APPENDIX 4E: PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Results for announcement to the market

Current Reporting Period: 12 months ending 30 June 2020
Previous Reporting Period: 12 months ending 30 June 2019

	30 June 2020 $'000	30 June 2019 '$000	Change '$000	%
Revenue from ordinary activities	84,147	42,785	41,362	96.7%
Profit/(loss) from ordinary activities after tax attributable to members	(99,262)	(28,932)	(70,330)	(243.1%)
Net Profit/(loss) for the period attributable to members	(99,262)	(28,932)	(70,330)	(243.1%)

* Prior to the declaration of commercial production effective 1 April 2019, all operating costs net of revenue derived from the sale of spodumene concentrate were capitalised as development costs.

Dividends

No dividends have been declared or paid during or since the end of the year to 30 June 2020 (2019: Nil).

Net Tangible Assets

	30 June 2020	30 June 2019
Net tangible asset per security	**$0.17**	$0.20

Changes in Controlled Entities

There have been no gains or losses in control over entities during the year ended 30 June 2020.

Joint Ventures

Joint Ventures	**Principal activities 2020**	**30 June 2020**
Mount Francisco JV	Exploration	70%

The joint arrangement listed above is classified as a joint operation and is not a separate legal entity. The Mount Francisco JV is a contractual arrangement between participants for the sharing of costs and outputs and does not generate revenue or profit.

Audit

This Report is based on financial statements which have been audited.

Other Information Required by Listing Rule 4.3A

All the disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within Pilbara Minerals Limited's Annual Financial Report for the year ended 30 June 2020, which accompany this Preliminary Final Report.

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Pilbara Minerals

ABN 95 112 425 788

Annual Financial Report

30 June 2020

Contents

CORPORATE DIRECTORY

Pilbara Minerals Limited
ABN 95 112 425 788
Incorporated in Australia

BOARD OF DIRECTORS

Anthony Kiernan	Chairman (Non-Executive)
Ken Brinsden	Managing Director and CEO
Steve Scudamore	Director (Non-Executive)
Sally-Anne Layman	Director (Non-Executive)
Nicholas Cernotta	Director (Non-Executive)

COMPANY SECRETARY

Alex Eastwood

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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ASX CODE

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AUDITORS

KPMG
235 St Georges Terrace
Perth WA 6000

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 2020 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 LLB **Chairman and Independent Non-Executive Director** 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. Mr Kiernan is a member of the People and Culture Committee (formerly Remuneration and Nomination Committee). Mr Kiernan is also Chairman of the Fiona Wood Foundation which focuses on research into burns injuries. **Other current ASX directorships:** Saracen Mineral Holdings Limited (since September 2018) and Venturex Resources Limited (since 2010). **Former ASX directorships in the last three years:** Chalice Gold Mines Limited (2007 to September 2018) and Danakali Limited (2013 to February 2017).
Mr Ken Brinsden B. Eng (Mining), MAusIMM, MAICD **Chief Executive Officer and Managing Director** Appointed Managing Director 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. Mr Brinsden was appointed as Chief Executive Officer of the Company in January 2016. Mr Brinsden has led the development of the Pilgangoora Lithium-Tantalum project, which has progressed from first drill hole to production in under four years. This exponential growth has resulted in Pilbara Minerals now being one of the world's leading lithium raw materials suppliers with a portfolio of growth options to execute as battery raw material demand increases. **Former ASX directorships in the last three years:** None.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Steve Scudamore FCA, MA (Oxon), FAICD, SF Fin **Independent Non-Executive Director** 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. Mr Scudamore is Chairman of the Audit and Risk Committee and is a member of the People and Culture Committee (formerly Remuneration and Nomination Committee) and a member of the new Sustainability Committee established in July 2020. 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. His involvement in community organisations includes his role as independent Vice-Chair of the Western Australian Museum. **Other current ASX directorships:** Regis Resources Ltd (since May 2019) and Australis Oil & Gas Limited (since November 2016). **Former ASX directorships in the last three years:** Altona Mining Limited (March 2013 to April 2018).
Mr Nicholas Cernotta B. Eng (Mining) **Independent Non-Executive Director** 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. 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. 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 Corporation. Mr Cernotta is a member of the Audit and Risk Committee and is Chairman of the People and Culture Committee (formerly Remuneration and Nomination Committee) and he has been appointed Chairman of the new Sustainability Committee in July 2020. **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). **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 B. Eng (Mining) Hon, B.Com, CPA, MAICD **Independent Non-Executive Director** 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 Bank, including as Division Director and Joint Head of the Perth office of the Metals, Mining & Agriculture Division. More recently, Ms Layman has worked as a consultant providing financial consulting services to miners and explorers, including strategy and business development. Ms Layman is a member of the Audit and Risk Committee and a member of the new Sustainability Committee established in July 2020. **Other current ASX directorships**: Perseus Mining Limited (since September 2017), IMDEX Limited (since February 2017) and Beach Energy Limited (since February 2019). **Former ASX directorships in the last three years:** Gascoyne Resources Limited (June 2017 to May 2019).

COMPANY SECRETARY

Mr Alex Eastwood, B. Economics; LLB, AICD
Mr Eastwood was appointed Company Secretary on 1 September 2016 and has more than 25 years' experience as a corporate and 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 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:

Number of Meetings	Board Meetings		Audit and Risk Committee		People and Culture Committee*	
	16		4		2	
Director	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Anthony Kiernan	16	16	-	-	2	2
Ken Brinsden	16	16	-	-	-	-
Steve Scudamore	16	16	4	4	2	2
Nicholas Cernotta	15	16	4	4	2	2
Sally-Anne Layman	16	16	4	4	-	-

* Formerly the Remuneration and Nomination Committee and renamed with effect 1 July 2020.

The Audit and Risk Committee and People and Culture Committee (formerly 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 produce and sell high quality spodumene and tantalite concentrate 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, through undertaking further exploration and development activities; and
- to leverage the size and quality of the Pilgangoora Project by creating strategic growth opportunities through the establishment of deeper links with the global lithium raw materials supply chain, including participation in downstream chemical processing opportunities.

In order to meet these objectives, the following targets have been set for the 2021 financial year and beyond:

- Operation at Pilgangoora Stage 1 (**"Stage 1"**) being the existing 2 million tonne per annum ("**Mtpa**") operation:
  - subject to market conditions and customer demand, achieve nameplate production capacity of 330,000dmt per annum of ~6.0% spodumene concentrate and 300,000lbs per annum of tantalite concentrate, at a target unit cash operating cost[1] per tonne of US$320-350/dmt CIF China.
  - development of Pilgangoora Stage 2 (**"Stage 2"**) by way of an incremental expansion of the operation to up to 5 Mtpa to ultimately produce approximately 800,000 to 850,000dmt per annum of ~6.0% spodumene concentrate. Any Stage 2 expansion will be aligned with the demand requirements of the Company's Stage 2 offtake customers and be subject to supporting market conditions.
- Safety:
  - continued improvement in the Company's safety performance as measured by leading and lagging indicators.
- Sustainability:
  - continued improvement in the Company's sustainability practices including evaluation and monitoring of the Pilgangoora Project's exposure to climate-related risk and the determination of emission reduction targets and strategies.
- Diversification into downstream lithium chemical processing:
  - subject to respective party board final investment decisions to establish a joint venture with POSCO for Pilbara Minerals' participation in the development and operation of a 40,000tpa downstream chemical conversion facility in South Korea supported by a 315ktpa offtake agreement from Stage 2.

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

REVIEW OF OPERATIONS

FY2020 saw softer market conditions in China and weaker customer demand for lithium raw materials, impacting both spodumene exports from Western Australia and prices across the entire lithium raw materials and chemicals product suite. The Company responded proactively to these market conditions by moderating production at the Pilgangoora Lithium-Tantalum Project to better align with reduced customer requirements. Mining and processing activities were reduced, and existing stockpiles were drawn down, resulting in reduced processed tonnes and ultimately reduced shipped spodumene concentrate. In response to these market conditions, other Australian hard-rock producers also reduced their production or placed operations into care and maintenance.

Plant optimisation and improvement works were completed during the year resulting in materially improved lithia recovery rates, with the plant largely achieving plant design criteria by financial year end (being 72% to 78%, depending on the source(s) and/or blend of the ore being fed to the plant). These lithia recovery rates provide confidence that the Company will be able to continue to reduce cash operating costs towards its target of US$320-US$350/dmt CIF China, when combined with increased plant run-times.

During the first half of the financial year the Company completed a A$111.5M equity raising strengthening the Company's balance sheet and increasing working capital. The Company also implemented a range of strategies in response to soft market conditions to preserve working capital including moderated production, an operational restructure, targeted mining and the drawdown of existing stockpiles.

Subsequent to year end, in July 2020 the Company entered into binding credit approved commitments totalling US$110M with BNP Paribas and Australia's specialist clean energy investor, the Clean Energy Finance Corporation (CEFC) to refinance the existing US$100M Nordic Bond senior debt. The new facility is expected to be finalised in the first quarter of FY2021 and will provide a favourable cost of funding of ~5% (12% under the Nordic Bond facility) and improved terms.

Pilgangoora Lithium-Tantalum Project

During the year the Company moderated production in response to softer market conditions in China for lithium raw materials, which resulted in weaker customer demand. This strategy aligned production with customer requirements and market demand and included the drawdown of existing stockpiles to preserve working capital.

A positive and unintended consequence of the moderation strategy was the agility developed by the business that assisted the Company in responding to the COVID-19 pandemic. A significant focus during the March and June 2020 quarters was managing the risks introduced by COVID-19, while at the same time maintaining business continuity. The Pilgangoora Project did not experience any material disruption or operational impact as a result of COVID-19, with the Company continuing to secure sales and meet shipping schedules despite the China supply chain being disrupted.

The moderated production strategy meant mining activity was reduced with a commensurate reduction in tonnes processed, ultimately leading to lower tonnes being shipped during the year. A total of 90,768 dmt of spodumene concentrate was produced during the year, and when combined with the drawdown of inventory, resulted in 116,256 dmt of final product being shipped to customers. Tantalite shipments for the year totalled 143,336 lbs (pending final reconciliations and assays).

Mining activities were curtailed from the middle of the financial year with existing ROM stockpiles utilised by the processing plant to meet customer orders. Following the depletion of mining stocks, drill-and-blast activities resumed during the last quarter of the financial year.

The mine plan was modified in the second half of the financial year such that mine head-grades were slightly elevated in comparison to the average life-of-mine head grade (being 1.25% Li_2O). The result of these changes led to lower mining costs through the combination of reduced single shift mining to match plant ore feed and the mining of higher-grade ore to reduce the strip ratio.

During the year significant enhancements in plant performance were achieved through plant improvement and optimisation works delivering higher lithia recoveries thereby lowering unit cash operating costs when combined with more plant run-time. Key works included the completion of defect rectification works relating to the processing plant EPC contract. Specifically, the installation of additional LIMS (low intensity magnetic separation drums), iron removal equipment in the fines product circuit and improvements to WHIMS (wet high intensity magnetic separation) equipment. In addition, a series of other improvements were completed, including grind size control in the fines product circuit aiding flotation and improvement in overall plant control through controls system modifications.

By financial year end, the plant was achieving higher sustained lithia recoveries which were largely in line with plant design criteria (being 72% to 78% dependant of the blend/source of ore feed to the plant). These higher lithia recoveries when combined with longer plant run-times should deliver lower unit cash operating costs, with costs trending during the year towards the Company's target of US$320-350 dry metric tonne (dmt) CIF China.

The moderation strategy was also aided by an operational business restructure in the September quarter. This led to reduced costs and included the rationalisation of approximately 40 staff positions across the mining and processing areas and Perth-based support staff required to match operational requirements.

Table 1: Total ore mined and processed

	Units	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Total
Ore mined	*wmt*	303,177	65,941	4,954	438,070	812,142
Waste mined	*wmt*	868,441	26,046	21,775	213,621	1,129,883
Total material mined	*wmt*	1,171,618	91,987	26,729	651,691	1,942,025
Ore processed	*dmt*	202,596	102,251	137,407	199,961	642,215

For the financial year, total recordable injuries (**'TRI's'**) were three minor incidents (2019: five) and there were no recordable injuries in the nine months prior to June 2020. This was a pleasing result and a direct result of the Company's focus on safety culture. During the year, the Company commissioned an independent auditor to undertake a safety system audit against the statutory WorkSafe Plan with the audit delivering high scores. Additionally, safety standards were revised with training workshops rolled out to staff targeting the revised standards.

During the March Quarter 2020 the Company responded to the coronavirus pandemic (COVID-19) focusing on managing the health and safety of its people and contractors, while at the same time maintaining focus on business continuity. The Company's response to COVID-19 included measures of:

- Increased sanitation and cleaning procedures across site operations and head office.
- Engagement with employees and contractors on personal hygiene, social distancing and personal health responsibilities.
- Sanction on non-essential travel.
- Reduction of people movements through the implementation of extended operational rosters and working from home arrangements.

- Implementation of health check questionnaires and screening for the operational fly-in, fly-out workforce (including contractors).
- Mental health and communication initiatives, including an employee wellness survey, in support of employees and contracting partners.
- Social distancing within company transportation and across site, including camp facilities.
- Engagement with government and industry.
- Activation of response plans and procedures.
- Undertaking business continuity and scenario planning.

During the June quarter 2020 the Company continued with controls to ensure the safety of its people in line with government directives and, in-step with the Western Australian government, the Company commenced the wind back of some of the restrictions including the return to normal site based rosters and return from work-at-home arrangements for the Perth office staff. There remains a continued focus on maintaining pre-flight health screen and sanitation across the site. There were no reportable safety incidents during the pandemic in FY2020.

During the second half of FY2020, the Company secured a new long-term spodumene concentrate (SC6.0 basis) offtake partner. Through the Company's strategic relationship with global battery maker Contemporary Amperex Technology (CATL), Pilbara Minerals entered into a five-year offtake agreement with Yibin Tianyi Lithium Industry Co Ltd (Yibin Tianyi). The agreement is for 75,000tpa of spodumene concentrate, with an initial 60,000tpa to be supplied in the 2020 calendar year (of which ~36,000tpa had already been shipped during FY2020). Yibin Tianyi are constructing and commissioning a lithium chemical plant in the City of Yibin in the Sichuan province, China which will have an initial production capacity of 25,000tpa for lithium chemicals (including primary hydroxide production and facility for lithium carbonate production). Yibin Tianyi plans to increase capacity to 100,000tpa by 2022. Pilbara Minerals is pleased to have a supportive relationship with CATL as a major shareholder in the Company.

Table 2: Production and shipments

	Units	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Total
Spodumene concentrate produced	*dmt*	21,322	14,711	20,251	34,484	90,768
Spodumene concentrate shipped	*dmt*	20,044	33,171	33,729	29,312	116,256
Tantalite concentrate produced	*lb*	48,825	11,162	3,600	23,404	86,991
Tantalite concentrate shipped	*lb*	10,765	75,369	33,970	23,232[1]	143,336

1. Shipping estimates pending final reconciliation and assays results.

Project Development – Stage 2 Pilgangoora Lithium-Tantalum Project expansion

During the year, the Company undertook a number of technical studies to support the delivery of a phased incremental approach for the Stage 2, 5Mtpa expansion of the Pilgangoora Project, to better align any expansion with customer demand requirements.

This approach to the expansion provides for lower upfront capital costs by using latent capacity in the existing Stage 1 plant and improves timing of the plant's capacity to better align expanded production with customer demand.

