-21 | 58.00 |
| 384,603 | 21-Dec-18 | $0.62 | 30-Jun-21 | 34.90 |
| 135,747 | 28-Nov-18 | $0.86 | 30-Jun-21 | 84.00 |
| 135,747 | 28-Nov-18 | $0.86 | 30-Jun-21 | 62.80 |

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All performance rights valuations during the period were performed by an independent third-party valuer. They are valued using the Monte Carlo simulation model (market based conditions) and the Black Scholes option valuation methodology (non-market based conditions) that takes into account the term of performance rights, the share price at grant date and expected volatility of the underlying performance right, the expected dividend yield, the risk free rate for the term of the performance right and the correlations and volatilities of the peer companies. The key inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

| | 2019 | 2018 |
|---|---|---|
| Expected volatility (weighted average) | 50% | 80% |
| Expected life (weighted average) | 2.5 years | 1.4 years |
| Risk free interest rate (based on government bonds) (weighted average) | 1.90% and 2.09% | 1.90% |

Employee share trust

On 24 May 2019 the Company initiated the Pilbara Minerals Employee Award Plan Trust ('the Trust') for the purpose of acquiring fully paid ordinary shares in the Company to satisfy rights and options that vest and are exercisable under the Company's Employee Award Plan. As at the 30 June 2019 the Trust held NIL shares.

## 5.2 Loans and Borrowings

Accounting policy

*Borrowings*

Borrowings are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see Note 6.1.

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Current** | | |
| Lease liability | - | 177 |
| Secured debt (US$ denominated bond) | 8,912 | - |
| Total borrowings - current | 8,912 | 177 |
| | | |
| **Non-Current** | | |
| Lease liability | - | 463 |
| Secured debt (US$ denominated bond) | 130,087 | 130,502 |
| Total borrowings - non-current | 130,087 | 130,965 |

### 5.2.1 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

| | Currency | Nominal interest rate | Year of maturity | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|
| | | | | Face value<br>$'000 | Carrying amount<br>$'000 | Face value<br>$'000 | Carrying amount<br>$'000 |
| Hire purchase | AU$ | 9.20% | 2021 | - | - | 640 | 640 |
| Secured bond | US$ | 12.0% | 2022 | 142,592 | 138,999 | 135,300 | 130,502 |

### 5.2.2 US$ Secured Bond

In June 2017, the Group completed settlement of a US$100 million senior secured bond facility as part of the funding package for the development of the Pilgangoora Project. The bonds were issued by the Company's wholly owned subsidiary, Pilgangoora Operations Pty Limited and are administered by the bond trustee, Nordic Trustee ASA. The coupon rate is 12% per annum with interest payable quarterly in arrears. Pursuant to the bond terms, the proceeds were applied towards capital and development costs associated with the Pilgangoora Project following the satisfaction of cost to complete tests. The bond facility is secured against the assets of the Pilgangoora Project. The first scheduled principal repayment of US$6.2 million is due in June 2020 and is classified as a current borrowing.

The carrying amount of the US$ secured bond is made up as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Bond proceeds at inception | 132,310 | 132,310 |
| Unrealised foreign exchange loss/(gain)[1] | 10,282 | 2,990 |
| Bond proceeds at 30 June | 142,592 | 135,300 |
| Directly attributable transaction costs | (6,038) | (6,038) |
| Amortisation of transaction costs | 2,445 | 1,240 |
| Carrying amount at 30 June | 138,999 | 130,502 |

[1] The value of the US$ secured bond is required to be re-stated at the end of each financial period utilising the closing foreign exchange rate.

### 5.2.3 Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the year. Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- book to equity ratio must not be less than 50%;
- liquidity ratio of at least A$15 million; and
- current ratio of a minimum of 1:1.

### 5.2.4 Working capital facility

In August 2018, the Company executed a US$15M working capital facility with BNP Paribas. At 30 June 2019 and during the financial year this working facility remained undrawn. The facility had a maturity date of 31 July 2019 which has been extended to 31 July 2020 subsequent to the year end.

