

## APPENDIX 4E: PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### Results for announcement to the market

Current Reporting Period: 12 months ending 30 June 2022

Previous Reporting Period: 12 months ending 30 June 2021

	<b>30 June 2022 \$'000</b>	30 June 2021	Change	
			\$'000	%
Revenue from ordinary activities	1,189,591	175,824	1,013,767	576.6%
Profit/(loss) from ordinary activities after tax attributable to members	561,825	(51,448)	613,273	1192.0%
Profit/(loss) for the period attributable to members	561,825	(51,448)	613,273	1192.0%

### Dividends

No dividends have been declared or paid during or since the end of the year to 30 June 2022 (2021: Nil).

### Net Tangible Assets

	<b>30 June 2022 \$0.43</b>	30 June 2021 \$0.20
Net tangible asset per security		

### Changes in Controlled Entities

There have been no gains or losses in control over entities during the period ended 30 June 2022.

### Joint Ventures

	<b>Principal Activities</b>	<b>Interest 30 June 2022</b>	Interest 30 June 2021
Mount Francisco JV	<b>Exploration</b>	<b>70%</b>	70%

This 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.

### Associates

	<b>Interest 30 June 2022</b>	Interest 30 June 2021
POSCO-Pilbara Minerals Lithium Solution Co Ltd	<b>18%</b>	-

Details of associates are shown in Note 3.2 to the consolidated financial statements.

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## **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 2022, which accompany this Preliminary Final Report.

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# Pilbara Minerals

ABN 95 112 425 788

## Annual Financial Report

30 June 2022

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# CORPORATE DIRECTORY

## Pilbara Minerals Limited

ABN 95 112 425 788

Incorporated in Australia

### BOARD OF DIRECTORS

Anthony Kiernan AM	Chair (Non-Executive)
Dale Henderson	Managing Director and CEO
Ken Brinsden <sup>1</sup>	Managing Director and CEO
Steve Scudamore	Director (Non-Executive)
Sally-Anne Layman	Director (Non-Executive)
Nicholas Cernotta	Director (Non-Executive)
Miriam Stanborough	Director (Non-Executive)

<sup>1</sup> Mr Brinsden resigned effective 30<sup>th</sup> July 2022

### COMPANY SECRETARY

Alex Eastwood

### PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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West Perth WA 6005

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### ASX CODE

PLS

### SHARE REGISTER

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

Perth WA 6000

Tel: 1300 850 505

### 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 ("**the Group**") for the financial year ended 30 June 2022 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
<p><b>Mr Anthony Kiernan AM, LLB</b>  <b>Chair and Independent Non-Executive Director</b>                      Appointed 1 July 2016</p>	<p>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.</p> <p>Mr Kiernan was a member of the Company's People and Culture Committee to 30 June 2021.</p> <p>Mr Kiernan is also Chair of the Fiona Wood Foundation which focuses on research into burns injuries.</p> <p><b>Other current ASX directorships:</b> NT Minerals Ltd (since April 2021).</p> <p><b>Former ASX directorships in the last three years:</b> Saracen Mineral Holdings Limited (2018 to February 2021), Northern Star Resources Ltd (February 2021 to November 2021) and Venturex Resources Limited (2010 to March 2021).</p>
<p><b>Mr Dale Henderson</b>                      B. Eng (Civil) and GAICD  <b>Managing Director and Chief Executive Officer</b>                      Appointed Managing Director 30 July 2022</p>	<p>Mr Henderson is an engineer with high level experience in both mine operations and development in the global resource sector including roles in both brownfields and greenfields settings across a number of commodities.</p> <p>Prior to joining the Company, Mr Henderson held senior roles including at Fortescue Metals Group, Chevron and Occidental Petroleum.</p> <p>Mr Henderson was Chief Operating Officer at the Company from 2017 before his appointment as Managing Director and Chief Executive Officer on 30 July 2022.</p> <p>Mr Henderson has played a key role in overseeing operational improvements at the Pilgan Plant since its initial commissioning and in the acquisition of the adjoining Ngungaju Plant, establishing the foundation for the long-term growth profile of the Pilgangoora Operation.</p> <p><b>Former ASX directorships in the last three years:</b> NT Minerals Limited (September 2021 to July 2022).</p>

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Mr Ken Brinsden</b> B. Eng (Mining), MAusIMM, MAICD</p> <p><b>Managing Director and Chief Executive Officer</b></p> <p>Appointed Managing Director 4 May 2016 Resigned 30 July 2022</p>	<p>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.</p> <p>Mr Brinsden held the position of Managing Director and Chief Executive Officer of the Company from May 2016 until he resigned from that position effective 30 July 2022.</p> <p>Mr Brinsden led the development and growth of the Pilgangoora Project, which was progressed from first drill hole to production in under four years. Under his stewardship, the Company has experienced exponential growth and is now considered one of the world's leading lithium raw materials suppliers with a portfolio of growth options to execute as battery raw material demand increases.</p> <p><b>Former ASX directorships in the last three years:</b> None.</p>
<p><b>Mr Steve Scudamore</b> FCA BA (Hons), MA (Oxon), FAICD, SF Fin, HonDUniv (Curtin)</p> <p><b>Independent Non-Executive Director</b></p> <p>Appointed 18 July 2016</p>	<p>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 Chair of Partners WA, Head of Corporate Finance in WA and National Head of Valuations, KPMG Australia.</p> <p>Mr Scudamore is Chair of the Company's Audit and Risk Committee and a member of the People and Culture Committee.</p> <p>Since 2012, he has been a Non-Executive Director and Chair of MDA National Insurance Pty Ltd, the insurance arm of a mutual medical defence organisation. His ongoing involvement in community organisations includes his role as Trustee and Vice Chair of the Western Australian Museum and WA Committee Chair of the Australian British Chamber of Commerce and member of the National Board.</p> <p><b>Other current ASX directorships:</b> Regis Resources Ltd (since May 2019) and Australis Oil &amp; Gas Limited (since November 2016).</p> <p><b>Former ASX directorships in the last three years:</b> None</p>

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Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Mr Nicholas Cernotta</b> B. Eng (Mining) <b>Independent Non-Executive Director</b> Appointed 6 February 2017</p>	<p>Mr Cernotta has more than 35 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.</p> <p>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.</p> <p>Previous Senior Executive roles include Director of Operations at Fortescue Metals Group Ltd, Chief Operating Officer at MacMahon Contracting and Director of Operation at Barrick Gold Corporation.</p> <p>Mr Cernotta is Chair of the Company's People and Culture Committee and a member of the Sustainability Committee.</p> <p><b>Other current ASX directorships:</b> Panoramic Resources Limited (since May 2018), New Century Resources Ltd (since March 2019) and Northern Star Resources Ltd (since July 2019).</p> <p><b>Former ASX directorships in the last three years:</b> None</p>
<p><b>Ms Sally-Anne Layman</b> B. Eng (Mining) Hon, B.Com, CPA, MAICD <b>Independent Non-Executive Director</b> Appointed 20 April 2018</p>	<p>Ms Layman is a mining professional, corporate financier and advisor with over 28 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 &amp; Agriculture Division.</p> <p>More recently, Ms Layman has worked as a consultant providing financial consulting services to miners and explorers, including strategy and business development.</p> <p>Ms Layman is Chair of the Company's Sustainability Committee and a member of the Audit and Risk Committee.</p> <p><b>Other current ASX directorships:</b> IMDEX Limited (since February 2017), Beach Energy Limited (since February 2019) and Newcrest Mining Limited (since October 2020).</p> <p><b>Former ASX directorships in the last three years:</b> Perseus Mining Limited (2017 to September 2020).</p>

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Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Ms Miriam Stanborough</b> BA (Hons), BE (Hons), MSc, MAusIMM, GAICD</p> <p><b>Independent Non-Executive Director</b></p> <p>Appointed 4 October 2021</p>	<p>Ms Stanborough is a chemical engineer with more than 20 years' experience in the mineral processing industry across various commodities including copper, uranium, gold, silver, alumina and mineral sands.</p> <p>Ms Stanborough was previously part of the senior leadership team at Monadelphous, where she was Group Manager – Productivity and Innovation. Prior to that she held a number of senior roles at Iluka Resources, Alcoa Australia and WMC Resources in technical development, production management, project management, business improvement, HR &amp; diversity strategy, and sales and marketing.</p> <p>Ms Stanborough is Chair of the Minerals Research Institute Western Australia (MRIWA), Director of ChemCentre, Deputy Chair of Northern Agricultural Catchments Council (NACC) and Deputy Chair of Scouts WA.</p> <p>Ms Stanborough is a member of the Company's Audit and Risk Committee and the Sustainability Committee.</p> <p><b>Other current ASX directorships:</b> BCI Minerals Ltd (since June 2022). <b>Former ASX directorships in the last three years:</b> None.</p>

## COMPANY SECRETARY

**Mr Alex Eastwood**, B. Economics; LLB(Hons), GAICD

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 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 corporate finance 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. Mr Eastwood is the Company's Chief Commercial and Legal Officer.

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:

No. of Meetings	Board Meetings		Audit and Risk Committee		People and Culture Committee		Sustainability Committee	
	14		4		4		4	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Director								
Anthony Kiernan	13	14	-	-	2	2	-	-
Ken Brinsden	14	14	-	-	-	-	-	-
Steve Scudamore	14	14	4	4	4	4	2	2
Nicholas Cernotta	14	14	1	1	4	4	4	4
Sally-Anne Layman	14	14	4	4	2	2	4	4
Miriam Stanborough <sup>1</sup>	11	11	3	3	-	-	2	2

<sup>1</sup> Ms Stanborough was appointed on 4 October 2021.