The approach divides the expansion into three incremental phases, with technical studies progressed throughout the year to support this approach. These studies have highlighted the incorporation of mass-rejection in the dense media separation circuit as a key to facilitate this strategy.

Significant further development works on the expansion are not planned to commence whilst lithium market conditions remain soft, but studies will be progressed to a readiness stage such that works can be quickly and efficiently commenced when supported by customer demand requirements.

The Company is likely to complete a revised Stage 2 Definitive Feasibility Study (DFS), with the first phase of the expansion capable of being delivered within nine months following the initial financial investment decision (FID).

POSCO Joint Venture (JV)

The joint venture opportunity with POSCO to develop and operate a 40ktpa LCE lithium hydroxide and carbonate downstream chemical conversion facility in South Korea remains a key strategic objective for both companies. During the year, following several meetings, including a visit by Pilbara Minerals to the demonstration plant in Gwangyang, South Korea, POSCO announced further market and technical evaluations into the design of the facility. Timing remains dependent upon the outcome of these technical studies, market conditions and final investment decision.

Pilbara Mineral's participation in the downstream JV would include providing an expanded offtake agreement of up to 315ktpa of spodumene concentrate on commercial terms to support the downstream chemical conversion facility.

Exploration

During the year, exploration work was limited to geological mapping, PQ diamond drilling and geo-met sampling programs within the Pilgangoora Project's mining area. Geological mapping, surface geochemistry and a modest RC drilling program was also undertaken on one of the Company's regional tenements.

A PQ diamond drilling program including 11 holes at the Central, Eastern and Monster deposits at the Pilgangoora Project was undertaken. Drill core has been retained for advanced metallurgical test work as part of studies being undertaken to deliver the incremental Stage 2 (5Mtpa) expansion.

In addition, the Company has made significant progress with an ore-type characterisation and geo-metallurgical test work program which has included whole-rock geochemistry, petrography and QEMSCAN analysis. Preliminary findings have been encouraging and it is anticipated that the results will provide geochemically based modelling criteria to discriminate pegmatite ore types, thereby supporting alternate process plant blend feed strategies that may yield further improvements in lithia recovery.

Regional exploration including an RC drilling program at the Company's Mt York Gold Project was undertaken during the year. The inaugural drilling program comprised 7 holes for 582m and was designed to drill test a semicontiguous >0.5g/t Au surface gold anomaly extending over 700m with a peak assay of 7.4g/t Au. Best results from the drilling included 9m @ 2.67g/t Au (MYRC005 from 81m) and 4m @ 7.99 g/t Au (MYRC007 from 22m). This modest drill program was initiated to add value to Pilbara Minerals' exploration tenure base.

No exploration work was undertaken at Mt Francisco during the reporting year.

Corporate

During the first half of FY2020 the Company completed an A$111.5M equity raising to strengthen the Company's balance sheet and provide increased working capital.

The equity raising comprised a $36.5M institutional placement, a $55M placement to China's largest battery manufacturer Contemporary Amperex Technology (CATL), and a $20M Share Purchase Plan to existing shareholders.

Subsequent to year end, the Company entered into binding credit approved commitments in July 2020 to refinance the existing US$100M Nordic Bond senior debt facility, which was originally used to fund the Stage 1 development of the Pilgangoora Project. Binding commitments for a US$110M senior secured debt facility were received from leading international bank BNP Paribas and Australia's specialist clean energy investor the Clean Energy Finance Corporation (CEFC), who are both long term supporters of the Company.

The new arrangements will also include an extension by BNP Paribas of the existing undrawn US$15M working capital facility. Proceeds from the new US$110M facility will be used to repay the existing US$100M Nordic Bond facility (including the reimbursement of the June 2020 US$6.25M principal repayment and the June 2020 interest payment of US$3M), contribute towards the early redemption premium payable of US$4.5M under the Nordic Bond facility and related transaction costs. Under the arrangement BNP Paribas has committed to providing US$73.3M of the facility with the CEFC committing to the balance of US$36.7M. The new facility does not require quarterly principal repayments until September 2022. The facility also provides for an average cost of funding of ~5% (based on current market reference rates) compared to 12% under the existing Nordic Bond facility.

The Company is pleased to have the CEFC participate in the debt facility which in turn aligns with the Company's own sustainability objectives, including installation of renewable energy and other low emission related initiatives.

Operating Result

The following table provides additional information on the Company's result for the year and specifically reconciles the cash gross margin[1] to the statutory net loss for the year.

	1HY 2020	2HY 2020	Full-Year
Revenue from contracts with customers	37,768	46,379	84,147
Operating cost of sales	(39,603)	(32,630)	(72,233)
Cash gross margin [1,2]	**(1,835)**	**13,749**	**11,914**
Depreciation and amortisation	(6,520)	(9,251)	(15,771)
Inventory movement	(10,774)	(13,307)	(24,081)
Gross loss	**(19,129)**	**(8,809)**	**(27,938)**
Expenses			
Corporate general and administration expense	(6,874)	(5,963)	(12,837)
Exploration and feasibility costs expensed	(4,001)	(2,534)	(6,535)
Depreciation and amortisation expense	(319)	(321)	(640)
Inventory write down [3]	(21,155)	(170)	(21,325)
Share based payment expense	(568)	(1,773)	(2,341)
Operating loss	**(52,046)**	**(19,570)**	**(71,616)**
Finance income	488	363	851
Finance costs - interest	(11,563)	(12,145)	(23,708)
Finance costs - foreign exchange (loss)/gain	(266)	(4,523)	(4,789)
Net financing costs	**(11,341)**	**(16,305)**	**(27,646)**
Loss before income tax expense	**(63,387)**	**(35,875)**	**(99,262)**
Income tax expense	-	-	-
Net loss for the period	**(63,387)**	**(35,875)**	**(99,262)**

1. The cash gross margin is a 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. This non-IFRS measures is unaudited.
2. During the year softer market conditions in China and weaker customer demand for lithium raw materials, impacted spodumene concentrate sales. The Company responded proactively during the September quarter to reduced customer demand by moderating production at the Pilgangoora Lithium-Tantalum Project, with the financial benefit of this decision being realised from the December quarter onwards. The September quarter achieved a cash gross margin loss of $13.4M, with the moderation strategy improving the December quarter's cash gross margin to a profit of $11.5M. This was achieved through the draw-down of existing stockpiles and operating cost reductions and meant a 1HY2020 gross margin loss of $1.8M was achieved. Through continuing with the moderated production strategy and achieving improved plant performance through better lithia recoveries, the Company was able to improve the 2HY 2020 cash gross margin to a profit of $13.7M.
3. The combination of softer market conditions in China for lithium raw materials, lower selling prices for spodumene concentrate, elevated unit costs associated with operating in a moderated production environment and technical learnings gathered from operating the processing plant during the year contributed to an inventory write down of $21.3M. The inventory write-down includes $5.8M related to spodumene concentrate and coarse ore stockpiles and $15.5M for non-current ROM stockpiles.

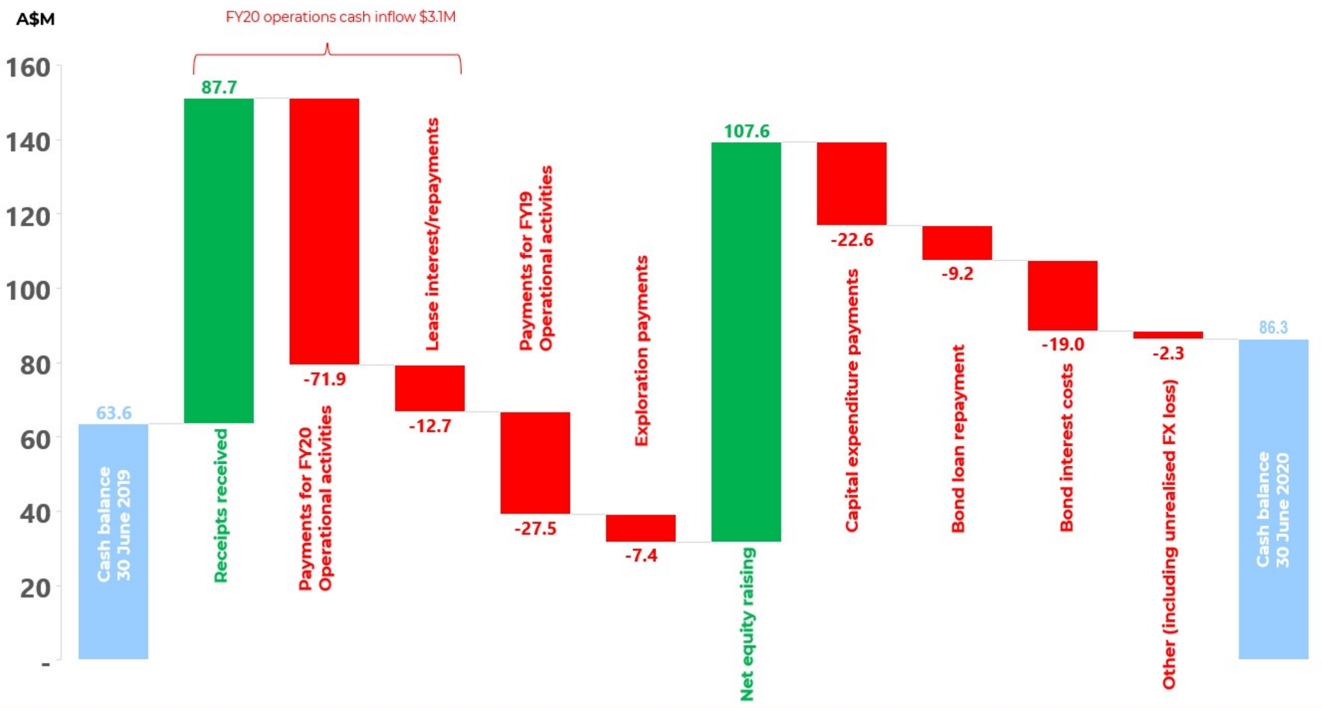
Liquidity

During the year the Company increased its cash balance by $22.7M to $86.3M at 30 June 2020 (30 June 2019: $63.6M). Significant cashflow movements are summarised in the graph below.

Major cash inflows and outflows during the year included:

- a net $15.8M inflow associated with operating activities conducted during the twelve months (being receipts of $87.7M and costs paid to suppliers and employees of $71.9M);
- lease payments and associated interest of $12.7M;
- a cash outflow of $27.5M for costs incurred on operating activities that took place during the previous financial year ended 30 June 2019;
- a net cash inflow of $107.6M, (net of fees) related to the successful equity raising completed during the period;
- payments of $30.0M on capital expenditure and exploration activities;
- interest payments of $19.0M associated primarily with the Company's secured Nordic bond facility; and
- principal debt repayment of US$6.3M on the Nordic bond facility.

Cash Flow Analysis – Year Ended 30 June 2020



Share Placements and Issues

During the financial year, the Company issued the following shares, excluding options that were exercised, or performance rights that vested before costs:

Date	No. of shares	Price per share ($)	Amount issued ($'000)
10-Sep-19	121,732,941	$0.30	36,520
11-Oct-19	66,666,667	$0.30	20,000
21-Oct-19	183,333,503	$0.30	55,000

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 2020
10,540,736	14-Nov-19	$0.415	31-Dec-22	-	a	10,540,736
4,210,526	21-Nov-19	$0.415	31-Dec-22	-	a	4,210,526
599,368	26-Nov-19	$0.415	31-Dec-22	-	a	599,368
18,892,603	13-Dec-19	$0.375	01-May-23	-	b	18,892,603
3,130,435	10-Mar-20	$0.375	01-May-23	-	b	3,130,435
892,596	10-Mar-20	$0.415	31-Dec-22	-	a	892,596
2,500,000	15-May-20	$0.500	30-Jun-22	2,500,000	c	2,500,000

[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 the 3 year vesting period; and
- 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

[b] The vesting conditions attached are:

- 40% vest on 31 October 2021, subject to the KMP or employee remaining in service at that date; and
- 60% vest on 31 October 2022, subject to the KMP or employee remaining in service at that date.

[c] There are no vesting conditions attached to these options.

Performance Rights Issued

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

Performance Rights	Grant date [1]	Expiry date	Vested	
780,906	01-Oct-19	30-Jun-22	-	a
953,218	14-Nov-19	30-Jun-22	-	a
578,452	21-Nov-19	30-Jun-22	-	a
1,033,172	30-Apr-20	19-Jun-20	-	b

1. This is the grant date used for valuation purposes and not the date the performance rights are issued.

[a] The performance 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; and
- 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

[b] These performance rights were issued under the 2020 Salary Sacrifice Offer instigated by the Company to preserve cash in response to the COVID-19 pandemic. The Offer allowed employees to sacrifice a component of their cash salary for performance rights that have no performance conditions attached to their vesting. As part of this Offer the Board received an application from Mr Brinsden. The issue of any performance rights to Mr Brinsden is subject to approval by shareholders before being granted.

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

Subsequent to 30 June 2020, in late July 2020 the Company executed a binding commitment for a US$110 million senior secured debt facility which will replace the existing Nordic Bond US$100 million facility. The new facility funded by BNP Paribas (US$73.3 million) and Commonwealth of Australia's Clean Energy Finance Corporation (US$36.7 million) is expected to be drawn upon in the September quarter of FY21 following completion of final documentation and satisfaction of customary conditions precedent. Proceeds will be used to fund the early redemption of the Nordic Bond including the early redemption premium payable (US$4.5M) and related transaction costs. An additional binding commitment has also been received from BNP Paribas to renew the existing US$15 million Working Capital Facility. The new facility has first ranking security over the assets of the Pilgangoora Lithium-Tantalum Project.

Other than the disclosure above 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 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.

The Group has implemented additional environmental management systems including compliance-specific training programs and the adoption of compliance and environmental monitoring databases.

The Group actively monitors compliance with environmental approvals through the implementation of data management and compliance tracking databases which have been continuously developed and strengthened. Verification of compliance is independently assessed by external auditors on an annual basis. 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 Group's 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, performance 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 [2]	Performance Rights [2]
Anthony Kiernan	426,364	-	-
Steve Scudamore	142,850	-	-
Nicholas Cernotta	208,907	2,000,000	-
Sally-Anne Layman	88,600	2,000,000	-
Ken Brinsden [1]	7,916,671	8,662,061	849,945

1. The total number of performance rights excludes the application for acquisition of performance rights under the 2020 Salary Sacrifice Offer which is subject to approval by shareholders.
2. Vesting conditions attached to these options and performance rights are set out in the footnotes of Note 2.2.3 to the Financial Statements.

SHARE OPTIONS

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

Expiry date [a]	Exercise price	Number of options
31 August 2020	$0.450	2,750,000
08 December 2020	$0.900	2,000,000
21 December 2021	$0.930	2,000,000
31 December 2021	$0.884	3,104,585
30 June 2022	$0.500	2,500,000
31 December 2022	$0.415	15,874,384
01 May 2023	$0.375	19,414,227

[a] Vesting conditions attached to these options are set out Note 2.2.3 of the Financial Statements.

PERFORMANCE RIGHTS

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

Date performance rights granted [a,b]	Expiry date	Number of performance rights
28 November 2018	30 June 21	271,493
21 December 2018	30 June 21	751,836
01 October 2019	30 June 22	780,906
14 November 2019	30 June 22	953,218
21 November 2019	30 June 22	578,452

[a] This is the grant date used for valuation purposes and not the date the performance rights are issued.

[b] Vesting conditions attached to these performance rights are set out in Note 2.2.3 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 did not provide any non-audit services in the financial year ended 30 June 2020. 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 42 and forms part of the Directors' Report for the financial year ended 30 June 2020.