### 5.3 Deed of Cross Guarantee

Pilbara Minerals Limited and certain of its wholly owned subsidiaries became parties to a deed of cross guarantee, on the 17th September 2018, under which each company guarantees the debts of the other. By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The companies represent a 'closed group' for the purposes of the class order.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019



### 5.3.1 Consolidated statement of profit and loss

| | 2019 $'000 |
|---|---|
| **Income** | |
| Revenue from contracts with customers | 42,785 |
| Cost of sales | (36,581) |
| **Gross profit** | 6,204 |
| | |
| Other income | 570 |
| | |
| **Expenses** | |
| General and administration expense | (14,890) |
| Exploration costs expensed | (8,000) |
| Depreciation and amortisation expense | (179) |
| Share based payment expense | (2,229) |
| **Operating loss** | **(18,524)** |
| Finance income | 1,586 |
| Finance costs | (11,978) |
| **Net financing costs** | **(10,392)** |
| **Loss before income tax expense** | **(28,916)** |
| Income tax expense | - |
| **Net loss for the period** | **(28,916)** |
| | |
| **Total comprehensive loss for the period** | **(28,916)** |

### 5.3.2 Summary of movements in consolidated retained profits

| | |
|---|---|
| Retained loss at the beginning of the financial year | 84,019 |
| Net loss for the year | 28,916 |
| Retained loss at the end of the financial year | **112,935** |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019



### 5.3.3 Consolidated balance sheet

| | 2019 $'000 |
|---|---|
| **Assets** | |
| **Current assets** | |
| Cash and cash equivalents | 63,576 |
| Trade and other receivables | 10,414 |
| Inventories | 51,197 |
| **Total current assets** | **125,187** |
| **Non-current assets** | |
| Receivables | 27 |
| Property, plant, equipment and mine properties | 433,948 |
| Deferred exploration and evaluation expenditure | 6,401 |
| Inventories | 16,062 |
| **Total non-current assets** | **456,438** |
| **Total assets** | **581,625** |
| **Liabilities** | |
| **Current liabilities** | |
| Trade and other payables | 48,149 |
| Provisions | 1,953 |
| Borrowings | 8,912 |
| **Total current liabilities** | **59,014** |
| **Non-current liabilities** | |
| Provisions | 16,523 |
| Borrowings | 130,087 |
| **Total non-current liabilities** | **146,610** |
| **Total liabilities** | **205,624** |
| **Net assets** | **376,001** |
| **Equity** | |
| Issued capital | 479,720 |
| Reserves | 9,216 |
| Retained earnings | (112,935) |
| **Total equity** | **376,001** |

### 5.4 Capital Management

Capital consists of ordinary share capital, retained earnings, reserves and net debt. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so as to maintain a strong capital base sufficient to maintain future exploration, development and operating activities.

There were no changes to the Group's approach to capital management during the year.

## NOTE 6 OTHER DISCLOSURES

### 6.1 Financial Risk Management

Accounting policy

**Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

**Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Pilbara Minerals

Accounting policy

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**Impairment of financial assets**
The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. The loss allowances is measured at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Set out below are details of the Group's financial assets and liabilities at the end of the reporting period.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 63,576 | 119,978 |
| Restricted cash | - | 12,308 |
| Trade and other receivables | 11,087 | 12,806 |
| **Total financial assets** | 74,663 | 145,092 |
| **Financial liabilities** | | |
| Trade and other payables | 48,146 | 49,733 |
| Borrowings | 138,999 | 131,142 |
| **Total financial liabilities** | 187,145 | 180,875 |

### 6.1.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest risk

The Company's Board of Directors has ultimate responsibility for setting the Company's risk appetite, for overseeing the risk management framework designed and implemented by management and for satisfying itself that the risk management framework is sound. The Board is also responsible for monitoring and reviewing the Company's risk profile. The Board has established a separate Audit and Risk Committee whose role is set out in the Company's Audit and Risk Committee Charter. The Audit and Risk Committee is responsible for governance of risk management across the Company, leading the strategic direction regarding the management of material business risks and reviewing the effectiveness of the risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the exploration, evaluation, development and operation of the Pilgangoora Project and ancillary exploration activities.

The principal financial instruments as at the reporting date include cash, receivables, payables and loan and finance agreements.

Set out below is information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

### 6.1.2 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash at bank, term deposits as well as credit exposure to trade customers, including outstanding receivables and committed transactions. Credit risk represents the potential financial loss if companies fail to perform as contracted.
The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk by only transacting with high credit quality financial institutions. During the year the Group maintained all cash, cash equivalents and restricted cash balances with banks and financial institutions holding a AA- rating based on S&P Global ratings.

