ASX / MEDIA ANNOUNCEMENT 20 FEBRUARY 2020

DECEMBER 2019 HALF-YEAR FINANCIAL REPORT

KEY RESULTS

- Moderated production strategy preserves both cash flow and working capital, resulting in an improvement in cash gross margin[1] in the December 2019 Quarter to $11.5M (September 2019 Quarter: cash gross margin loss of $13.3M).
- Existing stockpiles drawn down during the half-year to support sales of 53,222 dry metric tonnes (dmt) of spodumene concentrate, underpinning sales revenue of $37.8M.
- Significant improvement in lithia recoveries following the completion of plant optimisation and improvement works during September 2019 Quarter.
- Half-year EBITDA loss of $24.1M before non-cash inventory write-down of $21.2M, depreciation and amortisation of $6.8M and net financing costs of $11.3M.
- Statutory net loss after tax for the half-year of $63.4M.
- $111.5M equity raising completed during the half-year strengthens balance sheet. 31 December 2019 cash balance of $105.5M, with working capital of $94.8M.

[1] Cash gross margin represents the operating margin from the Pilgangoora Project's operation before inventory movements, and depreciation and amortisation expenses. It is an unaudited, non-IFRS measure that in the opinion of the Company's directors provides useful information to assess the financial performance of the Company over the reporting period.

Pilbara Minerals Limited (ASX: PLS) (**Pilbara Minerals or the Company**) presents its financial report for the half-year to 31 December 2019.

The Company's financial results for the half-year were impacted by softer market conditions, weaker customer demand and lower spodumene concentrate prices. While the lithium market presented significant challenges during this period, Pilbara Minerals responded rapidly and proactively to these declining market conditions by:

- Moderating production at the Pilgangoora Lithium-Tantalum Project (Pilgangoora Project) to better align with customer demand requirements.
- Completing major plant improvement and optimisation works that have improved lithia recoveries, thereby lowering unit operating costs while in production.
- Undertaking a well-supported equity raising of $111.5M, to strengthen its balance sheet.

Moderating production during the half-year allowed Pilbara Minerals to preserve cash flow by drawing down on existing stockpiles to meet customer sales requirements, resulting in a 25,738 dmt reduction in spodumene concentrate stocks to 25,730 dmt (30 June 2019: 51,468 dmt).

This significant change in operating strategy was formulated and implemented in the September 2019 Quarter, with the majority of the financial benefit being realised during the December 2019 Quarter in the form of an improved positive cash gross margin[1] of $11.5M (September 2019 Quarter: cash gross margin loss of $13.3M).

For the half-year, a consolidated cash gross margin[1] loss of $1.8M was recorded, reflecting the decisive actions taken by the Company in response to difficult market conditions which have impacted the entire lithium sector.

The effect of drawing down stockpiles and reducing cash costs during operations as part of the production moderation strategy meant that a net cash outflow of $0.5M was generated for operating activities conducted during the half-year (including corporate costs), despite lower production and weaker pricing.

During the half-year, the Company also paid $27.5M for operating costs incurred during the previous financial year, expended $23.3M on capital (including Stage 2 long-lead and engineering, Stage 1 rectification works and mine properties and development) and exploration activities, and paid $8.8M for interest incurred under the US$100M secured Nordic Bond facility.

Pilbara Minerals will continue to operate under a moderated production strategy during the second half of the 2020 financial year or until markets improve to ensure prudent management of its operating cash flows, balance sheet and working capital position.

After accounting for inventory movements ($10.8M), corporate and administration costs ($6.9M), and exploration and feasibility costs ($4.0M), the Company posted an EBITDA loss of $24.1M for the half-year.

The Company recorded a consolidated net loss after tax for the half-year of $63.4M, after allowing for net finance costs ($11.3M), non-cash inventory write-downs ($21.2M) and depreciation and amortisation expenses ($6.8M). The inventory write-downs resulted from softer prevailing market conditions, lower spodumene concentrate prices, elevated unit costs associated with operating in a moderated production environment and further technical learnings gathered from operating the processing plant.

During the period, Pilbara Minerals strengthened its balance sheet following the successful equity raising of $111.5M. Since 30 June 2019, the Company increased its cash balance by $41.9M to $105.5M and maintained a working capital position of $94.8M at period end. In addition, the Company holds a US$15M working capital facility which was undrawn at the end of the period.

Commenting on the half-year report, Pilbara Minerals' Managing Director, Ken Brinsden said,

> "*It has been a tough six months for all hard-rock lithium producers and lithium-ion supply chain participants in general, following the relatively weak demand conditions in the China domestic market. As a company, we have had to make some difficult decisions and respond proactively to market conditions. As the first Australian lithium producer to make these tough decisions, I am proud of the team's efforts and of our proactive and responsible approach to this change in circumstances.*
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> *"As with any large operation, implementing a new operating strategy takes time, so it is pleasing to see the improved cash gross margin*[1] *recorded in the December 2019 Quarter as the benefits of the production moderation strategy began to flow through. As challenging market conditions persist, we will continue to identify ways to manage cash outflows and reduce operating costs. While at the same time, continuing to work closely with our current offtake partners and engage with new partners to diversify our customer base and strengthen our market position well into the future.*
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> *"Despite these market conditions, our ability to raise $111.5M during the half-year demonstrates the confidence from investors in our Company, the quality of the Pilgangoora Project and the future of the lithium market."*

The Company continued to see a strong improvement in lithia recoveries during the half-year following the completion and commissioning of modification works to optimise the processing plant during the December 2019 Quarter. During an 18-day period of steady-state production in the half-year, the processing plant was able to achieve an average lithia recovery of 67% and a range of 63% to 73%, including an outstanding 70% lithia recovery rate over a 36-hour period prior to the campaign close in November 2019. It is encouraging to see these improved results continue in the production campaign currently underway in February 2020, with incremental recovery improvement being largely consistent with the Company's expectations and now close to design.

Improving lithia recoveries is key to reducing operating costs as Pilbara Minerals targets a cash operating cost[2] of US$320-350/dmt (CFR China) or US$270-US$300/dmt (FOB Port Hedland and exclusive of royalties), once the processing plant is operating at nameplate capacity on a continuous basis.

[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 and are net of Ta_2O_5 byproduct credits.*

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

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MORE INFORMATION

ABOUT PILBARA MINERALS

Pilbara Minerals is an Australian lithium-tantalum producer and a top-200 company on the Australian Securities Exchange (ASX: PLS). Through the development of its 100% owned, Pilgangoora Lithium-Tantalum Project (Pilgangoora Project), the Company is positioned to become a major player in the world's rapidly growing lithium supply chain, underpinned by the electric vehicle and energy storage markets.

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

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