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

Dear Shareholder

On behalf of the Directors of Pilbara Minerals Limited, I am pleased to present the Remuneration Report for the year ended 30 June 2020.

The 2020 financial year has seen the continuation of challenging and changing global market conditions, impacted more recently by the uncertainty presented by COVID-19 and its associated risks. The Company responded to these difficult market conditions by adopting a moderated production strategy, matching production with customer demand, to manage working capital and preserve shareholder value.

In light of these market conditions, the Directors adopted what it considers to be a prudent and balanced approach to certain remuneration matters during FY2020, including adopting a clinical approach to measuring the achievement of certain Short-Term Incentive (**'STI'**) targets, which are discussed further below. These included:

- **No fixed remuneration increases for Key Management Personnel ('KMP') or the wider employee group.** Salary reviews have been deferred until business conditions improve. This is the second year that fixed remuneration for KMP has had a "wage freeze".

- **Implementation of a Salary Sacrifice Scheme.** To manage costs and cashflow and to improve alignment of the Company's employees with shareholders' interests, a salary sacrifice scheme was introduced in April 2020. Participants receive vested performance rights (with no performance conditions) in return for sacrificing a fixed percentage of their salary over an eight-month period (commencing April 2020), with those rights automatically vesting into shares under the Company's Employee Award Plan.

- **A clinical approach to vesting decisions for FY2020 STI's.** While the Directors recognised that the circumstances of COVID 19 were unforeseen and outside of the control of management, the continuation of the Company's moderated production strategy has adversely impacted the achievement of certain STI targets during FY2020. Acknowledging the difficult economic times being experienced by many, the Directors elected not to exercise discretion and resolved that a number of STI targets were simply not met and would not vest during FY2020. These included:
  - Total recordable injury frequency rate (**'TRIFR'**) targets – no awards vested, predominantly due to the moderated production response;
  - Sales volume and cashflow targets – no awards vested; and
  - Unit cost targets – no awards vested, largely a function of moderated production.

  The Board has however chosen to defer the vesting of certain STI targets (being those related to safety and unit costs curtailed by the moderated production strategy outside the control of management), for up to a further 12 months. The intent being to allow the market to recover to facilitate increased production and provide an opportunity for significant improvements and work performed in FY2020 by management, in respect of those STI targets, to be validated. This aligns with our strategy to build and reward a performance-based culture, which we believe will add significant shareholder value.

- **No Long-Term Incentive's ('LTIs') vested in FY2020.** The Company had no LTI's due for vesting during FY2020.

- **Retention Options issued to KMP.** In December 2019, the Company issued retention options to executive's as part of a 'once off' 2019 Pilbara Minerals Retention Awards Scheme. This was implemented as an important initiative by the Board to retain executives and other selected employees who are considered pivotal to the ongoing improvement and optimisation of the operations and the achievement of the Company strategic objectives over the short to medium term.
  Key details of this scheme were disclosed to shareholders in the Notice of General Meeting for a shareholders meeting held in March 2020, at which retention options issued to Mr Brinsden were approved.

In regard to the Company's FY2021 remuneration framework, our governing principle continues to be to seek to build and reward a performance-based culture that supports the strategic objectives of the Company and to attract, retain and motivate employees by offering market competitive remuneration and incentives. Underpinning this framework is the intent to align employee remuneration to both shareholder and stakeholder returns. Further details of the FY2021 remuneration framework are set out in the Remuneration Report.

The Company looks forward to discussing any aspect of the Remuneration Report with shareholders at the upcoming Annual General Meeting.

Yours faithfully,

Nicholas Cernotta
Chair, People and Culture Committee

Late in the 2020 financial year the Board resolved to rename the Remuneration and Nomination Committee the **'People and Culture Committee'**, (the **Committee**) effective 1 July 2020.

a. Introduction

This Remuneration Report for the year ended 30 June 2020 outlines the remuneration arrangements for Directors and other 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	Ken Brinsden	Brian Lynn
Steve Scudamore		Alex Eastwood
Nicholas Cernotta		Dale Henderson
Sally-Anne Layman		

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

b. Governance and role of remuneration and nomination committee

The Company's People and Culture Committee (the **Committee** and previously called the Remuneration and Nomination Committee) is established under a formal charter which is comprised of three independent Non-Executive Directors and is chaired by Non-Executive Director Nick Cernotta.

The Committee assists the Board in fulfilling its corporate governance responsibilities in relation to establishing and monitoring the effectiveness of the Company's executive remuneration practices. It also advises the Board in relation to the Company's diversity policies and practices and those related to nomination and appointment of directors.

The role of the Committee is to advise the Board on remuneration arrangements for Executive and Non-Executive Directors and Other KMP in accordance with the Group's Remuneration Policy approved by the Board. Each year the Committee makes recommendations to the Board on such remuneration arrangements, fixed remuneration for KMP and all awards and vesting of awards by way of the LTI's under the Company's Employee Award Plan and the STI's.

From time to time, the Committee engages independent external remuneration consultants to provide market related advice. In 2018, the Committee engaged Ernst Young as an external remuneration consultant to assist with setting the executive remuneration framework for FY19 and FY20. This included information on benchmarking executive remuneration against comparator groups and advice on the selection of a Total Shareholder Return (TSR) peer group in respect of the Company's LTI remuneration framework. In May 2020 the Committee engaged BDO Advisory to conduct a Board and Executive remuneration market benchmarking review for the setting of remuneration framework for FY21. The total fees paid to BDO Advisory during the year to perform this work was $17,875 including GST. No remuneration recommendations were provided by such consultants for the purposes of the Corporations Act 2001.

Further information relating to the role of the Committee can be found in its 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 effective for the purposes of retention and reward and aligned with the Company's overall business strategy and shareholder interests.

In FY2020 the Board continued to determine through the Executive Remuneration Framework that remuneration packages included an appropriate balance of fixed remuneration and performance based variable remuneration. The Board considers reward for strong performance is market competitive and it is appropriate to align executive reward with the achievement of short-term and long-term objectives to create and drive shareholder value.

In setting the Executive Remuneration Framework the Board endeavours to ensure that it satisfies the following key criteria in line with appropriate corporate governance practices:

- attract, retain and reward key executives at important stages of the Company's development and operations linked to strategy, performance and shareholder return;
- reward executives against pre-determined performance targets which are aligned with the Company's short term and long-term strategy for growth and creation of shareholder value;
- ensure effective benchmarking for total annual remuneration in accordance with market practices and a 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

The Company's remuneration strategy seeks to build a performance based culture that supports the strategic objectives of the Company and to attract, retain and motivate employees by offering market competitive remuneration and incentives.

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

	Fixed Remuneration	**Variable Remuneration** Performance-based remuneration	
		Short-term Incentives (STIs)	**Long term Incentives (LTIs)**
Includes:	Base salary (including salary sacrifice), superannuation as guaranteed fixed element of remuneration	Cash bonuses or share rights (at Board discretion where considered appropriate to conserve cash) subject to achievement of annual STI performance targets.	The grant of options and/or performance rights issued under the shareholder approved Employee Award Plan which vest over a medium-long term vesting period subject to achievement of long term performance targets or service conditions.
Objective:	To attract and retain talent	Reward shorter term performance and conduct in relation to group performance measures as well as overall individual performance.	Reward longer term performance that drives long-term strategic growth of the Company and delivers shareholder return. Longer term retention of talent.
Purpose:	Provide competitive remuneration with benchmarking based on; • company size and industry • role complexity • individual responsibility • skills and experience	To reward and engage executives in achieving a set of pre-defined shorter term (12-month period) group and individual/role performance targets linked to short term Company objectives. Performance measures include both financial and non-financial measures aligned to safety, sustainability, production and cost as well as individual targets aligned to areas of business influence and critical deliverables. The STI is also a valuable tool to reward and re-position effort and performance annually (as required) to other shorter-term initiatives (supporting business agility) that may arise in volatile global economic markets.	Achievement of pre-defined longer-term performance targets linked to relative and/or absolute TSR and where considered appropriate strategic objectives or milestones 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 by the Committee when determining and recommending 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 remained the same as 2019 for the 2020 financial year and these 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.

The remuneration framework for KMP was positioned by the Committee in 2020 with the objective of embedding a performance based culture within the Company's executive team. Fixed remuneration for FY20 was unchanged since it was set in 2019. At the time fixed remuneration was set to target about the 50th percentile of the remuneration market for the resources sector with maximum total fixed and variable remuneration eligible to be received by executives targeted to align within the 50th to 75th percentile. Benchmarking was used by comparing executive remuneration to independent market surveys and comparator groups in the S&P/ASX 200 based on comparable industry and market capitalisation of the Company at that time. Market data is sourced from reputable remuneration consultancies with defined and consistent market data collection, analysis and distribution practices.

d. Executive Remuneration for FY2020 and year ahead

Overview

When considering the remuneration framework for FY2020 including its vesting outcomes at the end of FY2020, the Committee and Board recognised that the executives delivered a high level of performance during FY2020, whilst operating in challenging and changing global markets where influences largely were outside the control of management and the Company. In fact, the Board was of the view that without this level of high performance, the situation may have proven more challenging.

Whilst the Company's responses to difficult market conditions, including the adoption of a moderated production strategy prevented certain STI targets from being capable of vesting in FY20, the executives made significant overall contributions during the FY2020 year. These included:

- implementation of further improvements to the Company's safety management systems in line with ISO45001;
- overseeing significant restructures within the Pilgangoora Project operational team to improve costs including a 21% reduction in employment cost and a revised mine plan with minimal disruption;
- optimisation of the Pilgangoora Project processing plant with significant improvements in lithia recoveries and product yield which will result in continued reduced unit operating cost once the market supports a continuous and steady state of production;
- prudent working capital management with implementation of a moderated production strategy in July 2019 which is still in effect to successfully manage cash flow;
- a successful capital raising of $111.5 million to strengthen the Company's balance sheet and preserve equity value for shareholders;

- introducing the world's largest EV battery maker, Contemporary Amperex Technology Co Ltd (CATL) as a major shareholder in the Company which led to a new long term offtake for 75,000tpa being executed with Yibin Tianyi.

In setting the FY20 remuneration framework and determining its vesting outcomes, regard was had by the Committee and the Board to the ultimate objectives of the framework being:

- 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 assumed during the financial year;
- ensure continued growth in the Company; and
- be fit for purpose for a company in an early operational phase of its asset life cycle.

As noted above, when setting the framework for FY2020 the Committee and the Board endeavoured 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. The rationale for this was to continue to promote a strong performance based culture within the executive. Fixed remuneration was reviewed and benchmarked in FY2019. In FY2020 it was determined that there would be no increases to fixed remuneration for executives, nor their maximum entitlements to STIs and LTIs as a percentage of fixed remuneration.

For FY2020, the STI remuneration framework, which has a short term focus over a 12 month performance period, adopted performance measures which were based on group targets concerning safety, product sales volumes and production unit costs outcomes. In addition, the executives had individual or role specific targets which were measured as part of the executives' overall annual performance evaluations. Vesting determinations were made in respect of those STI performance targets following the end of the FY2020 financial year which are detailed below.

The longer-term objectives and performance measures set for the LTI remuneration framework for FY20 continued to focus on strategic goals aligned to ongoing growth, production volumes as well as relative shareholder return measured over a 3 year performance period. There were however no LTI awards due for vesting during the FY2020 financial year.

During FY2020 and recognising no LTI awards were due for vesting in FY2020, the Company introduced a 'once off' option scheme for executives and key personnel which will continue through to vesting in late 2022 and expire in 2023. This measure was initiated during the year to retain personnel key to the achievement of short to medium term strategic objectives of the Company at an important stage in the Company's development and when market conditions are challenging in lithium raw materials. As approved by shareholders at the Company's General Meeting held on 10 March 2020, Mr Brinsden was a participant in this scheme.

Further details of the remuneration framework and vesting outcomes for executives for FY2020 including fixed remuneration paid and awarded STIs and LTIs inclusive of performance targets and vesting conditions are set out below.

Fixed Remuneration

Pilbara Minerals is committed to providing competitive remuneration packages to its executives and senior employees that is appropriately positioned to motivate, attract and retain key executives and senior employees through the commodity cycles to deliver on the current and long term strategic activities of the Company.

For the year ended 30 June 2020, the executives received fixed remuneration (net of the salary sacrifice scheme) in the form of a base cash salary plus superannuation.

Fixed remuneration is reviewed annually by the Committee for recommendation to the Board. 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 and their responsibilities. 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. In FY2019, executive fixed salary was market reviewed to bring them in line with market based comparator groups and for FY2020 it was determined that there would be no changes to fixed remuneration for executives. For FY2021, fixed salaries have remained unchanged however will be subject to reviews which have been deferred until the second quarter of FY2021 and will be dependent on improvement in market and business conditions. Details of executives' fixed remuneration is outlined in section (g) executive contractual arrangements.

STI's (Short Term Incentives)

Subsequent to the year ended 30 June 2020, the Board determined to pay STI to the executives in recognition of achievements made against pre-defined performance targets set for the 2020 financial year. The STIs were assessed against the following performance criteria outlined in the FY2020 Executive Remuneration Framework:

- **30% weighting for Safety:**
  - 15% weighting for TRIFR target with a threshold target of 3.95 (50% payout), target of 3.36 (75% payout) and stretch target of 2.77 (100% payout).
  - 15% weighting to satisfactory results from an independent annual audit of the Company's safety management systems.
- **20% weighting for Sales Volume and Positive Cashflow:**
  - Achieved from sale of product meeting specification in line with FY Annual Budget with threshold target of 90% of Budget (40% payout), target of 100%-105% of Budget (60% to 80% payout) and stretch target of 115% of Budget (100% payout).
- **20% weighting for Unit Costs:**
  - Achieved from unit costs of production meeting FY20 Annual Budget with threshold target of 110% of Budget (40% payout), target of 100% of Budget (80% payout) and stretch of 90% of Budget (100% payout).
- **30% weighting for Individual and Role Specific Targets:**
  - A range of short term performance measures were set for executives within their line of sight which were aligned with important objectives of the Company including maintaining strong balance sheet, working capital and cash position; compliance with the senior secured bond; ongoing development of company culture, governance and risk and compliance systems.

For FY2020, a new safety target was introduced in relation to achieving satisfactory results from an independent audit of the Company's safety management systems. This was adopted as a proactive leading performance indicator (as opposed to TRIFR which is a lagging performance indicator) to assist the Company in managing safety and testing the effectiveness of its safety management systems.

Vested outcomes of the assessment of FY2020 STI's are as follows:

- **Safety:**
  - *No awards were vested for Safety TRIFR targets as the TRIFR was elevated due to significantly reduced production hours associated with the Company's moderated production strategy in FY2020.
  - 40% of safety targets were partially vested and awarded in relation to satisfactory audit of safety systems.
- **Sales Volume and Positive Cashflow:**
  - This target was forfeited and no STI's were awarded in relation to sales volume and positive cashflow targets which were impacted by challenging market conditions.
- **Unit Costs:**
  - *No STI's were awarded in relation to the unit costs performance measure which was adversely affected by reduced production volumes associated with the Company's moderated production strategy, in response to soft lithium market conditions.
- **Individual and Role Specific Targets:**
  - 80%-85% of individual role-based targets were assessed and awarded.