Credit risk arising from sales of spodumene concentrate to customers is managed by contracts that require a provisional payment of typically 100 per cent of the value of the sale which is payable by letter of credit when the vessel is loaded. Customers contracts specify the Standard and Poor's rating required by financial institutions providing the letter of credit.

The trade and other receivables balance consist of 29% of trade receivables and 20% of receivables from the Australian Tax Office for goods and services tax refund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019



### 6.1.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group also manages liquidity risk by producing cash flow forecasts to ensure that there is a clear and up-to-date view of the short to medium term funding requirements and the possible sources of those funds. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

| | Carrying amount $'000 | Contractual cashflows Total $'000 | Six months or less $'000 | Six to 12 months $'000 | One to two years $'000 | Two to five years $'000 |
|---|---|---|---|---|---|---|
| **30 June 2019** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Secured debt | 138,999 | 184,302 | 8,556 | 17,468 | 50,086 | 108,192 |
| Trade and other payables | 48,146 | 48,146 | 48,146 | - | - | - |
| | 187,145 | 232,448 | 56,702 | 17,468 | 50,086 | 108,192 |
| **30 June 2018** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Lease liability | 640 | 640 | 89 | 89 | 177 | 285 |
| Secured debt | 130,502 | 191,111 | 8,118 | 8,118 | 24,692 | 150,183 |
| Trade and other payables | 49,733 | 49,733 | 49,733 | - | - | - |
| | 180,875 | 241,484 | 57,940 | 8,207 | 24,869 | 150,468 |

The secured debt has certain financial covenants that if breached could cause early repayment. The Group is not anticipating any breach of covenants.

### 6.1.4 Market risk

Market risk is the risk that changes in market prices – such as commodity price, foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Group's exposure to market risk has changed during the year due to increased foreign exchange exposure with the commencement of shipments of spodumene and tantalum concentrate to offshore customers, with the sale proceeds denominated in US dollars.

**a) Foreign Exchange Risk**

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group's functional currency. The Group manages its foreign exchange risk exposure arising from future commercial transactions through sensitivity analysis, cash flow management and forecasting.

The Group is exposed to foreign exchange risk principally through holding US$ denominated cash, borrowings and trade receivables.

The Group's exposure to foreign currency risk at balance date was as follows:

| | 2019 US$'000 | 2018 US$'000 |
|---|---|---|
| Cash and cash equivalents | 9,323 | - |
| Restricted cash | - | 8,124 |
| Borrowings | 100,000 | 100,000 |
| Trade receivables | 1,357 | 4,363 |

The year-end exchange rate used to recalculate the US$ dominated balances on 30 June 2019 was 0.7013 (2018 exchange rate of 0.7391).

*Group sensitivity*

Based on financial instruments held at 30 June 2019, had the Australian dollar strengthened/ weakened by 10% against the US dollar, with all other variables held constant, the Group's loss for the year would have been $12.91 million higher/$15.78 million lower (2018: $13.156 million higher/$10.764 million lower), as a result of foreign exchange gains/ losses on translation of US dollar denominated cash, receivables and borrowings.

**b) Interest Rate Risk**

Interest rate risk arises from the Group's cash, cash equivalents earning interest at variable rates.

The significance and management of the risks to the Group are dependent on several factors including:

- Interest rates;
- Level of cash, liquid investments and borrowings and their term; and
- Maturing dates of investments.

The Group's US$100 million senior secured bond facility has a fixed coupon rate of 12% per annum resulting in a $nil interest rate sensitivity.

At the end of the Reporting Period, the Group's exposure to interest rate risk and effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

| | 2019 Weighted average interest rate | 2019 Balance $'000 | 2018 Weighted average interest rate | 2018 Balance $'000 |
|---|---|---|---|---|
| Cash, cash equivalents and restricted cash | 1.42% | 63,576 | 2.09% | 132,286 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

The risk is managed by the Group by maintaining an appropriate mix between short-term and floating rate cash, cash equivalents and restricted cash.

*Group sensitivity*

Based on the financial instruments at 30 June 2019, if interest rates had changed by +/-50 basis points from the year-end rates, with all other variables held constant, loss and equity for the year would have been $317,000 lower/$317,000 higher (2018: $661,000 lower/$661,000 higher).