The Audit and Risk Committee, People and Culture Committee and the Sustainability Committee consist solely of independent non-executive directors.

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration, development and operation of the Pilgangoora Project and Operations ("**Pilgangoora Project**"). The Pilgangoora Project includes two processing plants, being the Pilgan Plant and the Ngungaju Plant.

## Objectives

The Group's objectives are:

- to produce and sell to customers internationally, spodumene and tantalite concentrate products from the conduct of safe and sustainable mining and processing activities at the 100% owned Pilgangoora Project located in the Pilbara region of Western Australia;
- to continue expanding the production capacity of the Pilgangoora Project to match market demand;
- 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 within the global lithium raw materials supply chain, including participation in downstream chemical processing opportunities and identifying innovations in value added mid-stream products.
- to further integrate our sustainability objectives into all facets of the Company.

In order to meet these objectives, the following targets have been set for the 2023 financial year and beyond:

- Commence construction of the P680 Project expansion to increase the annual nameplate production capacity of the Pilgan Plant from ~360-380,000 dry metric tonnes (“dmt”) to ~460-480,000 dmt of spodumene concentrate through the delivery of a new primary rejection heavy media separation circuit. Once completed, the combined production nameplate capacity of the Pilgangoora Project (Pilgan and Ngungaju plants) is expected to be ~640-680,000dmt.
- Commence construction to replace the existing contracted crushing facility with a new integrated crushing and ore sorting facility to increase the ore throughput capacity of the Pilgan Plant to ~ 5.0Mtpa in support of future project expansions.
- Complete the ramp up and commissioning of the Ngungaju Plant to an annual full production capacity of 180-200,000 dmt of spodumene concentrate.
- Subject to market conditions and the ongoing demand for lithium raw materials, continue to undertake studies to incrementally expand the Pilgan Plant from 2.3Mtpa of ore up to ~ 5Mtpa, to ultimately produce ~800,000 dmt per annum of spodumene concentrate. Once completed, the combined Pilgangoora Project (inclusive of the Ngungaju Plant) would be capable of producing up to ~1Mtpa of spodumene concentrate.
- Safety and Environment:
  - continued improvement in the Company’s safety performance as measured by leading and lagging indicators.
  - minimising the impact of our operations on the environment and surrounding communities.
- Sustainability:
  - Complete sustainability material topic and strategy refresh, including identification of initiatives and target setting against an external framework to improve sustainability practices and performance.
  - continue to assess high-level decarbonisation pathway and undertake studies on initiatives to effectively and efficiently achieve net zero emissions (Scope 1 and 2) in the decade commencing 2040, including implementation of internal mechanisms.
  - further evaluation of risks and subsequent planning to manage exposure in consideration of evolving policy, standards and regulations.
  - continue to proactively engage with Traditional Owners and provide support to local communities.
- Diversification and value-added products:
  - jointly develop the 43ktpa LHM primary lithium hydroxide chemical processing facility in South Korea in joint venture with POSCO Holdings (**POSCO**),
  - progress the ongoing work with Calix to develop a demonstration plant to produce a “value-added” lithium phosphate or other preferred salts (**Mid-Stream Project**) that will further enhance the sustainability of the battery raw material supply chain.

## REVIEW OF OPERATIONS

### Key Highlights

- Increased revenue and operating margin attributable to significant increases in production and lithium raw material prices during the year, following surging market demand amid concerns about supply shortages for spodumene concentrate.
- Operating profit after tax for the year of \$561.8M underpinned by significant increase in the selling price and improved sales volumes of spodumene concentrate. The Company recognised tax benefits of \$108.8M as a result of being able to recognise prior year tax losses.

- Favourable market demand conditions during the year supported higher revenue of \$1.2B (FY21: \$175.8M), with an average realised selling price of US\$2,382/dmt CIF China.
- Cash balance at 30 June 2022 of \$591.7M (FY21: \$99.7M) achieved on the back of strong operating cashflows during the year. Cash balance of \$874.2M inclusive of \$282.4M of irrevocable bank letters of credit for shipments completed up to 30 June 2022.
- 361,035 dmt of spodumene concentrate was shipped during the period, a 28% increase compared to the 281,440 dmt shipped for the year ending 30 June 2021.
- Improved pricing for spodumene concentrate following price reviews with existing offtake customers to better align product pricing with market conditions.
- Introduction of the Battery Material Exchange (BMX) digital sales auction platform, with six cargo auctions completed during the financial year. Exceptional pricing outcomes were realised, with the auction in June 2022 achieving a spot sale price of US\$6,350/dmt (CIF China) on an equivalent SC6.0 basis.
- A 54% increase in the total Pilgangoora Proved and Probable Ore Reserves (JORC) to 162mt grading 1.2%Li<sub>2</sub>O, 100ppm Ta<sub>2</sub>O<sub>5</sub> and 1.0% Fe<sub>2</sub>O<sub>3</sub> (refer ASX release dated 6 October 2021).
- Successful commissioning of both the coarse and fines circuit of the Ngungaju Plant, with the plant in ramp up and expected to achieve name plate production capacity of 180-200ktpa of spodumene concentrate during the September Quarter 2022.
- Completion of the construction and commissioning of the Pilgan Plant Improvements Project during the year resulting in an increase to installed production capacity from 330ktpa to 360-380ktpa of spodumene concentrate.
- Formation of a downstream joint venture (JV) with POSCO to construct and operate a 43ktpa LHM primary lithium hydroxide chemical processing facility in South Korea. Pilbara Minerals initial 18% equity participation of \$76.2M in the JV was funded from a \$79.5M 5-year convertible bond provided by POSCO. Pilbara has an option to increase its equity participation to 30%. As part of the deal, the Company entered into a 315ktpa offtake agreement with the JV.
- Progression of the Company's Mid-Stream Project as a key sustainability initiative, including completion of a scoping study and a binding Memorandum of Understanding (MOU) with Calix to establish a joint venture for the development of a demonstration plant to produce value-added lower carbon lithium phosphate or other preferred salts products for global distribution, and if viable for the future commercialisation of the process;
- A final investment decision (FID) made to expand the Pilgan Plant's nameplate production capacity by a further 100ktpa (P680 Project) at an estimated cost of \$103M;
- Decision to introduce ore sorting technology at the Pilgan facility, as well as replace the existing crushing facility with a larger 5Mtpa company-owned crushing facility to support future expansions, at a total estimated capital cost of \$194M;
- Agreements with existing senior lenders to expand both the existing Syndicated Finance and Working Capital facilities to support the re-start of the Ngungaju Plant earlier in the year;
- Completion of a Life Cycle Assessment to lithium hydroxide production and development of a decarbonisation pathway to reach net zero in the decade commencing 2040; and
- A major contract award for the construction of a 6MW solar power plant at the Pilgangoora Project with completion expected by the December Quarter 2022, which is expected to reduce CO<sub>2</sub> emissions by 9,000 tonnes.

## Pilgangoora Operation

Market demand conditions for battery raw materials improved significantly over the course of the year. As a result, the Company was able to deliver record production, shipping and pricing outcomes for FY2022 despite a backdrop of challenging business conditions, including a competitive and constricted labour market in the West Australian mining sector, the impacts of COVID-19 illness on labour availability, inflationary cost pressures, and supply chain disruption.

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

	Units	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Total
<b>Ore mined</b>	wmt	639,188	779,368	815,387	1,172,450	3,406,393
<b>Waste mined</b>	wmt	2,929,647	3,892,865	5,261,012	6,120,903	18,204,427
<b>Total material mined</b>	wmt	3,568,836	4,672,233	6,076,398	7,293,353	21,610,820
<b>Ore processed</b>	dmt	443,691	566,027	613,202	792,428	2,415,348

Total material mined was 21.6 million wet metric tonnes (wmt) across the Central, Monster and South pits (previous year: 6.7 million wmt) inclusive of additional waste movement to support mine development activities providing access to additional ore. Waste movements will continue to be higher over approximately the next 24 months as additional ore mining areas are opened-up to support the higher plant throughputs expected following development of the P680 Project.

Total material moved was lower than planned during the year due to shortfalls in operational personnel as a result of the combination of a tight labour market and the effects of community transmission of COVID-19. This compromised the ore supply required to provide optimal ore blends to both processing plants.

**Table 2: Production and shipments**

	Units	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Total
<b>Spodumene concentrate produced</b>	dmt	85,759	83,476	81,431	127,236	377,902
<b>Spodumene concentrate shipped</b>	dmt	91,549	78,679	58,383	132,424	361,035
<b>Tantalite concentrate produced</b>	lb	33,557	24,629	2,654	4,217	65,057
<b>Tantalite concentrate shipped</b>	lb	36,876	29,038	12,880	(2,428) <sup>1</sup>	76,366

<sup>1</sup> March 2022 Quarter adjustment.

During the year, 2.42 million tonnes of ore was processed, a 53% increase on the prior year's production (previous year: 1.58 million tonnes) following the successful completion of the Pilgan Plant Improvement Project and restart of the Ngungaju Plant (brought out of care and maintenance). Total spodumene produced for the year was 377,902 dmt, a 34% increase over the 281,098 dmt in the prior year as a result of increased production capacity.