** Refer to Deferred STIs for FY2020 commentary.*

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 FY2020 the Board approved payment of the following STIs which can be paid, at executive discretion, in a mix of cash and up to 70% in shares in the Company:

Name	Position	Maximum STI ($)	Achieved STI ($)	Achieved STI (%)[1]
Ken Brinsden	MD and CEO	600,000	216,000	36.0%
Brian Lynn	Chief Financial Officer	270,000	101,250	37.5%
Alex Eastwood	General Counsel and Company Secretary	270,000	101,250	37.5%
Dale Henderson	Chief Operating Officer	270,000	101,250	37.5%

1. % of STI achieved

The Board used its discretion to allow executives to take shares in lieu of the achieved STI cash bonus as a means of conserving cash and strengthening alignment between executives and shareholders through executives holding shares in the Company. If elected, shares will be issued to executives at $0.27 per share being a price calculated at the end of the relevant performance period as the lower of the closing price of the Company's shares on 1 July 2020 and a 5 trading day VWAP from 1 July 2020.

Any shares elected to be taken by the CEO will be subject to shareholder approvals.

At 30 June 2020, the 70% portion of the KMP STI that could be received in Company shares was required to be valued as a share-based payment under the Black Scholes option valuation methodology. This award will continue to be valued until grant date, when the KMP will elect the portion of cash and shares to be received and any premium or discount on the equity based STI will be settled at grant date. Detail of the STI valuation are as follows:

Name	Position	STI Cash [1] ($)	STI Shares [1] ($)	STI Share Valuation 30-Jun-20 ($)
Ken Brinsden	MD and CEO	64,800	151,200	181,440
Brian Lynn	Chief Financial Officer	30,375	70,875	79,380
Alex Eastwood	General Counsel and Company Secretary	30,375	70,875	79,380
Dale Henderson	Chief Operating Officer	30,375	70,875	79,380

1. Based on 30% cash and maximum 70% shares, subject to executive discretion.

Further details on the valuation are set out in Note 5.1.2 to the Financial Statements.

Deferred STI's for FY2020

FY20 was a period of intense market pressure as demand for lithium raw materials weakened, further complicated in the second half by the effect of the global COVID-19 pandemic and particularly its direct impacts on lithium raw materials in China being the Company's primary market.

55% of the available FY20 STI payment was forfeited due to the Company implementing a moderated production strategy in response to challenging and unforeseen market conditions beyond the control of the executives and the Company, which meant safety (TRIFR), sales volume and production unit cost performance targets could not meet the threshold targets set. As a result, the Board resolved to defer the vesting determinations for these FY2020 STI targets for further assessment during FY2021 (**Deferred STI**).

Instead of paying out a discretionary award this Deferred STI acknowledges the extraordinary personal contributions and divergent mitigation strategies that were implemented by the executives during the 12 month performance period (as noted in the overview section above) that have resulted in significant wealth preservation for the Company through maintaining balance sheet strength in what has been an extremely challenging commodity market for the Company. Each of these achievements contributed significantly to the relative health of the organisation (both in respect of safety, cost and balance sheet) which ensures the Company's operating platform remains sustainable for a turnaround in market conditions.

The Deferred STI will have a 20% weighting (reduced from the original 35% weighting) in respective total fixed remuneration and will be considered for further assessment by the Committee and Board during FY2021. It will be assessed against criteria that validates the actual achievements made by the executives in FY2020 and demonstrates ongoing performance in respect of safety and unit cost management as market conditions normalise post the initial COIVD-19 impact. As market conditions normalise this in-turn should allow for higher rates of working hours and production, thereby providing a more valid platform when making an assessment of the FY2020 STI targets.

Key tests to be considered during the deferred performance period in FY2021 for the Deferred STI include:

- two continuous quarters of safety performance at or below the FY20 TRIFR target of 3.36 (that has not been able to be demonstrated during FY20 due to the 'moderated production strategy') (**10% weighting**).
- two continuous months of performance at or below the publicly stated unit cash operating cost performance target of USD$320-350/dmt CFR China thereby demonstrating the prior work achieved in plant performance and cost improvement during FY2020 that were not capable of validation during FY20 because of the 'moderated production strategy' (**10% weighting**).

Should the Deferred STIs not vest in FY2021, then those awards will be forfeited.

LTI's (Long Term Incentives)

Vesting of LTIs in FY2020

No LTI's were due for vesting during the year ended 30 June 2020.

LTIs issued under FY2020 Executive Remuneration Framework

During FY2020 an annual grant of performance based LTIs were awarded to executives under the FY2020 Executive Remuneration Framework in the form of options and performance rights under the Company's shareholder approved Employee Awards Plan. An additional two tranches of once off non-performance LTI's in the form of retention options were also issued to executives as part of the 2019 Pilbara Minerals Retention Scheme under the approved Employee Awards Plan. These retention options were issued to executives to recognise there were no LTIs vesting in FY2020 and as an initiative to retain personnel key to the achievement of the Company's short to medium term strategic objectives at an important stage in the Company's development.

A total of 20,068,647 unlisted options/retention options and 1,359,358 performance rights over ordinary shares in the Company were granted to executives during the year as part of the FY2020 Executive Remuneration Scheme and Retention Scheme under the Company's Employee Award Plan.

Options and Performance Rights:

The annual performance based LTIs options and performance rights for FY2020 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 up to 60% of total fixed remuneration for other KMP;
- the LTIs will vest subject to pre-determined and weighted performance conditions related to strategic targets aligned to growth and relative total shareholder return which are measured over a 3 year vesting period beginning 1 July 2019 and ending 30 June 2022; and
- subject to vesting, LTI payments to executives will comprise a mix of up to 60% options and the balance in performance rights.

A total of 9,894,734 unlisted options and 1,359,358 performance rights were issued to executive's subject to achievement of the following performance 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;
  - Production and sales achieved at rate of 840,000 tonnes per annuum of spodumene concentrate, or such other rate as approved by the Board, by 30 June 2022.

The number of performance rights and exercise price of the options was based on a face value of $0.4149. This represented the share price of the Company at the start of the relevant performance period and was calculated using a VWAP of the Company's shares for the quarter from 1 July 2019 to 30 September 2019. This ensures that movement in the share price over the performance period directly affects the value received by the executives and ensures full alignment with returns to shareholders over the course of the same period.

Retention Options:

In December 2019, 10,173,913 unlisted retention options were issued to executive's as part of the 'once off' 2019 Pilbara Minerals Retention Awards Scheme which was implemented as an important initiative by the Board to retain executives and other selected employees considered pivotal to the achievement of the Company strategic objectives over the short to medium term.

The options vest on the basis that the participants satisfy a service condition and remain employed with the Company during the applicable vesting period. The options have two vesting period tranches as follows:

- Tranche 1 – two year vesting period for 40% of the total award ending 31 October 2021 and expiring on 1 May 2023; and
- Tranche 2 – three year vesting period for 60% of the total award ending 31 October 2022 and expiring on 1 May 2023.

The retention options have an exercise price of $0.375 which was 43% premium to the Company's share price on the date of grant. The quantum of retention options issued to each executive was based on 60% of their fixed remuneration.

None of these options / retention options and performance rights issued during FY2020 were eligible for vesting in the 2020 financial year.

Salary Sacrifice Scheme

In April 2020, the Company launched the 2020 Salary Sacrifice Scheme whereby employees could elect to receive performance rights in lieu of a fixed percentage of their salary over an eight month period, with those rights having no performance conditions and automatically vesting into shares under the Employee Award Plan. The purpose of the scheme was to preserve working capital in a period of challenging market conditions further impacted by the COVID-19 pandemic and to increase employee commitment and alignment towards creation of shareholder value by providing an opportunity to take up ownership in the Company.

Employees were given the opportunity to elect at the beginning of the scheme to sacrifice a fixed percentage of their gross base salary over the eight month period in return for performance rights under the Company's Employee Award Plan, and to then receive Company shares issued in three separate tranches over the eight month period. The performance rights once allocated will automatically vest and convert into shares at the end of each tranche period.

The number of performance rights issued to employees is determined by dividing the employee's accrued salary sacrificed for the relevant period by the face value of the rights determined using the lower of the Company's closing share price or a 5-day VWAP on the last pay date of each tranche period and applying a 10% discount, but subject to a price ceiling set at the beginning of the scheme. The price ceiling is equal to $0.1924 which was calculated using a VWAP from 1 April 2020 to 20 April 2020 being the commencement date of the scheme.

The Executives have elected to salary sacrifice 25% of their gross base salary over the eight month period which is divided into three tranches. Tranche 1 vested and automatically exercised on 19 June 2020. Tranches 2 and 3 will vest and automatically exercise on or about 21 September 2020 and 21 December 2020 respectively.

A total of 278,715 performance rights over ordinary shares in the Company have been granted to executives during the FY2020 financial year as part of the first tranche the 2020 Salary Sacrifice Scheme.

The Managing Director, Ken Brinsden has also applied to participate in the Salary Sacrifice Scheme and has elected to sacrifice at a fixed rate of 25% of his salary. Whilst the sacrificing of salary has commenced for Mr Brinsden, his application to participate remains subject to approval by shareholders. No performance rights or shares will be issued until such approval is obtained. In the event that shareholders do not approve Mr Brinsden's participation in the Salary Sacrifice Scheme, his salary sacrifice component will be paid to Mr Brinsden in cash.

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 2019 and 30 June 2020.

FY2021 Remuneration Framework

<u>Fixed Remuneration</u>

In light of continuing uncertain market conditions which have been further impacted by COVID 19, fixed remuneration of executives and their maximum entitlements to STIs and LTIs as a percentage of fixed remuneration have continued to remain unchanged for FY2021. Salary reviews have been deferred for further consideration until the second quarter of FY2021 and will be subject to an improvement in market and business conditions.

<u>STIs</u>

The remuneration framework for FY2021 will continue to include a variable remuneration component with STI and LTI performance measures being set by the Committee for recommendation to the Board. In relation to STIs, continuing significant current market uncertainty caused by COVID 19 and soft market condition in the lithium raw material sector may adversely impact threshold performance measures, which may not be achieved for reasons outside of the control or influence of management.

As such, the Board has elected to defer setting any specific STI targets for FY2021 at the date of this report and have chosen to only confirm the maximum amount of the STI opportunity and the key focus areas and weightings in which targets will be further defined.

The key focus areas and associated weightings for the STI targets for FY2021 will be:

- Safety **(20% weighting**) – continued improvement in the Company's safety performance as measured by leading and lagging indicators;
- Sustainability (**10% weighting**) – continued improvement in the Company's sustainability practices including evaluation and monitoring of the Pilgangoora Project's exposure to climate-related risk, and the determination of emission reduction targets and strategies;
- Financial strength (**20% weighting**) - the strength of the Company's financial position as measured by management of the Company's cash, debt and working capital positions;
- Unit costs (**20% weighting**) – unit costs of production in relation to annual forecasts/budgets and/or adjusted unit costs of production for any required changes to production rates in response to market conditions; and
- Individual performance (**30% weighting**) – subject to satisfactory outcomes on individual performance evaluations and achieving short term objectives of the Group as considered appropriate by the Committee and/or Board.

The Company recognises the importance of further developing its sustainability practices over the next 12 months accordingly and has introduced a new STI target for FY2021 aligned with this objective.

Actual quantities, metrics or performance measure thresholds for these key focus areas will not be able to be meaningfully quantified until they can be recalibrated with a more reliable production forecast for FY2021 which will only be known once there is greater clarity in the market for the Board to make such determinations. In the present circumstances, this is considered a prudent and balanced approach in retaining and rewarding the executive as it recognises the Company is in a "wealth preservation" mode enabling management to focus on asset preservation, maintaining a strong balance sheet and being prepared for unforeseen circumstances arising from COVID 19 and subdued market conditions in the lithium sector. It is proposed that the Board will reconsider the STI targets and performance measure thresholds as soon as practicable during FY2021 and apply greater granularity in defining the quantum and thresholds of the STI targets once there is more certainty around market and business conditions.

LTIs

LTI performance measures for FY2021 will focus on a mix of absolute and relative total shareholder return as well as strategic goals linked to longer term growth and wealth preservation for the Company. Use of strategic targets for LTIs in addition to TSR is considered appropriate for the Company which remains in the early stages of its development with Stage 1 production yet to meet design capacity due to market conditions and the Company still having a number of longer term strategic growth objectives to be achieved. These include positioning the Company globally as a cost competitive producer, expanding production at the Pilgangoora Project for its Stage 2 offtake customers to generate long term shareholder return and achieving its strategic integration objective of moving into downstream chemical processing.

As the Company establishes a more mature profile consideration will be given for performance measures for LTIs that move away from strategic targets and focus on more traditional financial measures.

The LTI targets for FY2021 have been determined to be:

- 50% weighting towards relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies; and
- 50% strategic targets being:
    - customer diversification and strategic options for growth, including downstream opportunities in chemical processing (25% weighting); and
    - global cost competitiveness relative to its global peers (25% weighting).

The Board considered both wealth preservation and wealth creation objectives when setting LTI strategic targets for FY2021 and determined that a mix of both objectives was most appropriate for the Company for FY2021.

A dual approach of using both relative and absolute TSR (50/50) was considered appropriate for FY2021 with the intent of achieving a balance of aligning executive pay with creation of shareholder return benchmarked and measured relatively against the Company's peers (which are outlined in the table below), but importantly also ensuring an absolute return is delivered to the Company's shareholders. This is considered appropriate as it ensures shareholders receive an absolute return but at the same time using relative TSR ensures executives are not simply rewarded or penalised for a general rise or fall in the market for reasons outside of their influence.

The Company's FY2021 TSR comparative group, outlined below, was determined with the external remuneration consultant. The selection criteria factored in company sector, size and risk profile to establish a representative group that reflects peers which the Company may compete with for executive talent.

Company		Company	
1	Perenti Global Limited	10	MACA Limited
2	Base Resources Limited	11	Orocobre Limited
3	Champion Iron Limited	12	Perseus Mining Limited
4	Lynas Corporation Limited	13	Galaxy Resources Limited
5	Mount Gibson Iron Limited	14	Ramelius Resources Limited
6	Red 5 Limited	15	Resolute Mining Ltd
7	Dacian Gold Limited	16	Sandfire Resources
8	West Africa Resources Ltd	17	Western Areas Limited
9	Gold Road Resources Ltd	18	Westgold Resources Limited

e. Minimum holding policy

All directors, executives and employees are encouraged to own Pilbara Minerals shares and the Company enables executives and employees to participate as a shareholder through short term and long term incentives as well as through salary sacrifice.

In August of 2020, the Board implemented a minimum holding policy for KMP and the minimum holding requirements are as follows:

- **Non-executive directors**: equal to the value of annual base fees
- **MD and CEO:** equal to the value of annual fixed remuneration
- **Other executives**: equal to half of the value of annual fixed remuneration

Participants are encouraged to meet their minimum shareholding with a reasonable timeframe generally within 3 years by holding shares that vest under the STI, LTI and salary sacrifice schemes or through on-market acquisition (which is the way for non-executive directors to acquire shares). The minimum shareholding requirement combined with the structure of the Company's incentive plans ensures that KMP remuneration is directly aligned with shareholder returns.

Details of the minimum holding policy can be found on the Company's website.

f. Assessing performance and clawback of remuneration

The People and Culture Committee and 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.

g. 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.

	2020	2019	2018	2017	2016
Profit/(loss) for the year attributable to owners of Pilbara Minerals Limited ($'000)	(99,262)	(28,932)	(19,415)	(25,954)	(55,607)
Basic earnings/(loss) per share (cents)	(4.67)	(1.63)	(1.19)	(2.11)	(6.76)
Dividend payments ($'000)	-	-	-	-	-
Share price - 30 June	$0.25	$0.55	$0.87	$0.38	$0.62
Increase/(decrease) in share price (%)	(54.1)	(37.4)	128.9	(38.7)	463.6

Executive contractual arrangements

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

	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 People and Culture 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. In line with market benchmarking data obtained from independent remuneration consultant BDO the Chairman fees (which include all committee fees) were identified as being below market and increased from 1 July 2020 as outlined in the table below. There were no other changes to fees in FY20 and the FY21 fee review for other director roles has been deferred until later in the year due to the current economic climate.