### 6.1.5 Interest risk

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at fixed interest rates. The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### 6.1.6 Fair values

The carrying value of cash and cash equivalents, other receivables, trade creditors, other creditors and accruals are considered to be a reasonable approximation of fair value.

The fair value of the future contractual principal and interest cashflows associated with the bond is $155.48 million (2018 $151.54 million). Fair value was determined with reference to price quotations in an active market at 30 June 2019.

## 6.2 Related Parties

### 6.2.1 Key management personnel

The following people were considered as key management personnel during the financial year:

| | Position | Appointed |
|---|---|---|
| Ken Brinsden | Managing Director and CEO | 18 January 2016 |
| Anthony Kiernan | Non-executive Chairman | 1 July 2016 |
| Steve Scudamore | Non-executive Director | 18 July 2016 |
| Nicholas Cernotta | Non-executive Director | 6 February 2017 |
| Sally-Anne Layman | Non-executive Director | 20 April 2018 |
| Alex Eastwood | Company Secretary and General Counsel | 1 September 2016 |
| Brian Lynn | Chief Financial Officer | 22 June 2016 |
| Dale Henderson | Project Director<br>Chief Operating Officer | 4 September 2017<br>5 March 2018 |

Key management personnel compensation comprised the following:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Short term employee benefits | 2,951,812 | 2,590,332 |
| Post-employment benefits | 117,261 | 111,041 |
| Other long-term employee benefits | 96,167 | 160,504 |
| Share-based payments (non-cash) | 1,799,579 | 3,481,325 |
| | 4,964,819 | 6,343,202 |

Compensation of the Group's key management personnel includes salaries, and contributions to a post-employment defined contribution plan. Information regarding individual directors and executive's compensation and some equity instruments are required to be disclosed by s300A of the Corporations Act and Corporations Regulations 2M.3.03 and are provided in the Remuneration Report section of the Directors' Report.

## 6.3 Group Entities

### 6.3.1 Parent entity

Pilbara Minerals Limited

The consolidated financial statements include the financial statements of Pilbara Minerals Limited and the subsidiaries listed in the following table.

### 6.3.2 Significant Subsidiaries

| | Country of incorporation | 2019 | 2018 |
|---|---|---|---|
| Tabba Tabba Tantalum Pty Ltd | Australia | 100% | 100% |
| Pilbara Lithium Pty Ltd | Australia | 100% | 100% |
| Pilgangoora Holdings Pty Ltd | Australia | 100% | 100% |
| Pilgangoora Operations Pty Ltd | Australia | 100% | 100% |
| Pippingarra Road Logistics Pty Ltd | Australia | 100% | - |
| Mt Francisco Operations Pty Ltd | Australia | 100% | - |

### 6.4 Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2019, the parent company of the Group was Pilbara Minerals Limited. The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Results of the parent entity** | | |
| Loss for the period | (16,279) | (12,150) |
| Total comprehensive loss for the period | (16,279) | (12,150) |
| **Financial position of the parent entity at year end** | | |
| Current assets | 65,570 | 43,416 |
| Total assets | 396,394 | 406,723 |
| Current liabilities | 5,458 | 50,414 |
| Total liabilities | 5,458 | 57,875 |
| **Total equity of the parent comprising of:** | | |
| Share capital | 479,720 | 419,610 |
| Share-based payment reserve | 9,216 | 18,923 |
| Accumulated losses | (98,000) | (89,685) |
| **Total equity** | 390,936 | 348,848 |

### 6.5 Subsequent Events

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### 6.6 Auditor's Remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2019 $ | 2018 $ |
|---|---|---|
| Audit services – KPMG | 168,000 | 113,865 |
| Advisory service – KPMG | 363 | 35,000 |
| Total auditor's remuneration – KPMG | 168,363 | 148,865 |

# DIRECTORS' DECLARATION

Pilbara Minerals

1. In the opinion of the Directors of Pilbara Minerals Limited ('the Company'):

   (a) the consolidated financial statements and notes thereto, as set out on pages 95 to 136, and the Remuneration Report contained within the Directors' Report are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and.

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) there are reasonable grounds to believe that the members of the extended closed group identified in note 5.3 will be able to meet any obligations or liabilities to which they are, or may become, liable by virtue of the deed of cross guarantee described in note 5.3.

   (d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

This declaration is made in accordance with a resolution of the Directors.