361,035 dmt of spodumene concentrate was shipped during the year (previous year: 281,440 dmt) reflecting improved market conditions. 315,155 dmt originated from the Pilgan Plant, with 45,880 dmt from the Ngungaju Plant. The average selling price during the year was ~US\$2,605/dmt (6.0, CIF China basis), representing a realised price of US\$2,382/dmt (CIF China basis) when adjusted for actual lithia content. Using an average exchange rate for the year, the average selling price realised was ~A\$3,295/dmt (previous year: A\$625/dmt).

## **Pilgan Plant**

Spodumene concentrate production at the Pilgan Plant increased to 321,221 dmt (previous year 281,098 kmt). Production volumes at the Pilgan Plant were impacted by resourcing shortfalls for employees and contractors due to the COVID-19 pandemic and the tight labour market in the Western Australian mining industry. Lithia recoveries were lower than planned impacted by less-than-optimal ore feed to the plant following mining constraints, as well as the work required to tie in the plant improvement works. Following the successful commissioning of the Pilgan Plant Improvement Project in the December 2021 Quarter, installed production capacity at the Pilgan Plant increased on an annualised basis from ~330,000tpa to ~360,000-380,000 tpa of spodumene concentrate. The Pilgan Plant performed to expectations following completion and commissioning of the improvement works.

A full year unit operating cost<sup>2</sup> (FOB Port Hedland and excluding freight and royalties) of A\$555/dmt was achieved for the Pilgan operation (previous year: A\$431/dmt). Unit operating costs were affected by manning shortfalls translating to reduced mined volumes resulting in less-than-optimal ore feed to the plant impacting production and recoveries, as well as unplanned/extended shutdowns to the plant. Inflationary pressures during the second half of the reporting period including increases in diesel fuel prices, ocean freight, reagent and labour costs (the latter stemming from the buoyant labour market for the WA mining industry inclusive of bonus structures to attract and retain employees).

Including freight and royalty costs, the unit operating cost for the year was A\$844/dmt (previous year: A\$519/dmt) with the significantly higher selling prices translating to substantially higher royalty costs (royalty cost FY22: A\$194/dmt; previous year: A\$37/dmt).

<sup>2</sup> Unit operating costs (FOB Port Hedland excluding freight and royalties) include mining, processing, transport, native title costs, port charges and site-based general and administration costs and are net of Ta<sub>2</sub>O<sub>5</sub> by-product credits. It is calculated on an incurred basis (inclusive of accruals) and include inventory movements and credits associated with capitalised deferred mine waste development costs.

## **Ngungaju Plant**

During the year the staged restart of the Ngungaju Plant commenced following Board approval in June 2021. The restart was undertaken in two phases, starting with the coarse circuit followed by the fines circuit. First spodumene concentrate from the coarse production circuit was achieved in October 2021, with the fines production circuit commencing production in June 2022.

During this commissioning and ramp-up phase, production of 56,681 dmt of spodumene concentrate was achieved from the Ngungaju Plant for the year (previous year: nil). Ramp up to the plant's nameplate capacity of 180,000-200,000tpa of concentrate is expected during the September 2022 Quarter.

## **Ore Reserves and Mineral Resources**

During the year, the Company announced substantial increases in both the Mineral Resource and JORC Ore Reserve at the Pilgangoora Project following the discovery of new pegmatite domains, together with the integration of the Ngungaju Mineral Resource and Ore Reserve for the first time (refer ASX releases dated 6 September 2021 and 6 October 2021).

The updated JORC Mineral Resource represented a 39% increase in the total Measured, Indicated and Inferred Resource to 308.9 million tonnes grading 1.14% Li<sub>2</sub>O, 105ppm Ta<sub>2</sub>O<sub>5</sub> and 0.59% Fe<sub>2</sub>O<sub>3</sub>, containing 3.5 million tonnes of Li<sub>2</sub>O and 71.7 million pounds of Ta<sub>2</sub>O<sub>5</sub>.

Based on this updated Mineral Resource estimate, the Company announced a restated and combined JORC Ore Reserve in October 2021 (inclusive of Ngungaju operations) of 161.9 Mt grading



1.2% Li<sub>2</sub>O, 100 ppm Ta<sub>2</sub>O<sub>5</sub> and 1.0% Fe<sub>2</sub>O<sub>3</sub>. This represented a 54% increase in total Proved and Probable Ore Reserve Tonnes and a 47% increase in the contained lithium oxide at Pilbara's 100%-owned Pilgangoora Lithium-Tantalum Project.

The restated and combined Mineral Resource and Ore Reserve estimates reinforce the Pilgangoora Project's position as one of the world's premier hard rock lithium operations<sup>3</sup>.

<sup>3</sup> The Company confirms that it is not aware of any new information that materially affects the information included in its ASX releases dated 6 September 2021 and 6 October 2021 and that all material assumptions and technical parameters underpinning the mineral resource and ore reserve estimates continue to apply and have not materially changed.

## Exploration

Pilgangoora exploration programs during the financial year included a strategic exploration and resource extensional drilling program along the under-explored region on the tenement boundary adjacent to the Ngungaju Plant, as well as a sterilisation drilling program targeting a potential alternate waste dump location to the west of the Central Pit area. Both programs returned wide and near surface pegmatite domains which continue to highlight the scale and exploration potential of the Pilgangoora project area.

Exploration at the Company's regional tenements included desk top studies, field reconnaissance and surface geochemistry programs, and small-scale drilling programs.

## Project Expansions

On 29 June 2022, the Board approved the capital investment for the "**P680 Project**" to increase the annual production capacity at Pilgan Plant by 100,000 dmt through the introduction of a new primary rejection circuit at a capital cost of \$103M. This investment supports Pilbara Minerals' long term growth strategy to incrementally increase production capacity at the Pilgangoora Operation in line with market demand. When completed, the combined annual nameplate production capacity of the Pilgangoora Operation is expected to be ~640,000 to 680,000dmt from the December Quarter 2023.

As part of the delivery of the P680 Project, the Company will replace the existing contracted crushing service with a larger company-owned crushing facility designed for 5Mtpa of throughput crushing capacity, to satisfy future expansions needs. Along with the newly installed crushing facility, the Company will also introduce ore sorting technology to the front-end of the Pilgan Plant designed to reject basalt (and other non-lithium hosting materials) earlier in the production process. The capital investment for both the larger 5Mtpa crushing facility and ore sorting technology is expected to be \$194M, which should deliver processing efficiencies, improved lithia recoveries and unit cost savings (including the cost saving from changing the existing contracted crushing service to a company-owned crushing facility). The new crushing and ore sorting facilities will also provide flexibility to continue to expand Pilgangoora Operations to up to 1Mtpa of spodumene concentrate production capacity.

The P680 Project's estimated capital cost includes approximately \$50M of pre-investment capital to assist with the next phased expansion at the Pilgangoora Operation, with targeted production capacity of up to 1Mtpa (**P1000 Project**). Whilst the P1000 Project remains subject to a separate final investment decision (FID), suitable market conditions, and regulatory approvals, this pre-investment of capital is designed to mitigate costs associated with retrofitting expansion capacity for both the primary rejection and crushing and ore sorting circuits at the Pilgan Plant. In addition, this pre-investment assists in avoiding future operational interruptions associated with infrastructure duplication and brownfield interactions. FID for the P1000 Project is targeted for late December 2022.

## Mid-Stream Project

Following the execution of a Memorandum of Understanding (MOU) in May 2021 (refer ASX release dated 11 May 2021) with Calix Limited, the Company completed a scoping study aimed at generating a higher value and more environmentally friendly lithium product for the battery materials industry (**Mid-Stream Project**).

The scoping study, which was undertaken by Lycopodium Minerals (ASX: LYL), provides preliminary support for the technical viability of constructing a demonstration-scale chemicals facility producing value-added lithium phosphate salts via an innovative refining process at Pilbara Minerals' Pilgangoora Operation.

The study indicates lithium phosphate salt as the preferred mid-stream product. Lithium phosphate is a key feedstock for a number of battery chemicals manufacturers, including the lithium ferro phosphate (LFP) battery cathode manufacturing industry, as well as lithium carbonate and lithium hydroxide production.

The Mid-Stream Project has the potential to deliver significant sustainability benefits across the lithium supply chain via:

- substantial reduction of carbon energy requirements by the complete electrification of the Mid-Stream process, including spodumene calcining, enabling the potential to power the project using up to 100% renewables sourced power;
- rationalisation of the carbon footprint via reduced waste movement across transport and logistics supply chains resulting from a more lithium-dense, and near zero-waste final product; and
- improved lithium recovery from the ore resource, as the proposed refining process is expected to have the ability to treat very fine spodumene concentrates at lower lithia grades, which have traditionally been problematic for calcination in conventional direct-fired horizontal rotary calciners.

Following completion of the scoping study, Pilbara Minerals and Calix have agreed key commercial terms to progress front end engineering studies and for a joint venture in an updated binding Memorandum of Understanding. It is expected that the joint venture will be formalised during the September Quarter 2022. A final investment decision on the demonstration plant is targeted for early 2023.

Pilbara Minerals and Calix were awarded a \$20 million grant in May 2022 under the Australian Government's Modern Manufacturing Initiative (MMI) - Manufacturing Translation Stream to support the development of the Mid-Stream Project. Funding remains subject to the parties finalising a MMI grant funding agreement.

