



**Pilbara  
Minerals**

...Powering a sustainable energy future

ASX / MEDIA ANNOUNCEMENT

27 AUGUST 2020

## FULL-YEAR FINANCIAL REPORT JUNE 2020

### KEY POINTS

- Results for the 2020 Financial Year (**FY2020**) reflected soft market conditions in China and weaker customer demand for lithium raw materials.
- Moderated production strategy deployed from September 2019 Quarter onwards to preserve cash and working capital, delivering an improved cash gross margin<sup>1</sup> in the second half of FY2020 of \$13.7M despite further deterioration in price received (first half FY2020: cash gross margin loss of \$1.8M).
- EBITDA loss of \$33.9M before non-cash inventory write-down of \$21.3M, depreciation and amortisation of \$16.4M and net financing costs of \$27.6M.
- Statutory net loss after tax of \$99.3M.
- 90,768 dry metric tonnes (dmt) of spodumene concentrate produced, with 116,256 dmt shipped following draw down from existing stockpiles, underpinning sales revenue of \$84.1M.
- Significant improvement in lithia recoveries achieved, supporting lower unit cash operating costs<sup>2</sup>, which are now trending towards a target of US\$320-350 dmt CIF China, when combined with increased plant run time.
- \$111.5M equity raise (before costs) completed to strengthen balance sheet.
- 30 June 2020 cash balance of \$86.3M and working capital of \$91.6M.
- Binding commitments received in July 2020 from BNP Paribas and Clean Energy Finance Corporation (**CEFC**) for a new US\$110M secured debt facility to refinance the existing Nordic Bond facility, reduce funding costs and improve financing cashflows.

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

<sup>2</sup> Cash operating costs include mining, processing, transport, state and private royalties, native title costs, port, shipping/freight and site-based general and administration costs and are net of Ta<sub>2</sub>O<sub>5</sub> by-product credits.

Pilbara Minerals Limited (ASX: PLS) (**Pilbara Minerals** or **the Company**) presents its financial report for the year ended 30 June 2020.

The Company's FY2020 financial results were impacted by soft market conditions in China, weak customer demand for lithium raw materials and low spodumene concentrate prices. Pilbara Minerals responded by rapidly and proactively deploying a production moderation strategy to preserve cash and working capital, as well as implementing measures to strengthen its balance sheet. Key actions included:

- Moderating mining and processing operations and drawing down on existing stockpiles at the Pilgangoora Lithium-Tantalum Project (Pilgangoora Project) to align production with reduced customer demand requirements.
- Completing major processing plant improvement and optimisation works that have improved lithia recoveries, thereby lowering unit cash operating costs. Key works completed included the final rectification works associated with the processing plant EPC contractor.
- Reducing costs at both the corporate and mine levels and undertaking an equity raising of \$111.5M, inclusive of a \$55M cornerstone placement to strategic investor and global electric vehicle battery maker, Contemporary Amperex Technology (**CATL**).
- Putting new financing commitments in place to repay the outstanding balance of the US\$100M Nordic Bond to align future debt repayments with the anticipated improvement in market conditions. Under the proposed revised financing arrangement, principal repayments are scheduled to commence from September 2022.



While COVID-19 has not had a material impact on Pilbara Minerals' business, it has presented some additional challenges to the lithium market during FY2020.

Moderating production during the first half of FY2020 allowed Pilbara Minerals to preserve cashflow by drawing down on existing stockpiles to meet customer sales requirements. This significant change in operating strategy was formulated and implemented in the September 2019 Quarter, with the majority of the financial benefit being realised from the December 2019 Quarter onwards. This change generated a much-improved positive cash gross margin of \$13.7M for the second half of FY2020 (first half FY2020: cash gross margin loss of \$1.8M).

Pilbara Minerals achieved a consolidated cash gross margin of \$11.9M for FY2020, reflecting its proactive response to the difficult market conditions which have impacted the entire lithium raw materials sector.

The Company posted an EBITDA loss of \$33.9M for FY2020 after accounting for inventory movements (\$24.1M), corporate and administration costs (\$12.8M), exploration and feasibility costs (\$6.5M), and share-based payment costs (\$2.3M).