Anthony Kiernan
**Chairman**

22nd August 2019

KPMG

# Independent Auditor's Report

## To the shareholders of Pilbara Minerals Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Pilbara Minerals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Pilbara Minerals Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Property, plant, equipment and mine properties
- Valuation and classification of inventory

***Key Audit Matters*** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.







KPMG

| Property, plant, equipment and mine properties ($433.9 million) | |
|---|---|
| Refer to Note 3.1 to the Financial Report | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| Existence, accuracy and completeness of capitalised expenditure incurred as part of the development and construction of the Pilgangoora Project was considered to be a key audit matter. This is due to the size of the capitalised expenditure ($433.9 million), which represents 74.5% of total assets.<br><br>The Group used judgement in the identification and allocation of cost between operating expenditure and capitalised expenditure. The risks we focused on included:<br><br>• the existence of capital expenditure;<br><br>• the capital nature of expenditure particularly the determination of when the Pilgangoora Project was considered capable of operating at commercial production and in a manner intended by the Group; and<br><br>• the determination of the extent to which borrowing costs relate to the qualifying asset being Pilgangoora Project. | Our procedures included:<br><br>• Test of controls relating to the authorisation and accuracy of the recording and classification of capital expenditure;<br><br>• Assessment of the allocation of costs between operating expenditure (including inventory stockpiles) and capital expenditure by inspecting documentation on a sample basis and assessing the nature of the underlying activity;<br><br>• Challenge of the Group's determination of commercial production declaration from 1 April 2019 by evaluating the criteria by which the declaration was made against underlying documentation;<br><br>• Selecting a sample of supplier, contractor and customer invoices raised prior to year end and post year end and pre and post commercial production. We checked the timing of recorded expenditure against the details of the service description on the invoice or contract; and<br><br>• Assessment of the capitalised borrowing costs to the qualifying asset being the Pilgangoora Project against relevant accounting standards. |

KPMG

| Valuation and classification of inventory ($57.1 million) | |
|---|---|
| Refer to Note 4.3 to the financial report | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| Significant judgement is required by the Group in assessing the value and classification of inventory which consists of work in progress and finished goods ("inventory"), which will be used to produce lithium spodumene concentrate in the future. The valuation and classification of inventory is a key audit matter because:<br>• Lower grade inventory have been created from mining activities;<br>• Market conditions for the Group's products is currently challenging;<br>• The allocation of cost to inventory requires judgement; and<br>• Significant judgement is required by us in evaluating and challenging the Group's assessment of the inventory being recorded at the lower of cost and net realisable value (NRV).<br>The Group's NRV assessment is based on a model which estimates future revenue expected to be derived from spodumene concentrate, less selling costs and future processing costs to convert work in progress to spodumene concentrate. We placed particular focus on those judgements listed below which impact the valuation and classification of inventory:<br>• Forecast processing costs.<br>• Forecast quantity of lithium contained within the lower grade ore stockpiles.<br>• Future commodity prices expected to prevail when the inventory is processed and sold.<br>• Estimated timing of conversion of work in progress into spodumene concentrate or sale of finished goods, which drives the classification of the inventory as current or non-current assets. | For this key audit matter, our procedures included:<br>• Testing the Group's key controls around inventory reconciliations which utilise underlying data such as production and processing costs, geological survey reports, mill production reports and metallurgical survey reports.<br>• Testing the Group's inventory costing model by checking the quantities and costs on a sample basis, to underlying data such as production reports, survey reports and as production and processing costs;<br>• Assessing the methodology and key assumptions in the Group's model used to determine the NRV of the stockpiles by:<br>o comparing forecast processing costs to previous actual costs, and for consistency with the Group's latest life of mine plan<br>o comparing forecast quantity of future spodumene concentrate from stockpiles to the Group's geological survey results<br>o comparing commodity prices to published external analysts' data for prices expected to prevail in the future<br>• Critically evaluating the Group's classification of the stockpiles as current or non-current by assessing the anticipated timing of processing the stockpiles against the Group's latest shipment schedule and life of mine plan. |

KPMG

## Other Information

Other Information is financial and non-financial information in Pilbara Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's Report, Managing Director's Report, ASX additional information and other operational update reports are expected to be made available to us after the date of the Auditor's Report, but prior to the issuance of Pilbara Minerals Limited's Annual Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

![KPMG]

**Report on the Remuneration Report**

**Opinion**

In our opinion, the Remuneration Report of Pilbara Minerals Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

**Directors' responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

**Our responsibilities**

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG.