## POSCO Joint Venture (JV)

During the year, Pilbara Minerals formed an incorporated joint venture (**JV**) with POSCO to develop and operate a 43ktpa lithium hydroxide monohydrate (**LHM**) Conversion Facility ("**Conversion Facility**") in South Korea (Refer ASX releases dated 26 October 2021 and 13 April 2022).

The Conversion Facility will consist of two production trains each with a 21.5ktpa LHM production capacity. In conjunction with conventional purification technologies, the Conversion Facility will use POSCO's leading patented purification technology which has been developed by POSCO over the last 10 years.

The Company will initially own an 18% equity interest in the JV with the right to increase its equity interest to 30%. As part of the arrangement, Pilbara Minerals will supply 315ktpa of spodumene concentrate from the Pilgangoora Operation on commercial terms to the JV for conversion into lithium hydroxide at the jointly owned Conversion Facility. All spodumene concentrate sold under the offtake agreement will be on arms' length terms at prevailing market prices for chemical grade



spodumene concentrate sold on a CIF basis.

The Company's initial 18% equity participation in the JV (A\$76.2M) was fully funded from the A\$79.5M 5-year convertible bond provided by POSCO during the June Quarter.

Completion of construction and commencement of commissioning of the first train of the Conversion Facility is expected from late 2023 with completion of the second train expected approximately 3 months later. Participation in the JV supports the Company's long-term strategy of becoming a fully integrated raw materials company with a globally diversified customer base.

### **Battery Material Exchange**

During the year the Company launched its Battery Material Exchange (BMX), a new digital trading and sales platform to facilitate the sale of uncommitted spodumene concentrate production.

Six separate cargos of spodumene concentrate were sold via auction or pre-auction sale during FY2022, totalling approximately 43,000dmt sold on an SC5.5 FOB Port Hedland basis. The Company received strong interest in all auctions, with a June 2022 cargo achieving a record pre-auction offer of US\$6,350/dmt (SC5.5, FOB Port Hedland basis). This offer equates to an approximate price of US\$7,017/dmt on a SC6.0 CIF China basis after adjusting for lithia content on a pro rata basis and freight costs.

The strong prices received for the BMX auctions provided further evidence of the robust demand for battery raw materials experienced during the year across the global lithium supply chain.

### **Sustainability**

During the year, Pilbara Minerals undertook a review of its sustainability strategy and its materiality topics for FY23 and beyond. This work included engagement with both internal and external stakeholders to better understand the priority areas for sustainability and integrate sustainability throughout the Company.

The Company's decarbonisation pathway was progressed to support its aim to target net zero in the decade beginning 2040. Following the development of the high-level pathway, the Company is now looking at specific projects and study work to determine the most effective and efficient ways to achieve the target and aligned with Pilbara Minerals' business strategy to sustainably grow and diversify. During the year, construction commenced on a 6MW solar array at the Pilgangoora Project, with commercial operation targeted for the December 2022 Quarter.

The Company continued to engage with its native title partners the Nyamal and Kariyarra Peoples, with meetings and heritage surveys held throughout the year to ensure both groups were actively engaged in respect of their interests. To support future works, heritage surveys were conducted with the Nyamal People to gain clearance prior to any activities being undertaken.

Work to ensure Pilbara Minerals' is fostering a safe and respectful culture and workplace continued with the "Unmute Yourself" campaign (launched in 2021) and the roll out of Safe and Respectful Behaviours (SARB) workshops. These workshops educated employees on how to prevent sexual harassment in the workplace including outlining expected behaviours. A total of 60 workshops were held on-site and in the Perth office, with almost 450 employees and key contractors attending the sessions. Pilbara Minerals also continued to work with industry on improving standards of behaviour and in respect of the release of the Parliamentary Report 'Enough is Enough'.

Pilbara Minerals will provide further information on its sustainability objectives and activities for the year in its Sustainability Report which will be released as part of the Company's FY2022 Annual Report.

## Corporate

At 30 June 2022, the Company had a cash balance of \$591.7M (30 June 2021: \$99.7M). The cash balance, inclusive of \$282.4M of irrevocable bank letters of credit for shipments that were completed on or before 30 June 2022, was \$874.2M (30 June 2021: \$115.7M).

The Company appointed experienced mining and resource sector executive, Dale Henderson, as the Company's Managing Director and CEO following Ken Brinsden's resignation, with the transition being completed by 1 August 2022. Prior to his appointment, Mr Henderson held the role of Chief Operating Officer (COO) at Pilbara Minerals since 2017.

The Company also appointed experienced resource industry executive, Miriam Stanborough, to its Board as a non-executive Director effective 4<sup>th</sup> October 2021. Ms Stanborough is a chemical engineer with more than 20 years' experience in the mineral processing industry across various commodities including copper, uranium, gold, silver, alumina and mineral sands.

During the year, the Company finalised agreement with its existing senior lenders to increase the Syndicated Finance Facility by US\$20M to US\$130M to support the restart of the Ngungaju Plant (refer ASX release dated 23 November 2021), with the funds being drawn down in December 2021. The terms and conditions of the expanded Syndicated Finance Facility, including tenure, repayment schedule, financial covenants and pricing remained substantially the same as those executed under the original existing debt facility in July 2020 (refer ASX Announcement dated 30 July 2020). At the same time, BNP Paribas approved a US\$10M increase in the Working Capital Facility to US\$25M. The Working Capital Facility currently remains undrawn.

Pursuant to the terms of the Syndicated Finance Facility, the Company repaid US\$19.8M in the December 2021 and March 2022 Quarters under the facility's cash sweep mechanism. Subsequently the secured lenders formally waived the cash sweep mechanism for the remainder of calendar year 2022.

The Company also settled early the outstanding deferred consideration due to the Altura loan noteholders as part of the acquisition of Altura Lithium Operations Pty Ltd by way of shares. Prior to settlement, the Company executed a variation deed to reduce the number of shares to be paid in satisfaction of the early repayment of the deferred consideration by ~5%. The deferred consideration was settled by way of two equal tranches of 32.67 million shares each, on 17 August 2021 and 8 October 2021. Following final settlement, a deferred consideration fair value movement expense of \$37.2M was recorded to recognise the profit and loss impact of the increase in the Company's share price between 30 June 2021 and the dates of final settlement.

## Operating Result

The following table provides additional information on the Company's result for the year, including reconciliation of the gross margin<sup>2</sup> to the statutory net profit for the year.

	FY2022 \$000	FY2021 \$000
Revenue from contracts with customers	973,695	175,824
Operating cost of sales <sup>1</sup>	(265,500)	(129,644)
<b>Gross margin - Pilgan Plant<sup>2</sup></b>	<b>708,195</b>	<b>46,180</b>
Gross margin - Ngungaju Plant <sup>2,3</sup>	145,266	-
<b>Gross margin - Pilgangoora Operations<sup>2</sup></b>	<b>853,461</b>	<b>46,180</b>
Depreciation and amortisation - lease assets	(22,773)	(17,799)
Depreciation and amortisation - other assets	(21,381)	(8,311)
<b>Gross profit</b>	<b>809,307</b>	<b>20,070</b>
<b>Expenses</b>		
Corporate general and administration expense	(20,929)	(13,384)
Exploration and feasibility costs expensed	(13,915)	(6,645)
Depreciation and amortisation expense	(729)	(520)
Inventory write down	(588)	-
Share based payment expense	(5,178)	(4,869)
<b>Operating profit/(loss) before finance and acquisition costs and profit from investments</b>	<b>767,968</b>	<b>(5,348)</b>
Finance income	651	185
Other income	114	100
Fair value movement - financial assets and liabilities	(2,598)	1,913
Finance costs - interest and loan costs	(12,382)	(12,193)
Amortised borrowing costs <sup>4</sup>	(1,446)	(3,454)
Call premium cost expensed <sup>5</sup>	-	(5,948)
Finance costs - foreign exchange gain	8,726	3,016
<b>Net financing costs before acquisition expenses</b>	<b>(6,935)</b>	<b>(16,381)</b>
<b>Profit/(loss) before acquisition expenses<sup>6</sup> and profit from equity investee</b>	<b>761,033</b>	<b>(21,729)</b>
Acquisition costs expensed	990	(17,120)
Finance costs - deferred consideration fair value movement	(37,212)	(12,599)
Share of profit - equity accounted investee	208	-
<b>Profit/(loss) before income tax expense</b>	<b>725,019</b>	<b>(51,448)</b>
Income tax expense	(163,194)	-
<b>Net profit/(loss) for the period</b>	<b>561,825</b>	<b>(51,448)</b>

- 1 Operating cost of sales includes mining, processing, inventory movements, transport, state and private royalties, native title costs, port, shipping/freight, and site based general and administration costs and is net of Ta<sub>2</sub>O<sub>5</sub> by-product credits.
- 2 The 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.

- 3 Represents the net gross profit for Ngungaju Plant for the year during a period of operational readiness and commissioning. Includes revenue from the sales of 45,880 tonnes of spodumene concentrate less operating cost of sales, operational readiness costs and costs associated with plant commissioning.
- 4 FY21 includes the residual Nordic Bond borrowing costs of \$2.2M that were expensed following repayment of the bond.
- 5 FY21 includes an early redemption call premium of \$5.9M payable on repayment of the Nordic Bond debt facility.
- 6 Includes derivative fair value movement in the deferred consideration (post completion), acquisition costs and stamp duty associated with the acquisition of Ngungaju Lithium Operations Pty Ltd (formerly Altura Lithium Operations Pty Ltd).
- 7 Includes \$108.8M tax benefit in relation to previously unrecognised prior year tax losses.