In July 2020 a new Sustainability Committee was established which will be chaired by Mr Nicholas Cernotta.

The fees are reviewed annually by the Board with the last change to Chairman's fees taking effect from 1 July 2020.

	From 1 July 2020 $	From 1 July 2018 $
Base fees (annual)		
Non-Executive Chairman (including Committee's)	190,000	170,000
Other Non-Executive Directors	100,000	100,000
Committee Fees (annual)		
Chairperson of Committee	10,000	10,000
Member of Committee	7,500	7,500

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

There were no options or other equity-based instruments issued to Non-Executive Directors during the year.

i. Directors' and Executive Officers' Remuneration

Details of the remuneration of the KMP of the Group for the 2019 and 2020 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[B]	Performance shares[C]	STI Payment[D]	LTI Cash Payment[E]		
Non-Executive Directors										
Anthony Kiernan [F]	2020	155,251	-	14,749	-	-	-	-	170,000	0%
	2019	155,251	-	14,749	217,378	-	-	-	387,378	0%
Steve Scudamore [F]	2020	107,306	-	10,194	-	-	-	-	117,500	0%
	2019	107,306	-	10,194	54,344	-	-	-	171,844	0%
Nicholas Cernotta	2020	107,306	-	10,194	-	-	-	-	117,500	0%
	2019	107,306	-	10,194	175,458	-	-	-	292,958	0%
Sally-Anne Layman	2020	107,500	-	-	90,581	-	-	-	198,081	0%
	2019	107,607	-	-	451,419	-	-	-	559,026	0%
Executive Directors										
Ken Brinsden [A]	2020	566,935	(15,665)	21,003	72,090	277,287	246,240	-	1,167,890	45%
	2019	579,469	69,124	20,531	-	475,108	186,300	37,474	1,368,006	51%
Other KMP										
Brian Lynn	2020	411,122	18,097	21,003	95,802	99,459	109,755	-	755,238	28%
	2019	429,469	33,853	20,531	-	178,082	90,585	19,822	772,342	37%
Alex Eastwood	2020	411,122	18,112	21,003	95,802	99,459	109,755	-	755,253	28%
	2019	429,469	22,640	20,531	-	142,431	90,585	19,822	725,478	35%
Dale Henderson	2020	411,122	16,474	21,003	95,802	99,459	109,755	-	753,615	28%
	2019	429,469	22,794	20,531	-	105,359	90,585	19,049	687,787	31%
Total Directors and KMP remuneration										
	2020	**2,277,664**	**37,018**	**119,149**	**450,077**	**575,664**	**575,505**	**-**	**4,035,077**	**29%**
	2019	**2,345,346**	**148,411**	**117,261**	**898,599**	**900,980**	**458,055**	**96,167**	**4,964,819**	**29%**

[A] Non-performance shares include amounts that have been salary sacrificed under the 2020 Salary Sacrifice Offer. The application received is subject to approval by shareholders at the 2020 AGM. Should these amounts not be approved they will be returned as cash salaries.

[B] Non-performance shares issued to non-executive directors only have service based conditions. Non-performance shares issued to executives and other KMP are related to the 2020 Salary Sacrifice Offer and 2020 Retention Options. 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.

[C] 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.

[D] 2020 STI's relate to those declared for FY2020 but paid in cash or up to 70% in shares, at the executive's discretion, subsequent to the year ended 30 June 2020. The 70% portion of the KMP STI that could be received in shares is valued at fair value as a share-based payment under the Black Scholes option valuation methodology. The fair value of the award will continue to be adjusted until grant date, when the KMP will elect the portion of cash and shares to be received.

[E] Relates to the 2018 LTI cash bonuses accrued and declared in FY2018 and FY2019 and paid in FY2020.

[F] Options related to these non-performance shares amounts disclosed in 2019 lapsed in 2020.

j. Equity Instruments

Share Based Payment Expense

Details of the performance rights and options share based payment expense for the KMP of the Group for the year ending 30 June 2020 is shown in the table below:

	Year of Grant	Equity Options Granted No.	Performance Rights Granted No.	Non-performance Equity Options ($)	Non-performance Rights [1] ($)	Performance Equity Options ($)	Performance Rights ($)	Total ($)
Sally-Anne Layman	2019	2,000,000	-	90,581	-	-	-	90,581
Ken Brinsden	2019	1,321,100	271,493	-	-	85,135	43,739	128,874
	2020	7,340,961	578,452	51,626	20,464	106,667	41,746	220,503
								349,377
Brian Lynn	2019	594,495	122,171	-	-	17,188	11,863	29,051
	2020	4,242,562	353,207	49,961	45,841	50,842	19,566	166,210
								195,261
Alex Eastwood	2019	594,495	122,171	-	-	17,188	11,863	29,051
	2020	4,242,562	353,207	49,961	45,841	50,842	19,566	166,210
								195,261
Dale Henderson	2019	594,495	122,171	-	-	17,188	11,863	29,051
	2020	4,242,562	353,207	49,961	45,841	50,842	19,566	166,210
								195,261
Total		**25,173,232**	**2,276,079**	**292,090**	**157,987**	**395,892**	**179,772**	**1,025,741**

Vesting conditions attached to these options and performance rights are set out Note 2.2.3 of the Financial Statements.
1. Tranches 2 and 3 of the 2020 salary sacrifice offer are deemed as granted for accounting purposes only and have been expensed in this table above.

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 21 November 2019.

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
Ken Brinsden[1]	2,105,263	21-Nov-19	$0.070	$0.415	31-Dec-22	-
Ken Brinsden[1]	2,105,263	21-Nov-19	$0.082	$0.415	31-Dec-22	-
Ken Brinsden[2]	3,130,435	10-Mar-20	$0.062	$0.375	01-May-23	-
Brian Lynn[1]	947,368	14-Nov-19	$0.073	$0.415	31-Dec-22	-
Brian Lynn[1]	947,368	14-Nov-19	$0.088	$0.415	31-Dec-22	-
Brian Lynn[2]	2,347,826	13-Dec-19	$0.080	$0.375	01-May-23	-
Alex Eastwood[1]	947,368	14-Nov-19	$0.073	$0.415	31-Dec-22	-
Alex Eastwood[1]	947,368	14-Nov-19	$0.088	$0.415	31-Dec-22	-
Alex Eastwood[2]	2,347,826	13-Dec-19	$0.080	$0.375	01-May-23	-
Dale Henderson[1]	947,368	14-Nov-19	$0.073	$0.415	31-Dec-22	-
Dale Henderson[1]	947,368	14-Nov-19	$0.088	$0.415	31-Dec-22	-
Dale Henderson[2]	2,347,826	13-Dec-19	$0.080	$0.375	01-May-23	-

1. 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; and
- 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

2. The vesting conditions attached are:
- 40% vest on 31 October 2021, subject to the KMP or employee remaining in service at that date; and
- 60% vest on 31 October 2022, subject to the KMP or employee remaining in service at that date.

Options issued with an exercise price of 41.5 cents were determined using the VWAP for the 1st quarter of FY2020 being the period from 1 July 2019 to 30 September 2019. Options issued with an exercise price of 37.5 cents were determined using the 5-day VWAP from the 9th to 13th December 2019.

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 31 December 2022	Options expiring 31 December 2022	Options expiring 01 May 2023	Options expiring 01 May 2023
Exercise price	$0.415	$0.415	$0.375	$0.375
Grant date	14-Nov-19	21-Nov-19	13-Dec-19	10-Mar-20
Expiry date	31-Dec-22	31-Dec-22	01-May-23	01-May-23
Share price at grant date	$0.305	$0.295	$0.27	$0.23
Expected volatility of the Company's shares	55%	55%	55%	60%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.74%	0.72%	0.79%	0.48%

Exercise of Options granted as Compensation Instruments

During the year no ordinary shares were issued on the exercise of unlisted options previously granted as compensation.

Performance Rights over Equity Instruments granted as Compensation Instruments

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

	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 [2]	289,226	21-Nov-19	$0.138	30-Jun-22	-
Ken Brinsden [2]	289,226	21-Nov-19	$0.295	30-Jun-22	-
Brian Lynn [2]	130,151	01-Oct-19	$0.146	30-Jun-22	-
Brian Lynn [2]	130,151	01-Oct-19	$0.305	30-Jun-22	-
Brian Lynn [3]	92,905	30-Apr-20	$0.241	19-Jun-20	92,905
Alex Eastwood [2]	130,151	01-Oct-19	$0.146	30-Jun-22	-
Alex Eastwood [2]	130,151	01-Oct-19	$0.305	30-Jun-22	-
Alex Eastwood [3]	92,905	30-Apr-20	$0.241	19-Jun-20	92,905
Dale Henderson [2]	130,151	01-Oct-19	$0.146	30-Jun-22	-
Dale Henderson [2]	130,151	01-Oct-19	$0.305	30-Jun-22	-
Dale Henderson [3]	92,905	30-Apr-20	$0.241	19-Jun-20	92,905

1. In relation to Mr Brinsden, performance rights were approved by shareholders on 21 November 2019.
2. The performance 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; and
   - 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum, or such other rate as approved by the Board at 30 June 2022.
3. These performance rights are issued under the 2020 Salary Sacrifice Offer (tranche 1) and have no performance conditions attached to vesting. The Board has also received an application for performance rights from Mr Brinsden, pursuant to the 2020 Salary Sacrifice Offer which are subject to approval by shareholders at the 2020 AGM and excluded from the table above. It is estimated that Other KMP will each be granted 139,358 tranche 2 performance rights in September 2020 and 139,358 tranche 3 performance rights in December 2020 in relation to the 2020 Salary Sacrifice Offer, subject to each Other KMP salary sacrificing cash in lieu of performance rights during these periods.

Except for performance rights issued under the 2020 Salary Sacrifice Offer which are issued in exchange for salary sacrifice, the performance rights have been 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

Except for performance rights issued under the 2020 Salary Sacrifice Offer, 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 right, the expected dividend yield, the risk free rate for the term of the right and the correlations and volatilities of the peer companies.

The model inputs for the performance rights granted during the year include:

	Executive Director Performance Rights granted	Other KMP Performance Rights granted	Other KMP Performance Rights granted [1]
Exercise price	-	-	-
Grant date	21-Nov-19	01-Oct-19	30-Apr-20
Expiry date	30-Jun-22	30-Jun-22	17-Jun-20, 17-Sep-20 and 17 Dec-20 [2]
Share price at grant date	$0.295	$0.305	$0.22
Expected volatility of the Company's shares	55%	55%	80%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.22%

1. Grant date for accounting purposes only. Tranches 2 and 3 will be issued on/about 17 September 2020 and 17 December 2020
2. Tranches 2 and 3 will expire on/about 17 September 2020 and 17 December 2020.

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 during the year ended 30 June 2020 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	0%	100%	2017 to 2019
Steve Scudamore	Options	1,333,334	24-Nov-16	0%	100%	2018 and 2019
Nicholas Cernotta	Options	2,000,000	23-Nov-17	0%	0%	2018 and 2019
Sally-Anne Layman	Options	2,000,000	28-Nov-18	33.33%	0%	2019 and 2020
Ken Brinsden	Options	1,321,100	28-Nov-18	0%	0%	2021
	Options	4,210,526	21-Nov-19	0%	0%	2022
	Options	3,130,435	10-Mar-20	0%	0%	2022 and 2023
	Performance Rights	271,493	28-Nov-18	0%	0%	2021
	Performance Rights	578,452	21-Nov-19	0%	0%	2022
Brian Lynn	Options	375,000	06-Sep-17	0%	0%	2019
	Options	594,495	21-Dec-18	0%	0%	2021
	Options	1,894,736	14-Nov-19	0%	0%	2022
	Options	2,347,826	13-Dec-19	0%	0%	2022 and 2023
	Performance Rights	122,171	21-Dec-18	0%	0%	2021
	Performance Rights	260,302	01-Oct-19	0%	0%	2022
	Performance Rights [2]	92,905	30-Apr-20	100%	0%	2020
Alex Eastwood	Options	375,000	06-Sep-17	0%	0%	2019
	Options	594,495	21-Dec-18	0%	0%	2021
	Options	1,894,736	14-Nov-19	0%	0%	2022
	Options	2,347,826	13-Dec-19	0%	0%	2022 and 2023
	Performance Rights	122,171	21-Dec-18	0%	0%	2021
	Performance Rights	260,302	01-Oct-19	0%	0%	2022
	Performance Rights [2]	92,905	30-Apr-20	100%	0%	2020
Dale Henderson	Options	2,000,000	06-Sep-17	0%	0%	2019
	Options	594,495	21-Dec-18	0%	0%	2021
	Options	1,894,736	14-Nov-19	0%	0%	2022
	Options	2,347,826	13-Dec-19	0%	0%	2022 and 2023
	Performance Rights	122,171	21-Dec-18	0%	0%	2021
	Performance Rights	260,302	01-Oct-19	0%	0%	2022
	Performance Rights [2]	92,905	30-Apr-20	100%	0%	2020

1. The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due the exercise price being higher than the share price.
2. Performance rights granted 30 April 2020 and issued on 19 June 2020 pursuant to 2020 Salary Sacrifice Scheme.

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] ($)	Performance rights granted in year	Fair value of performance rights granted in the year [1] ($)
Ken Brinsden	7,340,961	514,086	578,452	125,236
Brian Lynn	4,242,562	340,352	353,207	81,089
Alex Eastwood	4,242,562	340,352	353,207	81,089
Dale Henderson	4,242,562	340,352	353,207	81,089

1. The value of awards and maximum value 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 and Performance Rights 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-19	Granted	Exercised/ forfeited	Held at 30-Jun-20	Vested during the year	Vested and Exercisable
Anthony Kiernan	8,000,000	-	(8,000,000)	-	-	-
Steve Scudamore	1,333,334	-	(1,333,334)	-	-	-
Nicholas Cernotta	2,000,000	-	-	2,000,000	-	2,000,000
Sally-Anne Layman	2,000,000	-	-	2,000,000	666,667	2,000,000
Ken Brinsden	1,321,100	7,340,961	-	8,662,061	-	-
Brian Lynn	969,495	4,242,562	-	5,212,057	-	375,000
Alex Eastwood	969,495	4,242,562	-	5,212,057	-	375,000
Dale Henderson	2,594,495	4,242,562	-	6,837,057	-	2,000,000

The movement during the current financial year, by number of performance rights 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-19	Granted	Exercised/ forfeited	Held at 30-Jun-20	Vested during the year	Vested and Exercisable
Ken Brinsden	588,415	578,452	(316,922)	849,945	316,922	-
Brian Lynn	274,763	353,207	(152,592)	475,378	152,592	-
Alex Eastwood	274,763	353,207	(152,592)	475,378	152,592	-
Dale Henderson	268,813	353,207	(146,642)	475,378	146,642	-

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 2019	Received on exercise of options/rights	Other changes[1]	Held at 30 June 2020
Anthony Kiernan	287,858	-	138,506	426,364
Steve Scudamore	142,850	-	-	142,850
Nicholas Cernotta	156,570	-	52,337	208,907
Sally-Anne Layman	88,600	-	-	88,600
Ken Brinsden	7,615,000	223,165	78,506	7,916,671
Brian Lynn	1,032,140	204,174	-	1,236,314
Alex Eastwood	490,213	204,174	-	694,387
Dale Henderson	-	198,000	-	198,000

1. Other changes represent shares that were purchased or sold (including via the Share Purchase Plan) during the year or shares held by KMP who resigned in the year.