KPMG

R Gambitta
Partner

Perth

22 August 2019

# ADDITIONAL SHAREHOLDER INFORMATION

As at 20 September 2019

Pilbara Minerals

In accordance with Listing Rule 4.10 the following information is provided.

## CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is available on the Company's website at: **www.pilbaraminerals.com.au**

## SECURITY HOLDERS

### SUBSTANTIAL SHAREHOLDERS

The Company has the following substantial shareholders as at 20 September 2019:

- GFL International Co Limited – 152,605,323 ordinary shares
- Mineral Resources Limited – 137,980,413 ordinary shares

## NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES AND THE VOTING RIGHTS ATTACHED (AS AT 20 SEPTEMBER 2019)

### ORDINARY SHARES

There are 32,226 holders of ordinary shares. Each shareholder is entitled to one vote per share.

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

### OPTIONS

There are 13 holders of unlisted options. There are no voting rights attaching to the options.

A total of 20,187,919 options are on issue. The 20,187,919 options, if exercised, will convert into 20,187,919 ordinary shares.

The options have the following exercise prices and expiry dates:

| No. of holders | No. of options | Exercise price | Expiry date |
|---|---|---|---|
| 1 | 500,000 | $0.547 | 7 November 2019 |
| 1 | 500,000 | $0.547 | 17 November 2019 |
| 2 | 9,333,334 | $0.626 | 12 December 2019 |
| 3 | 2,750,000 | $0.45 | 31 August 2020 |
| 1 | 2,000,000 | $0.90 | 8 December 2020 |
| 1 | 2,000,000 | $0.93 | 21 December 2021 |
| 4 | 3,104,585 | $0.884 | 31 December 2021 |

### PERFORMANCE RIGHTS

There are 9 holders of unlisted performance rights. There are no voting rights attaching to the performance rights.

A total of 1,040,699 performance rights are on issue. The 1,040,699 performance rights, if vested, will automatically convert into 1,040,699 ordinary shares.

The performance rights have the following expiry date and exercise price:

| No. of holders | No. of performance rights | Exercise price | Expiry date |
|---|---|---|---|
| 9 | 1,040,699 | Nil | 30 June 2021 |

## DISTRIBUTION SCHEDULE OF THE NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITY AS AT 20 SEPTEMBER 2019

Ordinary Shares

| Spread of holdings | Holders | Units | Percentage of issued capital |
|---|---|---|---|
| 1 to 1,000 | 4,649 | 3,325,756 | 0.17 |
| 1,001 to 5,000 | 10,782 | 29,610,435 | 1.50 |
| 5,001 to 10,000 | 5,312 | 42,425,986 | 2.15 |
| 10,001 to 100,000 | 9,787 | 318,808,776 | 16.15 |
| 100,001 and over | 1,696 | 1,579,533,185 | 80.03 |
| **Total** | **32,226** | **1,973,704,138** | **100.00** |

Unlisted Options expiry date 07/11/2019, exercise price $0.547

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 500,000 | 100.00 |
| **Total** | **1** | **500,000** | **100.00** |

Unlisted Options expiry date 17/11/2019, exercise price $0.547

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 500,000 | 100.00 |
| **Total** | **1** | **500,000** | **100.00** |

Unlisted Options expiry date 12/12/2019, exercise price $0.626

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 2 | 9,333,334 | 100.00 |
| **Total** | **2** | **9,333,334** | **100.00** |

Unlisted Options expiry date 31/08/2020, exercise price $0.45

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 3 | 2,750,000 | 100.00 |
| **Total** | **3** | **2,750,000** | **100.00** |

Unlisted Options expiry date 08/12/2020, exercise price $0.90

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,000,000 | 100.00 |
| **Total** | **1** | **2,000,000** | **100.00** |

Unlisted Options expiry date 21/12/2021, exercise price $0.93

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,000,000 | 100.00 |
| **Total** | **1** | **2,000,000** | **100.00** |

Unlisted Options expiry date 31/12/2021, exercise price $0.884

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 4 | 3,104,585 | 100.00 |
| **Total** | **4** | **3,104,585** | **100.00** |

Unlisted Performance Rights expiry date 30/06/2021, nil exercise price

| Spread of holdings | Holders | Units | Percentage of options on issue |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 9 | 1,040,699 | 100.00 |
| **Total** | **9** | **1,040,699** | **100.00** |



## MARKETABLE PARCEL

There are 6,518 shareholders with less than a marketable parcel, based on the closing price of $0.345 on 20 September 2019.

## TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED SECURITY

The names of the 20 largest holders of each class of quoted security, the number of equity securities each holds and the percentage of issued capital each holds (as at 20 September 2019) are set out below:

| Name | | Ordinary shares | |
|---|---|---|---|
| | | Number | Percentage |
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 142,425,433 | 7.22 |
| 2 | MINERAL RESOURCES LIMITED | 137,980,413 | 6.99 |
| 3 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 105,158,737 | 5.33 |
| 4 | CITICORP NOMINEES PTY LIMITED | 87,963,742 | 4.46 |
| 5 | POS-LT PTY LTD | 82,065,000 | 4.16 |
| 6 | GFL INTERNATIONAL CO LTD | 77,663,871 | 3.93 |
| 7 | GFL INTERNATIONAL CO LTD | 74,941,452 | 3.80 |
| 8 | BILLION SUNNY DEVELOPMENT LIMITED | 56,000,000 | 2.84 |
| 9 | NATIONAL NOMINEES LIMITED | 40,160,938 | 2.03 |
| 10 | BNP PARIBAS NOMINEES PTY LTD | 33,942,338 | 1.72 |
| 11 | XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C> | 14,620,521 | 0.74 |
| 12 | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 11,350,914 | 0.57 |
| 13 | HUICEN CAPITAL PTY LIMITED | 11,198,958 | 0.57 |
| 14 | HAVELOCK MINING INVESTMENT LTD | 9,255,112 | 0.47 |
| 15 | NOHUNI PTY LTD <SUPER FUND A/C> | 9,026,190 | 0.46 |
| 16 | CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 8,933,334 | 0.45 |
| 17 | WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C> | 8,664,481 | 0.44 |
| 18 | MR JOHN ALEXANDER YOUNG + MRS CHERYL KAYE YOUNG <THE FOREVER YOUNG S/F A/C> | 8,400,000 | 0.43 |
| 19 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 7,266,329 | 0.37 |
| 20 | HEPHZIBAH PTY LTD <THE BUTT FAMILY A/C> | 7,225,706 | 0.37 |
| **Top Twenty Shareholders** | | **934,243,469** | **47.33** |
| **Total Remaining Shareholders** | | **1,039,460,669** | **52.67** |
| **TOTAL SHAREHOLDERS** | | **1,973,704,138** | **100** |

## HOLDERS OF 20% OR MORE OF UNQUOTED EQUITY SECURITIES

The names of holders and number of unquoted equity securities held for each class of unquoted equity securities (but excluding securities held under an employee incentive scheme) where the holding was 20% or more of each class of security as at 20 September 2019 are set out below:

| Name | Option class | | | % of class |
|---|---|---|---|---|
| | Number | Exercise price | Expiry date | |
| Anthony Kiernan | 8,000,000 | $0.626 | 12/12/2019 | 85.7 |
| Steve Scudamore | 1,333,334 | $0.626 | 12/12/2019 | 14.3 |
| MJBJ (WA) Pty Ltd | 2,000,000 | $0.90 | 08/12/2020 | 100 |
| Envision Capital Management Pty Ltd <ET Account> | 2,000,000 | $0.93 | 21/12/2021 | 100 |

## COMPANY SECRETARY

The name of the Company Secretary is Alex Eastwood.

## ADDRESS AND DETAILS OF THE GROUP'S REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 2, 88 Colin Street, West Perth, WA, 6005

Telephone: +61 8 6266 6266

Fax: +61 8 6266 6288

## ADDRESS AND TELEPHONE DETAILS OF THE OFFICE AT WHICH A REGISTER OF SECURITIES IS KEPT

Advanced Share Registry Services

110 Stirling Highway, Nedlands WA 6009

Telephone: +61 8 9389 8033

Website: www.advancedshare.com.au

## STOCK EXCHANGE ON WHICH THE COMPANY'S SECURITIES ARE QUOTED

The Company's listed equity securities are quoted on the Australian Securities Exchange – Code: PLS.

## RESTRICTED SECURITIES

There are no restricted ordinary shares on issue as at 20 September 2019.

## ON-MARKET BUY-BACK

There is no current on-market buy-back of securities.