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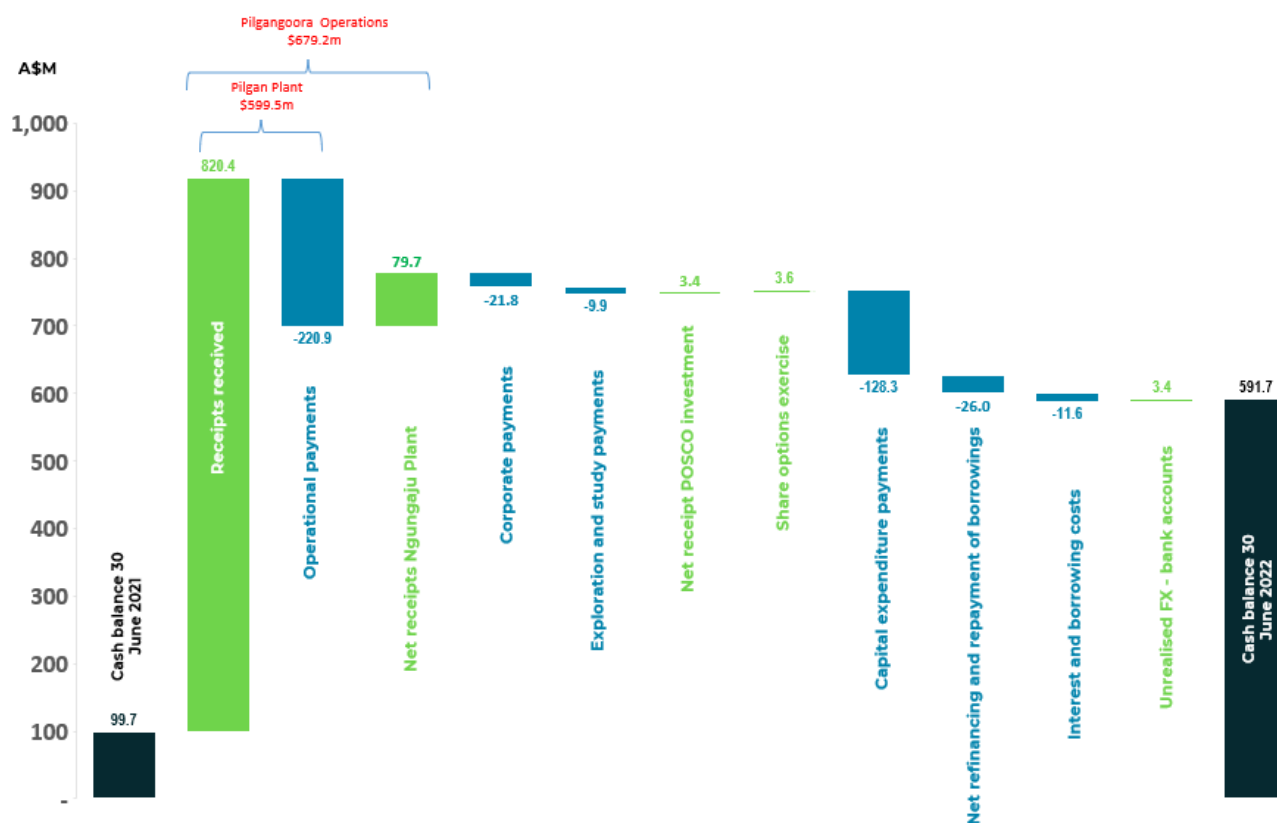
## Liquidity

During the year the Company increased its cash balance by \$492.0M to \$591.7M at 30 June 2022 (30 June 2021: \$99.7M). Significant cashflow movements are summarised in the graph below.

Major cash inflows and outflows during the year included:

- a net \$679.2M cash inflow from operating activities attributable to:
  - Pilgan Plant \$599.5M (receipts of \$820.4M and costs paid to suppliers and employees of \$220.9M); and
  - Ngungaju Plant: \$79.7M (receipts of \$148.0M and costs paid to suppliers and employees of \$68.3M);
- corporate expenses and feasibility study costs \$28.2M;
- payments of \$131.8M on capital expenditure and exploration activities;
- net receipt of \$3.4M following the formation of the JV with POSCO, with the drawdown of the POSCO convertible bond (\$79.6M) used to fund the Company's 18% equity contribution (\$76.2M net of costs);
- interest and borrowing costs (including leases) \$11.6M;
- proceeds from share options exercised \$3.6M;
- net repayment of borrowings and lease repayments of \$26.0M; and
- foreign currency gain of \$3.4M on US denominated cash reserves following a weakening in the AUD:USD exchange rate. The AUD:USD spot rate at 30 June 2022 was 0.6889 (30 June 2021: 0.7518).

**Cash Flow Analysis – Year Ended 30 June 2022**



## External Factors and Material Business Risks Affecting Company Results

The Company operates in an uncertain economic environment when trying to deliver results in accordance with its strategic objectives. Its financial results are subject to various risks and uncertainties, some which are outside the reasonable control of the Company.

The Company's Board and management identify, monitor and manage risks through its Risk Management Framework, and where possible, attempt to mitigate the risk of adverse outcomes through the adoption of controls and mitigation strategies.

The following factors are all capable of having a material adverse effect on the Company's business, affecting the Company results and impacting the Company's prospects for future financial years.

### COVID-19

The COVID 19 pandemic stands as a risk to the operations of Pilbara Minerals. To date, Pilbara Minerals has deployed a comprehensive set of control measures to ensure the safety of its personnel, together with alignment to government directives to support the broader community response to COVID 19. However, it is possible that the Company will be required to implement further measures to manage COVID 19. These measures have the potential to cause disruption and delays to operations and could require a total shut down of operations for a period. Any such measures implemented could increase unit operating costs, impact revenue and/or affect the saleability of product.

### Commodity Prices

The Company generates revenue primarily from the sale of spodumene concentrate through customer offtake and sales agreements. The commodity price is determined by external markets which are outside the Company's control, making it susceptible to adverse price movements. Spodumene concentrate is not a commodity for which hedging or derivative transactions can be used to manage commodity price risk. Declining commodity prices can impact the financial returns from existing operations, as well as proposed business expansions. The Company closely monitors spodumene concentrate pricing and where necessary, it can modify its operations to minimise its exposure to adverse price movements.

### Foreign Exchange Rates

Spodumene concentrate prices, tantalum prices and certain capital equipment purchases, operating inputs and services relating to the Pilgangoora Project are denominated in US dollars, as are the Company's US\$130 million senior secured debt facility and US\$25 million working capital facility (undrawn). Pilbara Minerals' functional currency and most of its expenditure is and will be taken into account in Australian dollars. This exposes Pilbara Minerals to fluctuations in foreign currency exchange rates. There is a "natural" (but not perfect) hedge which matches to some degree US denominated revenues with US debt and interest payments. The Company monitors foreign exchange exposure risk on a regular basis through its treasury function and mitigated some of its exposure to adverse foreign exchange movements during the year via foreign currency hedging contracts for known foreign currency denominated cashflows.

### Production, Operating and Capital Costs

The Company's current and future financial performance and position are dependent on production levels achieved, as well as operating and capital cost outcomes. Production activities can be subject to variation due to a number of factors including the mine strip ratio, ore characteristics and mine plan variations. Pilbara Minerals' main operating costs include contractor costs, equipment hire, materials and reagents, personnel costs, and energy costs. The main capital costs encompass

development capital expenditure for the Pilgan Plant, expenditure on the restart of the Ngungaju Plant and costs for any future expansions contemplated, including the P680 Project and P1000 Project.

Operating costs are subject to external economic conditions (including inflationary pressures both domestically and globally) which can impact the availability, cost and quality of procured items. Examples could include the availability of processing reagents, changes to diesel fuel or diesel fuel tax credits, shipping prices, the availability of suitably qualified and experienced specialised labour and equipment and increases in mining rates. Further, capital cost estimates are based on conceptual engineering designs and certain assumptions around construction approaches and procurement strategies. There may be a material change to the estimates if they are updated to reflect the finalisation of construction methodologies or a change in procurement strategies.

Changes in the operating costs of the Company's mining and processing operations as well as its capital costs could occur as a result of unforeseen events, international and local economic and political events, and could result in changes in lithium reserve estimates. Certain materials and reagents required for the processing operations are specialist items and may become difficult to procure and/or the price of these specialist materials and reagents may increase as a result of increased future demand. Many of these factors are beyond the Company's control. Therefore, Pilbara Minerals may be faced with varied production and higher capital and operating costs in the future compared to current costs.

The Company manages risks associated with costs through a centralised contracts and procurement function.

#### Climate Change

The Company and its operations may be impacted by the emergence of new or expanded regulations associated with the transition to a lower-carbon economy and market changes related to climate change mitigation. Changes to local or international compliance regulations related to climate change mitigation efforts, or specific taxation or penalties for carbon emissions or environmental damage, among other things, could impact the future profitability of the Company. In this respect, it should be noted that the Company's current operations rely largely on fossil fuels, with its mining equipment, power station, haulage and logistics all using diesel.