End of Audited Remuneration Report.

NO NEW INFORMATION STATEMENT

Information in this report relating to exploration results is extracted from the ASX Announcement dated 28 April 2020 entitled "March 2020 Quarterly Activities Report". Pilbara Minerals confirms that it is not aware of any new information or data that materially affects the information included in these announcements and that all material assumptions and technical parameters underpinning the exploration results in the announcement continue to apply and have not materially changed. Pilbara Minerals confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

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

Anthony Kiernan
Chairman

Dated this 27th day of August 2020

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 2020 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

27 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue from contracts with customers	2.1.1	84,147	42,785
Operating costs	2.1.2	(112,085)	(34,899)
Gross (loss)/profit		**(27,938)**	**7,886**
Other income		-	570
Expenses			
General and administration expense		(12,837)	(14,906)
Exploration and feasibility costs expensed	2.2.1	(6,535)	(8,000)
Inventory write-down	2.2.2	(21,325)	(1,682)
Depreciation and amortisation expense		(640)	(179)
Share based payment expense	2.2.3	(2,341)	(2,229)
Operating loss		**(71,616)**	**(18,540)**
Finance income		851	1,586
Finance costs		(28,497)	(11,978)
Net financing costs	2.3	**(27,646)**	**(10,392)**
Loss before income tax expense		**(99,262)**	**(28,932)**
Income tax expense	2.6	-	-
Net loss for the period		**(99,262)**	**(28,932)**
Other comprehensive income			
Changes in the fair value of other financial assets		-	-
		-	**-**
Total comprehensive loss for the period		**(99,262)**	**(28,932)**
Basic and diluted loss per share for the period (cents per share)	2.7	(4.67)	(1.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	4.1.1	86,250	63,576
Trade and other receivables	4.2	4,127	11,087
Inventories	4.3	23,268	51,197
Total current assets		**113,645**	**125,860**
Non-current assets			
Property, plant, equipment and mine properties	3.1	482,418	433,948
Deferred exploration and evaluation expenditure	3.2	6,401	6,401
Inventories	4.3	-	16,062
Total non-current assets		**488,819**	**456,411**
Total assets		**602,464**	**582,271**
Liabilities			
Current liabilities			
Trade and other payables	4.4	20,601	48,146
Provisions	3.3	1,468	1,953
Borrowings	5.2	53,334	8,912
Total current liabilities		**75,403**	**59,011**
Non-current liabilities			
Provisions	3.3	16,971	16,523
Borrowings	5.2	123,116	130,087
Total non-current liabilities		**140,087**	**146,610**
Total liabilities		**215,490**	**205,621**
Net assets		**386,974**	**376,650**
Equity			
Issued capital	5.1	587,329	479,720
Reserves	5.1	3,850	9,216
Retained earnings		(204,205)	(112,286)
Total equity		**386,974**	**376,650**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Notes	Issued Capital $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total equity $'000
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 - exercised/forfeited awards	5.1.2	-	(11,937)	11,937	-
Balance at 30 June 2019		**479,720**	**9,216**	**(112,286)**	**376,650**
Balance at 1 July 2019		479,720	9,216	(112,286)	376,650
Loss for the period		-	-	(99,262)	(99,262)
Total comprehensive income/(loss) for the period		-	-	(99,262)	(99,262)
Issue of ordinary shares	5.1.1	111,519	-	-	111,519
Share issue costs	5.1.1	(3,910)	-	-	(3,910)
Issue of options and performance rights	5.1.2	-	1,977	-	1,977
Transfer - exercised/forfeited awards	5.1.2	-	(7,343)	7,343	-
Balance at 30 June 2020		**587,329**	**3,850**	**(204,205)**	**386,974**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		86,183	47,735
Cash paid to suppliers and employees		(99,341)	(54,182)
Payments for exploration and evaluation expenditure		(7,371)	(7,569)
Interest received		989	1,961
Other receipts		574	1,614
Net cash outflow from operating activities	4.1.2	**(18,966)**	**(10,441)**
Cash flows from investing activities			
Sales proceeds from commercial pre-production activities		-	83,837
Payments for property, plant, equipment and mine properties[1]		(22,612)	(178,216)
Payments for acquired exploration and evaluation expenditure		-	(40)
Net cash outflow from investing activities		**(22,612)**	**(94,419)**
Cash flows from financing activities			
Proceeds from the issue of shares and exercise of options		111,519	60,697
Capital raising costs		(3,910)	(586)
Transaction costs related to borrowings		(621)	(1,526)
Transfer from restricted cash		-	12,308
Repayment of borrowings[2]		(19,128)	(4,800)
Interest and other costs of finance paid		(22,017)	(17,110)
Net cash inflow from financing activities		**65,843**	**48,983**
Net increase/(decrease) in cash held		24,265	(55,877)
Cash and cash equivalents at the beginning of the period		63,576	119,978
Effect of exchange rate fluctuations on cash held		(1,591)	(525)
Cash and cash equivalents at the end of the period	4.1.1	**86,250**	**63,576**

1. The prior year balance includes Stage 1 pre-production commissioning and ramp-up 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 during FY2019 (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 during FY2019 were classified as cash flows from investing activities until such time as commercial production was declared.

2. The current year includes the apportioned lease repayments following the implementation of *AASB 16 Leases* on 1 July 2019 and repayment of borrowings under the US$ denominated debt facility. Refer Note 5.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Note 1 – BASIS OF PREPARATION

In preparing the 2020 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 27 August 2020.

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

Throughout the COVID-19 pandemic, the Group's focus has been on the reliable operation of the Pilgangoora operation and the well-being of its people. The Group has successfully deployed a number of control measures designed to ensure the safety of its people and contractors whilst at the same time maintaining business continuity. As a result, there was no significant impact on production during the financial year as a result of the COVID-19 pandemic.

At 30 June 2020, following a $111.5 million equity raising in October 2019, the Company had cash and cash equivalents of $86.3 million, a net current asset position of $38.2 million and an undrawn working capital facility of $21.9 million (US$15 million).

Softer market conditions in China and weaker customer demand continued throughout the year ended 30 June 2020. In response the Group continued to moderate production at the Pilgangoora Lithium-Tantalum Project to better align production with customer requirements, thereby preserving working capital, maintaining business continuity and to preserve shareholder value. The Group has considered the impact of COVID-19 on the areas of significant judgements and estimates. Key estimates and judgements include impairment testing for non-financial assets (refer Note 3.1) and estimation of selling prices and cost to completion for any net realisable value calculations of inventory.

Subsequent to 30 June 2020 the Group entered into binding commitments for a new US$110 million senior secured debt facility. The completion is subject to finalisation of documentation and satisfaction of customary conditions precedent. Proceeds from the new facility will be used to repay the US$100 million Nordic Bond facility. Refer Note 6.5.

1.3 New and Amended Accounting Standards

New and Amended Standards Adopted by the Group

AASB 16 *Leases*

The Group has applied the provisions of AASB 16 from 1 July 2019 in accordance with the standard. Changes to the accounting policy are described in Note 3.1.

1.4 Basis of Consolidation

1.4.1 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.

1.4.2 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.

1.4.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1.5 Foreign Currency Translation

1.5.1 Functional and Presentational Currency

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

1.5.2 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.

1.6 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 expenses. 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 2.2.3 – measurement of share-based payment transactions
- Note 3.1 – estimation of ore resources and reserves and deferred stripping costs
- Note 3.1 – impairment testing for non-financial assets
- Note 3.1 – judgements relating to lease extension options
- 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

1.7 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 2020

NOTE 2 – RESULTS FOR THE YEAR

During the year the Company operated under a moderate production strategy in response to soft global lithium raw material markets. This initiative better aligned production to customer demand, utilising existing stockpiles to preserve working capital.

Mining activities were reduced during the year through to early 2020, with processing activities relying upon the drawdown of existing mining ROM stocks. Drill and blast activities resumed during the March 2020 quarter.

During the year the processing plant processed ore to produce spodumene concentrate and tantalite concentrate to fulfil customer sales orders. Processing plant optimisation and improvement works during the year resulted in improved lithia recoveries, which when combined with longer plant run times, have delivered a reduction in unit cash operating costs.

In October 2019, the Company completed a $111.5 million equity raising to strengthen its balance sheet in response to weaker market conditions. The Company had a cash balance of $86.3 million at 30 June 2020.

2.1.1 Revenue from contracts with customers

Accounting policy
Revenue from contracts with customers The Group primarily generates revenue from the sales of spodumene concentrate to customers. The Group also sells tantalum with the revenue from the sale of this by-product credited to the costs of producing spodumene concentrate. **Product Sales** Revenue is recognised when 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 over the period of the journey. Tantalum sales have only one performance obligation as the material is 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 $'000	2019 $'000
Sales to customers under contracts	85,391	42,205
Other revenue - provisional pricing adjustments	(1,194)	-
Recovery of royalties under contracts with customers	(50)	580
	84,147	42,785

2.1.2 Operating costs

	2020 $'000	2019 $'000
Mining and processing costs	74,569	49,623
Royalty expenses	5,248	4,540
Depreciation and amortisation	15,771	4,081
Inventory movement	24,081	(21,019)
By-product revenue	(7,463)	(2,293)
Foreign exchange (gain)/loss	(121)	(33)
	112,085	34,899

2.2 Expenses

2.2.1 Exploration, evaluation and feasibility 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 expensed 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.

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.

Feasibility, development and research costs are expensed as incurred except where it is demonstrated that there is a clearly defined and separately identifiable asset which is commercially and technically feasible with recognisable future economic benefits.

	2020 $'000	2019 $'000
Exploration and evaluation costs	1,738	4,666
Feasibility and development study costs	4,797	3,334
	6,535	8,000

2.2.2 Inventory write-down

	2020 $'000	2019 $'000
Inventory write-down	21,325	1,682

During the year the Group recognised inventory write downs to net realisable value of $5.4 million for spodumene concentrate (2019: $1.7 million) and $0.4 million for coarse ore stockpiles (2019: Nil), as well as an inventory write-down of $15.5 million for non-current ROM stockpiles.

2.2.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Accounting policy
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:

	2020 $'000	2019 $'000
Share options expense	1,113	1,883
Performance rights expense	1,228	346
	2,341	2,229

Share options

The following table shows options issued during the year ended 30 June 2020 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)
Executive Director	2,105,263	$0.415	31-Dec-22	$0.070	147
Executive Director	2,105,263	$0.415	31-Dec-22	$0.082	173
Executive Director	3,130,435	$0.375	01-May-23	$0.062	194
Other KMP	2,842,104	$0.415	31-Dec-22	$0.073	207
Other KMP	2,842,104	$0.415	31-Dec-22	$0.088	250
Other KMP	7,043,478	$0.375	01-May-23	$0.080	563
Other employees	2,428,264	$0.415	31-Dec-22	$0.073	177
Other employees	2,428,264	$0.415	31-Dec-22	$0.088	214
Other employees	299,684	$0.415	31-Dec-22	$0.073	22
Other employees	299,684	$0.415	31-Dec-22	$0.087	26
Other employees	11,849,125	$0.375	01-May-23	$0.080	948
Other employees	446,298	$0.415	31-Dec-22	$0.044	20
Other employees	446,298	$0.415	31-Dec-22	$0.051	23
Other	2,500,000	$0.500	30-Jun-22	$0.041	103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

	2020		2019	
	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
Outstanding at 1 July	$0.69	21,687,919	$0.52	55,083,334
Exercised during the period *	$ -	-	$0.47	(38,242,000)
Forfeited during the period	$0.57	(14,810,987)	$0.40	(258,000)
Granted during the period	$0.40	40,766,264	$0.90	5,104,585
Outstanding at 30 June	$0.48	47,643,196	$0.69	21,687,919
Exercisable at 30 June		9,250,000		17,916,667

* 2019 included 11,500,000 cashless options exercised and subsequently converted to 2,501,123 ordinary shares.

The classes of the unlisted options on issue as at 30 June 2020 are as follows:

Expiry date	Options issued	Exercise price	Number of options not yet exercised
31 August 2020[a]	2,000,000	$0.450	2,000,000
31 August 2020[b]	750,000	$0.450	750,000
08 December 2020[c]	2,000,000	$0.900	2,000,000
21 December 2021[d]	2,000,000	$0.930	2,000,000
31 December 2021[e]	3,104,585	$0.884	3,104,585
30 June 2022[f]	2,500,000	$0.500	2,500,000
31 December 2022[g]	15,874,384	$0.415	15,874,384
01 May 2023[h]	19,414,227	$0.375	19,414,227

[a] 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.

[b] 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.

[c] 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.

[d] 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

[e] 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 cost structure;
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

[f] There are no vesting conditions attached to these options.

[g] 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; and
- 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

[h] The vesting conditions attached are:

- 40% vest on 31 October 2021, subject to the KMP or employee remaining in service at that date; and
- 60% vest on 31 October 2022, subject to the KMP or employee remaining in service at that date.

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

Performance Rights

The following table shows performance rights granted during the year ended 30 June 2020 and the value attributed to each right granted, by the category holder:

Holder	No of performance rights	Expiry Date	Fair value ($/Right)	Total Value ($'000)
Executive Director	289,226	30-Jun-22	$0.138	40
Executive Director	289,226	30-Jun-22	$0.295	85
Other KMP	390,453	30-Jun-22	$0.146	57
Other KMP	390,453	30-Jun-22	$0.305	119
Other KMP	278,715	19-Jun-20	$0.241	67
Other employees	359,240	30-Jun-22	$0.146	52
Other employees	400,411	30-Jun-22	$0.305	122
Other employees	41,171	30-Jun-22	$0.140	6
Other employees	76,198	30-Jun-22	$0.102	8
Other employees	76,198	30-Jun-22	$0.230	18
Other employees	754,457	19-Jun-20	$0.241	182

The performance rights granted and on issue as at 30 June 2020 are as follows:

Date performance rights granted [1]	Expiry date	Number of performance rights
28 November 2018 [a]	30 June 21	271,493
21 December 2018 [a]	30 June 21	751,836
01 October 2019 [b]	30 June 22	780,906
14 November 2019 [b]	30 June 22	953,218
21 November 2019 [b]	30 June 22	578,452

1. This is the grant date used for valuation purposes and not the date the performance rights are issued.

[a] The performance 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 cost structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

[b] The performance 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; and
- 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

Equity settled – Short Term Incentives (STI's)

STI's awarded for the year ended 30 June 2020 will be satisfied in cash after year end except for the STI's payable to KMP, with each executive able to nominate to receive up to 70% of the STI in Company shares. At 30 June 2020 the 70% equity portion of the STI awarded to KMP was valued at fair value using the Black Scholes option valuation methodology. The fair value of the awards will continue to be adjusted until grant date when the KMP will elect the portion of cash and shares to be received.

	Valuation 30-Jun-20
Total STI - KMP	$ 519,750
Maximum award that can be received in shares	70%
Total equity settled STI - KMP	$ 363,825
Black Scholes Valuation - 30 June 2020	$ 419,580

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Net financing costs can be analysed as follows:

	2020 $'000	2019 $'000
Interest income on bank accounts	851	1,586
Finance income	851	1,586
Interest expense - leases [1]	(2,815)	-
Interest expense - borrowings	(19,795)	(5,470)
Finance expenses for financial liabilities	(776)	-
Unwind of discount on site rehabilitation provision	(322)	-
Net foreign exchange loss [2]	(4,789)	(6,508)
Finance costs	(28,497)	(11,978)
Net finance costs recognised in profit or loss	(27,646)	(10,392)

1. Lease interest following the implementation of *AASB 16 Leases* on 1 July 2019. Refer Note 3.1.
2. 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.