After allowing for net finance costs (\$27.6M), non-cash inventory write-downs (\$21.3M) and depreciation and amortisation expenses (\$16.4M), the Company recorded a consolidated net loss after tax for FY2020 of \$99.3M. The inventory write-downs, which were announced previously, resulted from prevailing soft market conditions, lower spodumene concentrate prices, elevated unit costs associated with the moderated production environment and further technical learnings during the operation of the processing plant.

The improved positive cash gross margin of \$13.7M for the second half of FY2020 supported a positive cash flow from operating activities of \$13.9M for the second half of FY2020 (first half of FY2020: negative operating cash flow of \$32.9M) after drawing down stockpiles and reducing operating cash costs, despite weak lithium pricing.

For FY2020, Pilbara Minerals generated net cash flow of \$3.1M from operating activities including corporate and lease costs. The Company also expended \$27.5M for costs incurred on mining and processing activities undertaken during the 2019 Financial Year, invested \$30.0M on capital and exploration activities (including Stage 2 long-lead and engineering, Stage 1 rectification works, mine properties and development and feasibility studies), and made the first principal repayment of \$9.1M (US\$6.25M) and paid \$19.0M of interest required under the US\$100M Nordic Bond facility.

During the first half of FY2020, Pilbara Minerals completed a successful \$111.5M equity raising to strengthen its balance sheet in response to softer market conditions. At 30 June 2020, the Company had a strong cash balance of \$86.3M and a working capital position of \$91.6M. In addition, Pilbara Minerals held a US\$15M working capital facility which was undrawn at the end of the period.

Pilbara Minerals' moderated production strategy will remain in place until market conditions improve.

Commenting on the financial results, Pilbara Minerals' Managing Director, Ken Brinsden said,

*"While our financial performance in FY2020 was clearly impacted by continued weak demand for lithium raw materials, our team responded to these challenges with the deployment of a production moderation strategy which has proven to be highly effective under the circumstances confronting the global lithium market.*

*"We have delivered on this strategy on several fronts: firstly, the combination of moderated production and improved lithia recoveries helped us reduce our operating costs; secondly, a \$111.5M equity raising strengthened our balance sheet and put us in a strong position to weather the storm; and, finally, the recent refinancing of our senior debt is expected to reduce our funding costs and improve financing cash flows.*

*"We continued to generate income through engagement with our customers to shore up sales each quarter and further diversified our Stage 1 customer base through new offtake agreements*



with Great Wall Motor Company and Yibin Tianyi.

*"All the while, we maintained operational continuity and delivered shipments to our customers while navigating the challenges presented by COVID-19. During the pandemic, we kept our people safe and our moderated operation going, with no material impact to our direct operations as a result.*

*"In summary, despite the obvious challenges experienced during the year I believe there is plenty to hang our hat on. By being proactive and making the hard decisions early, we were able to preserve the value of the Pilgangoora Project and strengthen our balance sheet to finish the year with \$86.3M in the bank – protecting the long term value of the company for our shareholders and other stakeholders.*

*"I would like to take this opportunity to thank our team, partners, customers and shareholders for their continued support this year. We are ready and raring to go for 2021 and well positioned to take full advantage of the expected rebound in the lithium market, when it arises."*

Subsequent to the end of FY2020, Pilbara Minerals entered into binding credit-approved commitments with BNP Paribas and CEFC for a US\$110M senior secured debt facility to repay the balance of the Nordic Bond facility.

This new debt facility, which remains subject to final documentation and satisfaction of customary conditions precedent, will provide a substantial cost saving when compared to the Nordic Bond with an average interest rate of ~5%, (based on current market reference rates) and delayed principal repayments which will commence from September 2020. This refinancing, when coupled with the moderated production strategy, will safeguard Pilbara Minerals against soft market conditions should they continue in the near term.

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

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## MORE INFORMATION

### ABOUT PILBARA MINERALS

Pilbara Minerals is an Australian lithium-tantalum producer and a top-300 company on the Australian Securities Exchange (ASX: PLS). Through the development of its 100% owned, Pilgangoora Lithium-Tantalum Project (Pilgangoora Project), the Company is positioned to become a major player in the world's rapidly growing lithium supply chain, underpinned by the electric vehicle and energy storage markets.

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

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