Climate change may cause certain physical and environmental risks that cannot be predicted by Pilbara Minerals, including events such as increased severity of weather patterns and incidence of extreme weather events (e.g. cyclones and tropical storms, or heat waves) and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates. In particular, the operational site in the Pilbara region of Western Australia may be subject to the longer-term physical impacts of climate change, including but not limited to increased mean daily temperatures, increasing evaporation rates, continuing reductions in annual rainfall and increases in flooding intensity.

#### Ore Reserve

The Company's ore reserve and mineral resource assessments for the Pilgangoora Operations in accordance with the JORC code, involve elements of estimation and judgement. The preparation of these estimates involves application of significant judgement and no guarantee or assurance of mineral recovery levels, or the commercial viability of deposits can be provided. The actual quality and characteristics of mineral deposits cannot be known until mining takes place and will almost always differ from the assumptions used to develop resources. Further, ore reserves are valued based on assumed future costs and future commodity prices and, consequently, the value of actual ore



reserves including their economic extraction, and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations.

#### Transport and Infrastructure

The Company's operations depend on an uninterrupted flow of finished products, materials, supplies, services and equipment. Pilbara Minerals is dependent on third parties for the provision of trucking, port, shipping and other transportation services. Contractual disputes, port capacity issues, availability of trucks or vessels, weather problems, labour disruptions, COVID-19 related travel restrictions or other factors could have a material adverse effect on Pilbara Minerals' ability to transport (or take delivery of transported) product and materials to meet schedules and contractual commitments, which may in turn impact Pilbara Minerals' business, results of operations and financial performance.

#### Geopolitical Risk

The Chinese market is a significant source of global demand for lithium minerals and chemicals across the spectrum of the global lithium supply chain. The Company's exposure to China's economic position and economic policies is significant. If economic growth in China slows it could result in lower prices and demand for the Company's products thereby reducing projected revenues and earnings. Geopolitical risk can affect Pilbara Minerals through various channels, including commodity prices, capital flows, macroeconomic indicators and general confidence and sentiment. In particular, Pilbara Minerals operations could be exposed to geopolitical risks between Australia and China which have become more prevalent in recent times including China imposing import restrictions on Australian commodities. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by such occurrences.

#### Delivery of the P680 Project

The Company announced its final investment decision to invest capital to deliver further production from its operations and to improve infrastructure in support of future expansions. Whilst substantial work has been undertaken in preparation, there remains a risk that the integration of the infrastructure may be more complex or costly than anticipated, and that unexpected challenges or issues may arise that impact the timeline for delivery of expected benefits or synergies.

#### Licences, Permits and Approvals

To operate the Pilgangoora mine the Company needs to comply with applicable environment and planning laws, regulations and permitting requirements. The Company has in place the necessary approvals and licences to operate the Pilgangoora Operations, however there can be no assurance that approvals and permits required to commence construction, development or operation of future expansions of the mine or its infrastructure will be obtained.

#### Information Technology and Cyber Security Risk

The Company's operations are supported by information technology systems, consisting of infrastructure, networks, applications and service providers. The Company could be subject to network and systems interference or disruptions from a number of sources, including security breaches, cyber-attacks and system failures which could result in technology systems interferences or disruption resulting in production downtime, operational delays, destruction or corruption of data, disclosure of sensitive information and data breaches, any of which could have a material impact on the Company's business, operations, financial condition and performance. Disaster recovery plans are in place, together with cyber security monitoring systems.



### 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)
17-Aug-21	32,670,451	\$2.33	76,122
07-Oct-21	32,670,451	\$1.87	61,094

During the financial year, the Company issued the following convertible bonds:

Date	No. of convertible bonds	Price per bond (\$)	Amount issued (\$'000)
13-Apr-22	79,603,050	\$1.00	79,603

### Options Issued

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

Option	Grant date <sup>1</sup>	Exercise price	Expiry date	Vested	Forfeited	Options unexercised at 30 June 2022
493,326	16-Nov-21	\$1.4041	31-Dec-25	- <sup>a</sup>	493,326	-
501,450	02-Dec-21	\$1.4041	31-Dec-25	- <sup>a</sup>	-	501,450

<sup>1</sup> This is the grant date used for valuation purposes and not the date the options are issued.

<sup>a</sup> The vesting conditions attached are:

- up to 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 75th percentile) against a defined peer group of companies measured over a 3 year vesting period.
- up to 30% vest upon achievement of an increased annual production run rate (determined on a straight line pro rata basis) from 580,000 tonnes to 850,000 tonnes of spodumene concentrate per annum for at least one full quarter during the 3 year vesting period achieved through expansions or acquisitive growth; and
- up to 20% vest upon achievement of renewable energy target of at least 30% of the Pilgangoora Plant's then existing energy requirements being met by renewable energy sources.

### Performance Rights Issued

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

Performance Rights	Grant date <sup>1</sup>	Expiry date	Vested	Forefeited
181,436	01-Sep-21	31-Aug-22	- <sup>a</sup>	-
302,684	16-Nov-21	31-Dec-25	- <sup>b</sup>	302,684
1,178,030	02-Dec-21	31-Dec-25	- <sup>b</sup>	-
14,191	15-Dec-21	28-Feb-22	14,191 <sup>c</sup>	-
14,191	15-Dec-21	31-May-22	14,191 <sup>c</sup>	-
14,191	15-Dec-21	31-Aug-22	- <sup>c</sup>	-
14,192	15-Dec-21	30-Nov-22	- <sup>c</sup>	-
23,485	21-Jan-22	01-May-23	23,485 <sup>d</sup>	-

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

<sup>a</sup> The vesting conditions are: 100% vest on 31 August 2022, subject to the employee remaining in service at that date.

<sup>b</sup> The performance vesting conditions are:

- up to 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 75th percentile) against a defined peer group of companies measured over a 3 year vesting period;
- up to 30% vest upon achievement of an increased annual production run rate (determined on a straight line pro rata basis) from 580,000 tonnes to 850,000 tonnes of spodumene concentrate per annum for at least one full quarter during the 3 year vesting period achieved through expansions or acquisitive growth; and

- up to 20% vest upon achievement of renewable energy target of at least 30% of the Pilgangoora Plant's then existing energy requirement being met by renewable energy sources.

<sup>c</sup> These performance rights have no vesting conditions attached other than a service condition. They are issued under the 2020 Non-Executive Director Fee Salary Sacrifice Offer whereby non-executive directors are able to sacrifice a component of their fee for performance rights. Shares allocated post vesting each quarter are subject to disposal restrictions and cannot be disposed or dealt with until the earlier of 18 months from the relevant vesting date or the date the participant ceases to be a director.

<sup>d</sup> These performance rights have no vesting conditions attached other than a service condition.

## DIVIDENDS

The Directors recommend that no dividend be declared or paid for the financial year.

## SIGNIFICANT CHANGES

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

## EVENTS SUBSEQUENT TO REPORTING DATE

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

## ENVIRONMENTAL REGULATION

The Group holds all 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 <sup>a</sup>	Performance Rights <sup>a</sup>
Anthony Kiernan	469,530	-	19,110
Steve Scudamore	242,342	-	3,090
Nicholas Cernotta	276,732	-	6,183
Sally-Anne Layman	171,652	-	-
Miriam Stanborough	36,600	-	-
Ken Brinsden	7,065,063	6,116,156	729,276
Dale Henderson	699,688	3,768,487	575,576

<sup>a</sup> Vesting conditions attached to these options and performance rights are set out in the footnotes to 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	Exercise price	Number of options <sup>a</sup>
31 December 2022	\$0.3634	10,190,487
1 May 2023	\$0.3235	10,665,195
31 December 2024	\$0.2339	7,532,525
31 December 2025	\$1.4041	501,450

<sup>a</sup> Vesting conditions attached to these options are set out in note 2.2.3 of the Financial Statements.

## PERFORMANCE RIGHTS

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

Date performance rights granted <sup>a,b</sup>	Vesting date <sup>*</sup>	Number of performance rights
17 November 2020	30 June 23	729,276
1 December 2020	30 June 23	3,091,090
22 April 2021	31 March 23	168,678
22 April 2021	31 March 24	253,017
1 September 2021	31 August 22	181,436
1 December 2021	31 August 22	14,191
1 December 2021	30 November 22	14,192
2 December 2021	30 June 24	1,178,030

<sup>a</sup> This is the grant date used for valuation purposes and not the date the performance rights are issued.

<sup>b</sup> 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 during the financial year ended 30 June 2022.

## **LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The Lead Auditor's Independence Declaration is set out on page 54 and forms part of the Directors' Report for the financial year ended 30 June 2022.

## **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 Financial Year (**FY**) ended 30 June 2022.

The 2022 financial year saw the successful progression of several key strategic objectives, including:

- the restart, commissioning and staged ramping-up of the Ngungaju Plant to ultimately achieve annual production of between 180-200ktpa,
- completion of the Pilgan Plant Improvements Project to increase that plant's production capacity from ~330ktpa to between 360-380ktpa,
- acceleration of the Company's expansion plans with a Final Investment Decision (FID) to increase the Pilgangoora Project's nameplate production capacity by 100ktpa to 680ktpa (P680 Project),
- formation of a downstream Joint Venture (JV) with POSCO to construct and operate a 43ktpa lithium hydroxide chemical processing facility in South Korea,
- completion of a scoping study to progress the Company's midstream strategy and execution of a binding Memorandum of Understanding for the formation of a JV with Calix for the development of a demonstration plant to produce value-added lithium phosphate products, and;
- the introduction of the Battery Material Exchange (BMX) sales auctions platform to provide the Company with more price transparency, better pricing outcomes and an alternate product sales avenue.