## SCHEDULE OF TENEMENTS

A listing of the Group's granted tenements as at 20 September 2019 is set out below:

| Project | Location | | Beneficial interest |
|---|---|---|---|
| Pilgangoora | Western Australia | E45/4523 | 100% |
| Pilgangoora | Western Australia | L45/413 | 100% |
| Pilgangoora | Western Australia | L45/414 | 100% |
| Pilgangoora | Western Australia | L45/417 | 100% |
| Pilgangoora | Western Australia | L45/402 | 100% |
| Pilgangoora | Western Australia | L45/477 | 100% |
| Pilgangoora | Western Australia | L45/478 | 100% |
| Pilgangoora | Western Australia | L45/479 | 100% |
| Pilgangoora | Western Australia | L45/480 | 100% |
| Pilgangoora | Western Australia | L45/481 | 100% |
| Pilgangoora | Western Australia | L45/482 | 100% |
| Pilgangoora | Western Australia | L45/396 | 100% |
| Pilgangoora | Western Australia | L45/421 | 100% |
| Pilgangoora | Western Australia | P45/3058 | 100% |
| Pilgangoora | Western Australia | E45/2241 | 100% |
| Pilgangoora | Western Australia | P45/2783 | 100% |
| Pilgangoora | Western Australia | E45/4624 | 100% |
| Pilgangoora | Western Australia | E45/4633 | 100% |
| Pilgangoora | Western Australia | E45/4640 | 100% |
| Pilgangoora | Western Australia | L45/403 | 100% |
| Pilgangoora | Western Australia | E45/4689 | 100% |
| Pilgangoora | Western Australia | M45/333 | 100% |
| Mt Francisco | Western Australia | E45/4270 | 70% |
| Pinga | Western Australia | E45/4648 | 100% |
| Strelley | Western Australia | E45/4961 | 100% |

# CORPORATE DIRECTORY

## SCHEDULE OF TENEMENTS (CONTINUED)

A listing of the Group's granted tenements as at 20 September 2019 is set out below:

| Project | Location | | Beneficial interest |
|---|---|---|---|
| Pilgangoora | Western Australia | L45/453 | 100% |
| Pilgangoora | Western Australia | L45/497 | 100% |
| Pilgangoora | Western Australia | M45/511 | 100% |
| Pilgangoora | Western Australia | E45/3648 | 100% |
| Pilgangoora | Western Australia | M45/1266 | 100% |
| Pilgangoora | Western Australia | L45/430 | 100% |
| Pilgangoora | Western Australia | L45/449 | 100% |
| Pilgangoora | Western Australia | L45/454 | 100% |
| Pilgangoora | Western Australia | L45/450 | 100% |
| Pilgangoora | Western Australia | M45/78 | 100% |
| Pinnacle | Western Australia | E45/3560 | 100% |
| Pilgangoora | Western Australia | L45/411 | 100% |
| Pilgangoora | Western Australia | L45/473 | 100% |
| Pilgangoora | Western Australia | L45/425 | 100% |
| Pilgangoora | Western Australia | L45/429 | 100% |
| Pilgangoora | Western Australia | M45/1256 | 100% |

## DIRECTORS

| | |
|---|---|
| Anthony Kiernan | Executive Chairman |
| Ken Brinsden | Managing Director & Chief Executive Officer |
| Steve Scudamore | Non-Executive Director |
| Nicholas Cernotta | Non-Executive Director |
| Sally-Anne Layman | Non-Executive Director |

## COMPANY SECRETARY

Alex Eastwood

## REGISTERED OFFICE IN AUSTRALIA

Level 2, 88 Colin Street
West Perth WA 6005
Tel: +61 8 6266 6266
Fax: +61 8 6266 6288
Website: **pilbaraminerals.com.au**

## ACN AND ABN

ACN: 112 425 788
ABN: 95 112 425 788

## ASX CODE

PLS

## SHARE REGISTER

**Advanced Share Registry Service**
110 Stirling Highway
Nedlands WA 6009
Tel: +61 8 9389 8033

## BANKERS

**Commonwealth Bank of Australia**
Level 14A, 300 Murray Street
Perth WA 6000

## AUDITORS

**KPMG**
235 St Georges Terrace
Perth WA 6000, Australia

Pilbara Minerals

...Powering a sustainable energy future

www.pilbaraminerals.com.au