In FY2019 interest costs of $12.62 million incurred prior to the declaration of commercial production and directly attributable to the US$ secured bond debt facility were capitalised 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 has five major spodumene concentrate customers with no single reliance upon any one of these customers.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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:

	2020 $'000	2019 $'000
Wages and salaries (including superannuation)	18,495	20,984

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

	2020 $'000	2019 $'000
Current income tax expense	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2.6.2 Reconciliation of income tax expense

	2020 $'000	2019 $'000
Loss before tax from continuing operations	(99,262)	(28,932)
Income tax benefit at the Australian tax rate of 30% (2019: 30%)	(29,778)	(8,680)
Tax effect of items which are not deductible in calculating taxable income:		
Non-deductible expenses		
Share based payment expense	593	670
Research and development offset	-	(122)
Unrealised foreign currency translation	1,437	2,188
Other	(120)	38
Tax losses not recognised	36,911	19,669
Temporary differences not brought to account	(9,043)	(13,763)
Income tax expense reported in the consolidated statement of profit or loss	-	-

Potential deferred tax assets have not been recognised at 30 June 2020 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 net deferred tax asset not recognised at 30 June 2020 have a tax effected value of $49.5 million (2019: $21.6 million) which includes the tax effect of carried forward losses $85.6 million (2019: $48.7 million).

2.7 Loss per share

	2020	2019
Basic loss per share		
Net loss attributable to ordinary shareholders ($'000)	(99,262)	(28,932)
Issued ordinary shares at 1 July ('000)	1,851,420	1,744,513
Effect of shares issued ('000)	272,925	27,322
Weighted average number of ordinary shares at 30 June ('000)	2,124,345	1,771,835
Basic and diluted loss per share (cents)*	(4.67)	(1.63)

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

NOTE 3 – ASSETS, LIABILITIES AND PROVISIONS SUPPORTING EXPLORATION, EVALUATION, DEVELOPMENT AND MINING

This section focuses on the exploration, evaluation, development, mining and processing assets which form the core of the Group's business, including those assets and liabilities that support those activities.

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

The Group recognises all right of use assets and liabilities, except for leases that are short-term (12 months or less) and low value leases at the lease commencement date. 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 present value of future lease payments is determined by discounting future lease payments using the interest rate implicit in the lease or, if that rate cannot be determined then the Group's borrowing rate, which is generally the case.

The right of use asset, at initial recognition, reflects the lease liability and is depreciated over the term of the lease. The present value of the lease liability is increased by the interest cost and decreased by the lease payment each period over the life of the lease.

The Group includes right of use leased assets separately in Property, Plant, Equipment and Mine Properties disclosures.

All new contracts of the Group are assessed on an ongoing basis to determine if a right of use asset exists and if they require recognition under the requirements of the lease standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Accounting policy

Mine Properties

Mine Properties in Development

Development expenditure relates to costs incurred to access a mineral resource, the determination of technical feasibilities and conducting market and finance studies. It represents those costs incurred after the technical and commercial viability of the identified project has been demonstrated and an identified mineral reserve or project 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 project 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.

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

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.

Accounting policy

Impairment of Non-financial Assets

The Group assesses, at each reporting date, whether there are indications that an asset may be impaired. If impairment indicators or triggers exist, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. It is not always necessary to determine both an asset's fair value less costs to sell and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired, and it is not necessary to estimate the other amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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.

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Assessment of Impairment

The Group assesses whether there are indicators that assets or groups of assets, may be impaired at each reporting period. Since the last impairment assessment in December 2019 the Group has determined that there is evidence that impairment indicators are present due to the impact of COVID-19 on global market conditions and some further deterioration in spodumene concentrate prices. With the existence of impairment triggers the Group has undertaken an impairment test to estimate the recoverable amount of the Pilgangoora Mine CGU.

The recoverable amount of the current 2Mtpa capacity Pilgangoora Mine was determined using a life-of-mine (LOM) value in use calculation using cash flow projections based on current reserves. These cashflows were discounted to their present value using a post-tax discount rate that reflects the time value of money and risks associated with the asset.

The CGU for the Pilgangoora Mine includes all the property, plant and equipment of the Group along with closing inventory balances and working capital. Key assumptions around spodumene and tantalum pricing and foreign currency rates were referenced to available market data. As the recoverable amount is sensitive to key inputs the Group also considered a number of sensitivities to these assumptions in assessing the recoverable value.

Based on the recoverable value assessment undertaken, no impairment was required to be recognised for the Pilgangoora Mine CGU at 30 June 2020.

New accounting standards – AASB 16 - Leases

The Group has applied the provisions of *AASB 16 Leases* from 1 July 2019 in accordance with the standard and the Group's accounting policies outlined above. The Group did not restate comparatives for the 2019 reporting period as permitted under the transitional provisions of the standard by using the modified retrospective method of transition. The changes arising from the new standard have been recognised on and from 1 July 2019.

The new standard principally removes the distinction between finance and operating leases with all leases brought onto the balance sheet. Previously payments made for operating leases were expensed to the profit or loss whereas those payments are now allocated between repayment of borrowings and finance costs.

The impact on the Group at inception on 1 July 2019 was the recognition of $39.3 million right of use assets and a $39.3 million lease liability on the balance sheet. $8.3 million of the lease liability was recognised as a current liability and $31.0 million as a non-current liability as outlined below:

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For the year ended 30 June 2020

	1 July 2019 $'000
Finance and operating lease liabilities recognised at 30 June 2019	Nil
Lease liability recognised on adoption of AASB16	39,307
	39,307
Lease liability recognised at 1 July 2019:	
Current liability	8,309
Non-current liability	30,998
	39,307
Right of use asset recognised:	
Property, plant, equipment and mine properties	39,307

The incremental borrowing rate applied to lease liabilities on transition is 7.66%.

	2020 $'000
Movement during the year:	
Initial lease liability	39,307
Subsequent lease recognition/modification [1]	12,954
Closing lease liability	(42,231)
Reduction in lease liability	10,030
Lease interest expense (Note 2.3)	2,815
Total lease payments	12,845

1. Leased asset increased by $12.9 million during the period related predominately to the Company's mining contractor agreement.

During the year $2.2 million of lease payments were expensed as operating costs as they related to leases that the Company had defined as short-term and are therefore not reflected on the balance sheet in accordance with the Standard. No low value leases were unrecognised during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3.1.1 Property, plant, equipment and mine properties

	Property, plant and equipment $'000	Leased assets [4] $'000	Mine properties in production $'000	Mine properties in development $'000	Mineral rights $'000	Mine rehabilitation $'000	Total $'000
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
At 30 June 2020							
Opening net book value	678	-	345,875	16,312	54,597	16,486	433,948
Additions	78	53,163	7,513	5,040	-	-	65,794
Disposals	(2)	(911)	-	-	-	-	(913)
Transfers [3]	-	-	5,435	(5,435)	-	-	-
Depreciation charge	(317)	(11,594)	(4,106)	-	(303)	(91)	(16,411)
Net book value	437	40,658	354,717	15,917	54,294	16,395	482,418

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 1HY of FY2019, as they formed part of the overall Pilgangoora Project.
3. Following the declaration of commercial production on 1 April 2019, all identified Stage 1 Pilgangoora assets in use were transferred to mine properties in production.
4. Leased assets predominately relate Pilgangoora Lithium-Tantalum Project contracts or Mine Properties in Production.

As at 30 June 2020 the Group had outstanding contractual capital commitments of $0.5 million (2019: $7.8million) which are expected to be settled prior to 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 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

	2020 $'000	2019 $'000
Costs carried forward in relation to areas of interest in the exploration and evaluation phase	6,401	6,401
Reconciliations: Exploration and evaluation phase		
Carrying amount at the beginning of the year	6,401	6,361
Acquisitions	-	40
Carrying amount at the end of the year	6,401	6,401

3.2.2 Exploration licence expenditure commitments

The Group has minimum exploration licence commitments as follows:

	2020 $'000	2019 $'000
Within one year	631	501
Later than one year but less than five years	1,464	1,258
Greater than five years	2,752	2,788

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, subject to recoverability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

The current provision for employee benefits includes accrued annual leave. The entire amount of the annual leave provision is recognised as current, since the Group does not have the unconditional right to defer settlement for any of the obligations.

The non-current provision for employee benefits includes the liability for long service leave that is not expected to be settled within 12 months from reporting date. The liability for long service leave is measured at the present value of expected future payments for employees predicted to qualify under the minimum service period requirement taking into account future salary levels. Long term benefits not expected to be settled within 12 months are discounted using market yields at the reporting date based on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflow.

	2020 $'000	2019 $'000
Current – Provisions		
Employee leave benefits	1,468	1,953
	1,468	1,953
Non-Current – Provisions		
Employee leave benefits	125	-
Mine rehabilitation provision [1]	16,846	16,523
	16,971	16,523

1. The $0.30 million movement in the provision represents the unwinding of the rehabilitation discount which has been calculated using a rate of 1.95% representing the 10 year government bond rate at time of establishment.

NOTE 4 – WORKING CAPITAL

4.1 Cash and Cash Equivalents

Accounting policy

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

4.1.1 Cash and cash equivalents

	2020 $'000	2019 $'000
Bank balances	49,559	13,623
Call / term deposits	36,691	49,953
	86,250	63,576

4.1.2 Reconciliation of cash flows from operating activities

	2020 $'000	2019 $'000
Cash flows from operating activities		
Loss for the period	(99,262)	(28,932)
Adjustments for:		
- Depreciation and amortisation expense	16,411	4,260
- Loss on sale of property, plant and equipment	9	12
- Net financing costs	24,528	5,470
- Inventory write down	21,325	1,682
- Unrealised foreign currency	5,487	7,142
- Share based payment expense	1,977	2,229
- Capitalised R&D claim	-	1,039
Operating loss before changes in working capital and provisions	(29,525)	(7,098)
Change in trade and other receivables	3,371	5,226
Change in trade payables	(15,181)	15,289
Change in provisions	(297)	-
Change in inventories	22,666	(23,858)
Net cash used in operating activities	(18,966)	(10,441)

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:

Accounting policy
• 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.

	2020 $'000	2019 $'000
Current		
Trade debtors	1,061	2,497
Goods and services tax receivable	917	2,271
Security deposits	135	673
Prepayments	1,091	2,159
Other receivables	923	3,487
	4,127	11,087

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 $'000	2019 $'000
Current		
Finished goods	6,933	34,691
Work-in-progress[1]	4,884	6,326
Consumables	11,451	10,180
	23,268	51,197
Non-Current		
Finished goods (carried at NRV)	-	1,734
Work-in-progress[1]	-	14,328
	-	16,062

1. Work-in-progress includes run of mine (ROM) and coarse ore stockpiles.

During the December 2019 half-year, the Group recognised a total inventory write-down of $21.3 million in response to softer market conditions in China for lithium raw materials, lower selling prices for spodumene concentrate and elevated unit costs associated with operating in a moderated production environment. The carrying value of spodumene concentrate and coarse ore stockpiles were revalued to net realisable value (NRV) as at 31 December 2019, resulting in write downs in spodumene concentrate of $5.4 million and coarse ore stockpiles of $0.4 million. Non-current ROM stockpiles were written down by $15.5 million.

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.

	2020 $'000	2019 $'000
Current – Trade and other payables		
Trade payables	11,851	23,122
Accruals	8,213	23,561
Interest payable	410	432
Unearned revenue	35	1,016
Other payables	92	15
	20,601	48,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

	2020		2019	
	$'000	Number ('000)	$'000	Number ('000)
Fully paid ordinary shares	587,329	2,224,737	479,720	1,851,420
Total share capital on issue at 30 June	587,329	2,224,737	479,720	1,851,420
Movements in ordinary shares on issue:				
On issue at 1 July	479,720	1,851,420	419,610	1,744,513
Shares issued during the period:				
Issued for cash	111,519	371,733	50,000	77,664
Exercise of options/vesting of performance rights	-	1,584	10,696	29,243
Share issue costs	(3,910)	-	(586)	-
On issue at 30 June	587,329	2,224,737	479,720	1,851,420

In October 2019 the Group completed a $111.5 million equity raising. This equity raising comprised a $55.0 million placement to a leading Chinese battery manufacturer for electric vehicles, Contemporary Amperex Technology (CATL), an institutional placement of $36.5 million and a $20.0 million Share Purchase Plan. The equity raising resulted in the issue of 371.7 million Pilbara Minerals' ordinary shares at an issue price of A$0.30 per ordinary share.

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

	2020	2019
	$'000	$'000
Share-based payment reserve	3,850	9,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 $'000	2019 $'000
Movements in share-based payment reserve:		
Balance at 1 July	9,216	18,924
Share based payment expense following issue of options and performance rights	1,977	2,229
Options/performance rights exercised and forfeited transferred to accumulated losses [1]	(7,343)	(11,937)
Balance at reporting date	3,850	9,216

1. Represents $3.8 million of options forfeited and $3.5 million options and performance rights exercised during the FY2020

The share-based payment reserve is used to record the fair value of options and performance rights issued.

Options issued to directors and employees during the year and their associated 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)
10,540,736	14-Nov-19	$0.305	$0.415	31-Dec-22	8.80/7.30
4,210,526	21-Nov-19	$0.295	$0.415	31-Dec-22	8.20/7.00
599,368	26-Nov-19	$0.305	$0.415	31-Dec-22	8.70/7.30
18,892,603	13-Dec-19	$0.270	$0.375	1-May-23	8.00
3,130,435	10-Mar-20	$0.230	$0.375	1-May-23	6.20
892,596	10-Mar-20	$0.230	$0.415	31-Dec-22	5.10/4.40
2,500,000	15-May-20	$0.245	$0.500	30-Jun-22	4.10

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

** The vesting conditions attached to these unlisted options are detailed in Note 2.2.3

All option 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). Inputs to the option valuation model included the Company's share price volatility, risk free rates, option life, the option exercise price and the correlations and volatilities of peer companies. 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:

	2020	2019
Expected volatility (weighted average)	55%	50%
Expected life (weighted average)	3.0 years	3.0 years
Risk free interest rate (based on government bonds) (weighted average)	0.72% to 0.79%	1.90% and 2.09%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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)
1,734,124	14-Nov-19	$0.305	30-Jun-22	14.6/30.5
578,452	21-Nov-19	$0.295	30-Jun-22	13.8/29.5
1,033,172	30-Apr-20	$0.220	19-Jun-20	24.1

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

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 share, the expected dividend yield, the risk free rate for the term of the 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 performance rights were as follows:

	2020	2020	2019
	Apr-20	Nov-19	
Expected volatility (weighted average)	80%	55%	50%
Expected life (weighted average)	n/a	2.6 years	2.5 years
Risk free interest rate (based on government bonds) (weighted average)	0.22%	0.72% and 0.74%	1.90% and 2.09%

Short term incentives (STI's) awarded for the year ended 30 June 2020 will be paid in cash except for the STI payable to the KMP, who can elect to receive up to 70% of the STI in Company shares. The 70% portion of the STI has been valued at fair value using the Black Scholes option valuation methodology. The fair value of the awards will continue to be adjusted until grant date in early FY21 when the KMP will elect the exact portion of cash and shares to be received. Key inputs used for the measurement of the fair value at 30 June 2020 were as follows:

	2020
	Jun-20
Expected volatility (weighted average)	80%
Expected life (weighted average)	0.17 years
Risk free interest rate (based on government bonds) p.a.	0.275%

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 performance rights and options that vest and are exercisable under the Company's Employee Award Plan. As at 30 June 2020 the Trust held nil shares in the Company.