These achievements are testament to the commitment, perseverance and resilience shown by our people and were delivered against a backdrop of challenging business conditions, including a continued competitive and constricted labour market in the Western Australian mining sector, labour availability impacts due to COVID-19 illness, inflationary cost pressures, as well as supply chain disruption.

Taking into account the exceptional financial results achieved by timely delivery of quality product, into extraordinary high commodity prices, for outstanding shareholder value amidst challenging business conditions, the Directors took a balanced and considered approach to remuneration matters during FY2022, which included:

- **Fixed and variable remuneration adjustments for KMP.** Remuneration reviews were undertaken with the assistance of a remuneration advisory firm (BDO) late in the 2021 financial year (effective 1 July 2021). The resulting remuneration adjustments followed two consecutive years of static KMP remuneration. The remuneration for Dale Henderson as the newly appointed Chief Executive Officer effective 1 June 2022 was also reviewed and determined with the assistance of benchmarking from a comparator group of peer companies.  
**Vesting of deferred strategic objective for the FY2019 Long Term Incentive (LTI).** For FY2021, the Board resolved to defer vesting determinations for a FY2019 LTI strategic objective related to the Company's participation in a downstream processing opportunity (20% weighting) for a strict one-off period tending on the 8<sup>th</sup> of November 2021. With the Company successfully entering into the POSCO Downstream Joint Venture Agreement on 22 October 2021, the Board subsequently approved the vesting of this deferred LTI award (20% weighting) on 27 October 2021.
- **Vesting of Short-Term Incentives (STI) for FY2022.** Difficult market and business conditions during the period meant that the FY2022 STI targets for sales tonnes (15% weighting) and unit costs (25% weighting) were not achieved, which resulted in these components of STI being forfeited.

- The remaining FY2022 STI targets were achieved either wholly or in part, as follows:
  - a combined 92.5% vesting was achieved for sustainability and diversity targets (15% weighting) including an emissions monitoring target and a female employment target for operational positions;
  - a combined 50% vesting was achieved for safety targets (20% weighting) of total recordable injury frequency rate (TRIFR) and quality safety interactions; and
  - an average of 92.5% vesting was determined for KMP individual/role specific targets.
- **Vesting of Long-Term Incentives (LTI) in FY2022.** Vesting of the FY2020 LTI was assessed over a three-year period from 1 July 2019 to 30 June 2022 against relative Total Shareholder Return (TSR) and a strategic objective aligned with the Company's long-term objectives. The performance conditions for the FY2020 LTI were assessed and vested as follows:
  - relative TSR (50% weighting) achieved 100% vesting based on ranking at the 93rd percentile in comparison to a defined peer group, with a 343% share price growth over the three years to 30 June 2022.
  - the strategic objective that production and sales levels reach an annualised rate of 840,000ktpa (50% weighting) achieved a 33% vesting. This assessment noted the partial achievement against the objective in challenging market conditions during the three-year period, in particular acknowledging the improvement in the production rate by the end of the vesting period.

The Company's FY2023 remuneration framework will continue to reflect our commitment to build a performance-based culture that supports the Company's strategic objectives involving expansion, diversification, and sustainability, enabling the attraction, retention, and motivation of 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 FY2023 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

## a. Introduction

This Remuneration Report for the financial year ended 30 June 2022 outlines the remuneration arrangements for Directors and other key management personnel (KMP) of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

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

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

Non-Executive Directors	Executive Directors	Other KMP
Anthony Kiernan Steve Scudamore Nicholas Cernotta Sally-Anne Layman Miriam Stanborough (appointed 4 October 2021)	Ken Brinsden	Brian Lynn Alex Eastwood Dale Henderson

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

## b. Governance and role of remuneration and nomination committee

The Company's People and Culture Committee (the **PC Committee**) is established by the Board under a formal charter which is comprised of three independent non-executive directors and is chaired by Non-Executive Director, Nicholas Cernotta.

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

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

From time to time, the PC Committee engages independent external remuneration consultants to provide market related advice. The PC Committee engaged Guerdon Associates in March 2022 to conduct Board and Executive remuneration benchmarking reviews and to establish a peer group of companies for the purpose of relative total shareholder return (TSR) evaluations for the FY2023 remuneration framework. The total fees paid to Guerdon Associates during the year to perform this work was \$61,206 excluding 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 PC 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 the interests of shareholders.

In FY2022, the Board continued to take a balanced approach towards executive remuneration which included an appropriate mix of fixed remuneration and performance based variable remuneration. To that end the Board recognises that 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 which create and drive shareholder value.

In setting the framework for executive remuneration each year, the Board aims to ensure that it is market competitive and recognises the overall value and contributions that the executives deliver to the Company. In doing so the Board endeavours to ensure that the framework addresses the following key criteria:

- attract, retain and reward key executives for outcomes which are aligned to the Company's strategy, performance and shareholder return;
- reward executives based on performance targets which are aligned with the Company's short term and long-term strategy for growth, business risk mitigation, diversification, sustainability, 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.

Each year the Board aims to ensure that executives are remunerated with an appropriate combination of cash and equity to align the executives with the long-term interests of shareholders through their personal holdings in the Company.

#### **Elements of Executive Remuneration**

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



To this end, 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 and superannuation as a guaranteed fixed element of remuneration	Paid as cash 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 Company Award Plan which vest over a long term vesting period of 3 years subject to achievement of long term performance targets and/or service conditions.
Objective:	To attract and retain talent	To reward and drive 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 market competitive remuneration with benchmarking based on: <ul style="list-style-type: none"> <li>• company size and industry</li> <li>• business complexity</li> <li>• individual role responsibility</li> <li>• skills and experience</li> </ul>	To reward and engage executives in achieving a set of pre-defined shorter term (12-month period) company and individual/role performance targets linked to short term Company objectives.  STI performance measures typically include both financial and non-financial measures aligned to safety, risk management, sustainability and diversity, production, sales, unit cost and project delivery, 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 TSR and where considered appropriate strategic objectives or milestones aligned with the Company's sustainable development and growth.

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## 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 PC Committee when determining and recommending an appropriate mix of maximum remuneration for executives and in assessing how each component will drive desired outcomes.

Based on these considerations and independent remuneration benchmarking carried out for the FY2022 year, the target maximum remuneration components for executives for FY2022 was set as follows:

Name	Fixed Remuneration	STI <sup>1</sup>	LTI <sup>1</sup>
Ken Brinsden, Managing Director (“MD”) and Chief Executive Officer (“CEO”)	100% max (33.33%)	100% max (33.33%)	100% max (33.33%)
Other KMP	100% max (41.66%)	80% max (33.33%)	60% max (25%)

<sup>1</sup> Calculated as a % of Fixed Remuneration comprising base salary and employer superannuation contributions.

The maximum remuneration mix for Dale Henderson, as the newly appointed Chief Executive Officer (effective 1 June 2022) and Managing Director (effective 30 July 2022), was recently determined with the assistance of independent benchmarking from a comparator group of peer companies and for FY2023 was set as Fixed Remuneration (100% max), STI (100% max) and LTI (150% max). Refer to ASX Announcement 1 June 2022 for further details.

The remuneration mix of Other KMP from the commencement of FY2023 remains unchanged from that of FY2022, however will be reviewed in October 2022.

### d. Executive remuneration for FY2022 and year ahead

#### Overview

When considering the remuneration framework for FY2022 including its vesting outcomes for the end of FY2022, the PC Committee and Board recognised that the executives delivered a high level of performance during FY2022, whilst operating in a challenging and dynamic business environment.

Executives made significant overall contributions during the FY2022 year. These included the following:

- improvements to the Pilgan Plant which increased installed production capacity from 330ktpa to 360-380ktpa of spodumene concentrate;
- successful re-start, commissioning and ramp-up of both the coarse and flotation circuits of the Ngungaju Plant, with the plant expected to achieve name plate production capacity of 180-200ktpa of spodumene concentrate during the September Quarter, 2022;
- improved production performance for FY2022 of 377,902 dmt of spodumene concentrate (FY21: 281,098 dmt);
- a final investment decision (FID) made to expand the Pilgan Plant's nameplate production capacity by a further 100ktpa which will re-rate the combined production capacity across the Pilgangoora Operation to 640 – 680ktpa (P680 Project);
- formation and successful completion of a downstream Joint Venture (JV) with POSCO to develop and operate a 43ktpa lithium hydroxide chemical processing facility in South Korea, including an offtake agreement for 315ktpa spodumene concentrate;

- completion of a scoping study to progress the Company's midstream strategy which is considered a key sustainability initiative. Work included execution of a binding Memorandum of Understanding for the formation of a joint venture with Calix for the development of a demonstration plant to produce a low carbon value-added lithium phosphate product for global distribution and if viable for the future commercialisation of the process;
- creating further transparency and strengthening spodumene concentrate pricing outcomes for the Company, through the introduction of the Battery Minerals Exchange (BMX) sales auctions platform;
- completion of a Life Cycle Assessment to lithium hydroxide production and development of decarbonisation pathway to reach net zero in the decade commencing 2040;
- award of a major contract award to construct a 6MW solar power plant at the Pilgangoora Project by late CY 2022, which will reduce CO<sub>2</sub> emissions from the operation;
- agreements were executed with existing senior secured lenders to expand both the existing Syndicated Finance and Working Capital facilities to fund the restart of the Ngungaju Plant; and
- achievement of a strong year-end cash balance of \$874.2M (inclusive of \$282.4M of irrevocable bank letters of credit for shipments that were completed to June 2022) on the back of shipping 361,035 dmt of spodumene concentrate (FY21: 281,440 dmt).