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.

	2020 $'000	2019 $'000
Current		
Lease liability	16,907	-
Secured debt (US$ denominated bond)	36,427	8,912
Total borrowings - current	53,334	8,912
Non-Current		
Lease liability	25,324	-
Secured debt (US$ denominated bond)	97,792	130,087
Total borrowings - non-current	123,116	130,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

5.2.1 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2020 Face value $'000	2020 Carrying amount $'000	2019 Face value $'000	2019 Carrying amount $'000
Leases	AU$	3.50% - 7.66%	2022-2025	42,231	42,231	-	-
Secured bond	US$	12.0%	2022	136,602	134,219	142,592	138,999

5.2.2 Changes in liabilities arising from financing activities

$'000	1 July 2019	AASB16 - lease transition	Repayment of borrowings	Amortisation and foreign exchange movement	Net lease additions and remeasure	30 June 2020
Secured debt	138,999	-	(9,098)	4,318	-	134,219
Lease liabilities	-	39,307	(10,030)	-	12,954	42,231
	138,999	39,307	(19,128)	4,318	12,954	176,450

5.2.3 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. The bond facility is secured against the assets of the Pilgangoora Project. The first scheduled principal repayment of US$6.25 million was paid in June 2020, with quarterly repayments of US$6.25 million scheduled until March 2022 followed by a final bullet repayment of US$50.0 million in June 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 $'000	2019 $'000
Bond proceeds at inception	132,310	132,310
Principal repayment	(9,098)	-
Unrealised foreign exchange loss/(gain)[1]	13,390	10,282
Bond proceeds at 30 June	136,602	142,592
Directly attributable transaction costs	(6,036)	(6,036)
Amortisation of transaction costs	3,653	2,443
Carrying amount at 30 June	134,219	138,999

[1] The value of the US$ secured bond is required to be re-stated at the end of each financial period utilising the closing AUD:USD foreign exchange rate (30 June 2020: 0.6863, 30 June 2019: 0.7013).

On 30 July 2020, the Company announced a binding commitment for a new US$110 million senior secured debt facility which will replace the Nordic Bond US$100 million facility. Details of the refinancing are in the Subsequent Events Note 6.5 of this report.

5.2.4 Compliance with loan covenants

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

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

5.2.5 Working capital facility

In August 2018, the Company executed a US$15 million working capital facility with BNP Paribas. At 30 June 2020 and during the financial year this working facility remained undrawn. The facility has a maturity date of 31 July 2020. Pursuant to the refinancing announcement on 30 July 2020, a replacement working capital facility has been offered by BNP Paribas and the existing facility should be replaced by the new financing facility. Refer to Subsequent Events Note 6.5 of this report.

5.3 Deed of Cross Guarantee

Pilbara Minerals Limited and certain of its wholly owned subsidiaries (refer Note 6.3.2) 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 2020

5.3.1 Consolidated statement of profit and loss

	2020 $'000	2019 $'000
Income		
Revenue from contracts with customers	84,147	42,785
Cost of sales	(112,085)	(34,899)
Gross profit	(27,938)	7,886
Other income	-	570
Expenses		
General and administration expense	(12,837)	(14,890)
Exploration and feasibility costs expensed	(6,535)	(8,000)
Inventory write-down	(21,325)	(1,682)
Depreciation and amortisation expense	(640)	(179)
Share based payment expense	(2,341)	(2,229)
Operating loss	**(71,616)**	**(18,524)**
Finance income	815	1,586
Finance costs	(28,497)	(11,978)
Net financing costs	**(27,682)**	**(10,392)**
Loss before income tax expense	**(99,298)**	**(28,916)**
Income tax expense	-	-
Net loss for the period	**(99,298)**	**(28,916)**
Total comprehensive loss for the period	**(99,298)**	**(28,916)**

5.3.2 Summary of movements in consolidated retained profits

Retained loss at the beginning of the financial year	112,935	95,956
Transfer from share based payments reserve	(7,343)	(11,937)
Net loss for the year	99,298	28,916
Retained loss at the end of the financial year	**204,890**	**112,935**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

5.3.3 Consolidated balance sheet

	2020 $'000	2019 $'000
Assets		
Current assets		
Cash and cash equivalents	86,247	63,576
Trade and other receivables	3,992	10,414
Inventories	23,268	51,197
Total current assets	**113,507**	**125,187**
Non-current assets		
Receivables	-	27
Property, plant, equipment and mine properties	482,418	433,948
Deferred exploration and evaluation expenditure	6,401	6,401
Inventories	-	16,062
Total non-current assets	**488,819**	**456,438**
Total assets	**602,326**	**581,625**
Liabilities		
Current liabilities		
Trade and other payables	20,601	48,149
Provisions	1,468	1,953
Borrowings	53,334	8,912
Total current liabilities	**75,403**	**59,014**
Non-current liabilities		
Trade and other payables	546	-
Provisions	16,971	16,523
Borrowings	123,116	130,087
Total non-current liabilities	**140,633**	**146,610**
Total liabilities	**216,036**	**205,624**
Net assets	**386,290**	**376,001**
Equity		
Issued capital	587,329	479,720
Reserves	3,850	9,216
Retained earnings	(204,890)	(112,935)
Total equity	**386,290**	**376,001**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Accounting policy
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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.

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	86,250	63,576
Trade and other receivables	4,127	11,087
Total financial assets	90,377	74,663
Financial liabilities		
Trade and other payables	20,601	48,146
Borrowings	176,450	138,999
Total financial liabilities	197,051	187,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 and cash equivalents 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. Customer contracts specify the Standard and Poor's rating required by financial institutions providing the letters of credit.

The trade and other receivables balance consist of 26% of trade receivables (2019: 29%) and 22% of receivables from the Australian Tax Office for goods and services tax refund (2019: 20%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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	Contractual cashflows				
		Total	Six months or less	Six to 12 months	One to two years	Two to five years
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2020						
Non-derivative financial liabilities						
Lease liability	42,231	46,846	9,428	9,896	14,279	13,243
Secured debt	134,219	161,738	26,137	25,044	110,557	-
Trade and other payables	20,601	20,601	20,601	-	-	-
	197,051	229,185	56,166	34,940	124,836	13,243
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

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.

During the year the Company continued to sell spodumene and tantalum concentrate to offshore customers with the sales proceeds denominated in US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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:

	2020 US$'000	2019 US$'000
Cash and cash equivalents	30,443	9,323
Borrowings	93,750	100,000
Trade receivables	727	1,357

The year-end exchange rate used to recalculate the US$ dominated balances on 30 June 2020 was 0.6863 (2019 exchange rate of 0.7013).

Group sensitivity

Based on financial instruments held at 30 June 2020, 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 $8.29 million higher/$10.13 million lower (2019: $12.91 million higher/$15.78 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 and 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:

	2020 Weighted average interest rate	2020 Balance $'000	2019 Weighted average interest rate	2019 Balance $'000
Cash and cash equivalents	0.26%	86,250	1.42%	63,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

The risk is managed by the Group maintaining an appropriate mix between short-term and floating rate cash and cash equivalents.

Group sensitivity

Based on the financial instruments at 30 June 2020, if interest rates had changed by +/-25 basis points from the year end rates, with all other variables held constant, loss and equity for the year would have been $216,000 lower/$216,000 higher (2019: $317,000 lower/$317,000 higher based on a 50 basis point change to the year-end rates).

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 $138.64 million (2019 $155.48 million). Fair value was determined with reference to price quotations in an active market at 30 June 2020.

6.2 Related Parties

6.2.1 Key management personnel

The following people were considered as key management personnel during the financial year:

Name	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 Chief Operating Officer	4 September 2017 5 March 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Key management personnel compensation comprised the following:

	2020 $	2019 $
Short term employee benefits	2,314,682	2,951,812
Post-employment benefits	119,149	117,261
Other long-term employee benefits	-	96,167
Share-based payments (non-cash)	1,601,246	1,799,579
	4,035,077	4,964,819

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	2020	2019	Party to Deed of Cross Guarantee
Tabba Tabba Tantalum Pty Ltd	Australia	100%	100%	No
Pilbara Lithium Pty Ltd	Australia	100%	100%	No
Pilgangoora Holdings Pty Ltd	Australia	100%	100%	Yes
Pilgangoora Operations Pty Ltd	Australia	100%	100%	Yes
Pippingarra Road Logistics Pty Ltd	Australia	100%	100%	No
Mt Francisco Operations Pty Ltd	Australia	100%	100%	No

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

6.4 Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2020, 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.

	2020 $'000	2019 $'000
Results of the parent entity		
Loss for the period	(14,873)	(16,279)
Total comprehensive loss for the period	(14,873)	(16,279)
Financial position of the parent entity at year end		
Current assets	82,433	65,570
Total assets	490,697	396,394
Current liabilities	4,086	5,458
Total liabilities	5,046	5,458
Total equity of the parent comprising of:		
Share capital	587,329	479,720
Share-based payment reserve	3,850	9,216
Accumulated losses	(105,528)	(98,000)
Total equity	485,651	390,936

6.5 Subsequent Events

Subsequent to 30 June 2020 the Company announced on 30 July 2020 a binding commitment for a new US$110 million senior secured debt facility which will replace the Nordic Bond US$100 million facility. The new facility funded by BNP Paribas (US$73.3 million) and Australia's specialist clean energy investor the Clean Energy Finance Corporation (US$36.7 million) is expected to be completed and drawn down during the September 2020 quarter following finalisation of documentation and satisfaction of customary conditions precedent. Proceeds will be used to fund the early redemption of the Nordic Bond including the early redemption premium payable (US$4.5M) and related transaction costs. An additional binding commitment has also been received from BNP Paribas to renew the existing US$15 million Working Capital Facility. The new facility has first ranking security over the assets of the Pilgangoora Lithium-Tantalum Project.

Other than the disclosure above, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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:

	2020 $	2019 $
Audit services – KPMG	175,000	168,000
Advisory service – KPMG	-	363
Total auditor's remuneration – KPMG	175,000	168,363

DIRECTORS' DECLARATION

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 43 to 88, 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 2020 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 2020.

This declaration is made in accordance with a resolution of the Directors.

Anthony Kiernan
Chairman

27th August 2020

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 2020 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 2020
- 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 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 (including Independence Standards) (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:

- Valuation of property, plant, equipment and mine properties
- Valuation of work in progress and finished goods 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

Valuation of property, plant, equipment and mine properties ($482.4 million)	
Refer to Note 3.1 *Property, Plant, Equipment and Mine Properties*	
The key audit matter	**How the matter was addressed in our audit**
The carrying value of the Pilgangoora project assets including property, plant, equipment and mine properties was considered a key audit matter due to: • The size of the property, plant, equipment, and mine properties balance (being collectively $482.4 million, which represents 80% of the total assets); • The level of judgement required by us in evaluating the Group's assessment of impairment; and • The challenging market conditions and moderated production environment within the financial year, increasing the risk of the carrying value not being recoverable. the impairment assessment requires the Group to apply significant judgements through the use of assumptions in a value-in-use discounted cash flow (DCF) model. The key assumptions include: • Forecast commodity prices for spodumene concentrate. The Group has used external experts to assist them in forming a view of the forecast commodity price for spodumene concentrate; • Forecast production levels, production costs and plant recovery – the timeframe for plant recovery and ramp up increases the range of possible outcomes; and • Forecast exchange rate between USD and AUD – current volatility in exchange rates increases the range of possible outcomes. In assessing this key audit matter, we involved senior team members and valuation specialists.	Our procedures included: • Evaluated the Group's assessment of impairment indicators against accounting standard requirements; • Evaluated the value-in-use methods used by the Group against accounting standard requirements; • Assessed the integrity of the value-in-use DCF model used, including mathematical accuracy of the underlying calculation formulas; • Evaluated the key underlying data used to generate the value-in-use DCF model for consistency with the Group's intention and other information. This includes Board approved cash flow forecasts and other information such as the Group's external expert reports and publicly available documentation; • Assessed the accuracy of previous Group's forecasts to inform our evaluation of forecasts incorporated in the model. • Considered the sensitivity of the model by varying key assumptions, such as forecast spodumene concentrate prices, forecast exchange rates, production costs, and plant recovery. We did this to assess those assumptions with a potential higher risk of bias or inconsistency in application against observable data; • Evaluated the scope, competence and objectivity of the Group's external experts; • Compared forecast commodity prices for spodumene concentrate, and forecast exchange rates, to published views of market commentators on future trends seeking authoritative and credible sources; • Challenged the Group's assumptions on forecast production costs, production levels and plant recovery in light of the expected continuation of challenging market conditions against the Group's past performance, Board approved budgets and definitive feasibility study outcomes. We used our knowledge of the Group, business and customers, and our industry experience; and • Assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KPMG

Valuation of work in progress and finished goods inventory ($11.8 million)	
Refer to note 4.3 *Inventories*	
The key audit matter	**How the matter was addressed in our audit**
Judgement is required by the Group in assessing the value of inventory which consists of work in progress and finished goods (“inventory”), which will be used to produce spodumene concentrate in the future. The valuation of inventory is a key audit matter because: • In the current year there was an inventory write-down of $21.3 million increasing our focus in this area; • Market conditions for the Group’s lithium products is currently challenging; • There are elevated unit costs associated with operating in a moderated production environment increasing the risk of further inventory write-downs; • The allocation of cost to inventory is a complex calculation increasing the risk of error; and • 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). The Group’s NRV assessment is based on modelling which estimates future revenue expected to be derived from spodumene concentrate, less selling costs and forecast processing costs to convert work in progress to spodumene concentrate. We placed particular focus on those judgements listed below which impact the valuation of inventory: • Forecast processing costs; • Forecast quantity of lithium contained within the lower grade ore stockpiles; and • Future commodity prices expected to prevail when the inventory is processed and sold. Assumptions are forward looking and / or not based on observable data and are therefore inherently judgmental to audit.	Our procedures included: • Tested the Group’s key controls around preparation and review of inventory reconciliations which utilise underlying data such as production and processing costs, geological survey reports, mill production reports and metallurgical survey reports. • Tested 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 production and processing costs; • Assessed the integrity of the allocation of cost to inventory calculation including mathematical accuracy of the underlying calculation formulas; • Attended the Group’s year end survey counts; • Evaluated the Group’s NRV assessment against accounting standard requirements; • Assessed the methodology and key assumptions in the Group’s model used to determine the NRV of the stockpiles by: – Inquiring with management to understand events resulting in the inventory write-down; – Recalculating the inventory write-down and comparing it to the amount recorded by the Group; – Assessing the relevance of historical and current unit costs for future production taking into consideration the Group’s planned changes in operations. – comparing forecast unit costs to previous actual costs in a moderated production environment, and for consistency with the Group’s latest life of mine plan; – comparing forecast quantity of spodumene concentrate from stockpiles to the Group’s internal geological survey results; – assessing the scope, competence and objectivity of the Group’s internal experts responsible for the preparation of the geological survey results; – comparing commodity prices to published views of market commentators on future trends seeking authoritative and credible sources; and • Assessed the disclosures in the financial report using information obtained from our testing and against the requirements of the accounting standards.

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 Directors' Report. The Chairman's Report, Managing Director's Report, ASX additional information, Sustainability Report and other operational update reports are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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 and Company'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 and Company 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Pilbara Minerals Limited for the year ended 30 June 2020, 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 2020.

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

27 August 2020