In setting the FY2022 remuneration framework and determining its vesting outcomes, regard was had by the PC Committee and the Board to the ultimate objectives of the framework being:

- retention of executives;
- providing market competitive fixed and variable remuneration for a high level of performance;
- keeping executives highly motivated to continue to achieve outstanding performance and shareholder value;
- recognising the levels of responsibilities and accountabilities they assumed during the financial year;
- ensuring continued growth in the Company; and
- being fit for purpose for a company in an early operational phase of its asset life cycle.

When setting the framework for FY2022, the PC Committee and the Board sought generally to remunerate executives for their fixed remuneration at or around the 50<sup>th</sup> percentile and their maximum total remuneration (inclusive of both fixed and variable performance-based remuneration) within the 50-75<sup>th</sup> percentile. The rationale for this was to continue to promote a strong performance-based culture with the executives.

For FY2022, the STI remuneration framework, which has a short-term focus over a 12 month performance period, adopted performance objectives which were based on group targets concerning safety, sustainability and diversity, sales tonnes achieved, and unit cost outcomes. In addition, the executives had individual or role specific targets based on leadership and areas of influence 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 FY2022 which are detailed below.

The longer-term objectives and performance measures set for the FY2022 LTI contained strategic goals aligned to production and sustainability, as well as relative total shareholder return (TSR) measured over a three year performance period ending 30 June 2024.

As already noted, vesting of the FY2020 LTI was assessed for the three-year period from 1 July 2019 to 30 June 2022 against relative TSR and a strategic measure aligned with the Company's long term objectives.

Further details about the FY2022 remuneration framework, actual vesting outcomes for executives including total fixed remuneration paid and awarded STIs and LTIs (inclusive of relevant

performance targets and vesting conditions) are set out below.

### Fixed Remuneration

Pilbara Minerals is committed to providing market 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 2022, the executives received fixed remuneration in the form of a base cash salary, plus superannuation.

Fixed remuneration is reviewed annually by the PC 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 skill sets, experience and qualifications of each individual and their overall responsibilities. The PC Committee aims to ensure that the remuneration paid to executives is consistent with market conditions and practices and demonstrates a direct correlation to performance and creation of value for shareholders.

In late FY2021, following two years of static fixed remuneration for the executives, their fixed remuneration was increased for FY2022 (effective 1 July 2021) based on a benchmarking review process against a comparative group of peer companies. as follows:

	K. Brinsden Managing Director and Chief Executive Officer	B Lynn Chief Financial Officer	A Eastwood Chief Commercial and Legal Officer/Company Secretary	D Henderson Chief Operating Officer
Total Fixed Remuneration inclusive of superannuation	\$850,000	\$480,000	\$480,000	\$480,000

### STI (Short Term Incentives)

Subsequent to the year ended 30 June 2022, the Board determined which STI's vested to the executives in recognition of their achievements made against pre-defined short term performance targets set for the 2022 financial year. The STIs were assessed against the performance criteria previously set by the Board when they determined the FY2022 Executive Remuneration Framework. Set out below is a summary of the vesting outcomes against the performance criteria set.

Performance Target	Weighting	Vesting Result	Achievement
<b>Safety systems (20%)</b> <ul style="list-style-type: none"> <li>TRIFR target with a threshold target of 3.5 (50% payout), target of 2.9 (75% payout) and stretch target of 2.4 (100% payout).</li> </ul>	10%	0%	At 30 June 2022, the recorded TRIFR was 4.40 (FY2021: 3.58) which did not fall within threshold levels, resulting in a 0% achievement.

Performance Target	Weighting	Vesting Result	Achievement
<ul style="list-style-type: none"> <li>One or more interactions per 1,000 hours worked at the Pilgangoora Project, that satisfy the required quality standards for interactions as monitored by the safety interactions quality assurance system.</li> </ul>	10%	100%	The safety interaction rate at 30 June 2022 was 1.24 per 1,000 hours. 100% of the target vested and was awarded based on the interactions being assessed as meeting the required quality standards.
<p><b>Sustainability (15%)</b></p> <p>Continued improvement in the Company's sustainability practices including:</p> <ul style="list-style-type: none"> <li>implementing a Continuous Emissions Monitoring System (CEMS) to capture operational energy use and emissions production.</li> <li>percentage of female employment for new operational employee positions approved for the expanded Pilgangoora operation: <ul style="list-style-type: none"> <li>- <u>Stretch</u>: employment being 25% female employment (100% STI payout),</li> <li>- <u>Target</u>: employment being 20% female employment (75% STI payout), and</li> <li>- <u>Threshold</u>: employment being 16% female employment (50% STI payout).</li> </ul> </li> </ul>	7.5%	100%	<p>During FY2022 the Company implemented the CEMS, with monthly and 12 monthly rolling CO2e averages presented in monthly management meetings. The Board have determined that the performance target has been met.</p>
<p><b>Sales tonnes achieved (15%)</b></p> <p>Annualised spodumene concentrate sales targets being achieved in FY2022 with product meeting customer requirements and achieving pricing outcomes satisfactory to the Board:</p> <ul style="list-style-type: none"> <li>- <u>stretch</u>: sales tonnes: 523,875dmt (100% STI payout),</li> <li>- <u>target</u>: sales tonnes: 500,060dmt (70% STI payout), and</li> <li>- <u>threshold</u>: sales tonnes: 452,437dmt (30% STI payout)</li> </ul>	15%	0%	<p>Annual FY2022 sales were 361,035 dmt which did not fall within the range of threshold levels, resulting in 0% achievement.</p>

<p><b>Unit cost (25%)</b></p> <p>Average annual unit costs of production for FY2022 as a combined Pilgangoora operation of:</p> <ul style="list-style-type: none"> <li>- <u>stretch</u>: \$A427/dmt unit cost (100% payout).</li> <li>- <u>target</u>: \$A452/dmt unit cost (75% payout)</li> <li>- <u>threshold</u>: \$A477/dmt unit cost (50% payout),</li> </ul> <p>with units costs being FOB cash costs and excluding state and private royalties which are beyond the control and influence of the Company.</p>	25%	0%	<p>For FY2022, the average annual unit cost of production of the Pilgangoora operation exceeded A\$477/dmt, resulting in 0% achievement.</p>
<p><b>Individual and role specific (25%)</b></p> <p>Performance assessment based on demonstrating personal effectiveness and qualities in respect of the roles of the executives that are aligned with the Company's core values including personal leadership and managerial qualities and other assessments as determined by the Board.</p> <p>Assessment was also made against a range of performance targets that were set for the executives within their direct line of sight and influence including:</p> <ul style="list-style-type: none"> <li>- the development, implementation and management of the Company's BMX sales platform for product unallocated to existing offtake customers;</li> <li>- management and effective leadership in relation to the restart of the Ngungaju plant;</li> <li>- the restructure and consolidation of the Company's operational assets (Pilgan and Ngungaju plants) to maximise funding; and</li> <li>- offtake customer engagement and pricing mechanisms, with a view to negotiating variations to maximise sale and product value</li> </ul>	25%	~ 92.5%	<p>Performance evaluations were completed for each of the executives with supporting 360-degree feedback surveys which were assessed by the PC Committee and approved by the Board.</p> <p>Overall, the executives were each assessed to have achieved a high standard of individual evaluation, as well as achievement of the pre-defined short-term objectives.</p>

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

As a result of the assessment of each executive's performance against these outcomes for FY2022, the Board approved payment of the following STIs to be paid in cash:

Name	Position	Maximum STI (\$)	Achieved STI (\$)	Achieved STI (%) <sup>1</sup>
Ken Brinsden	MD and CEO	850,000	404,812	47.6%
Brian Lynn	Chief Financial Officer	384,000	178,080	46.4%
Alex Eastwood	Chief Commercial and Legal Officer/Company Secretary	384,000	182,880	47.6%
Dale Henderson	MD and CEO <sup>2</sup>	384,000	178,080	46.4%

<sup>1</sup> % of maximum STI achieved

<sup>2</sup> Mr Henderson was appointed CEO on 1<sup>st</sup> June 2022 and MD on 30<sup>th</sup> July 2022. For FY2022 Mr Henderson performed the role of Chief Operating Officer.

## LTI (Long Term Incentives)

### Vesting of Deferred FY2019 LTI during FY2022

In FY2021, the Board resolved to defer the vesting determination for those FY2019 LTI's with the strategic objective requiring participation in a downstream processing opportunity (20% weighting), with a strict one-off extension period to 8 November 2021. This decision was considered appropriate given the significant progress management had made towards achieving this strategic objective during the three year vesting period, within a backdrop of an adverse global environment outside the control of management which delayed decisions by POSCO and the Company to progress towards the development of the chemical facility in South Korea. Refer to page 104 of the Company's FY2021 Annual Report for further discussion on the reasoning for this decision.

The Company successfully finalised its participation in the downstream processing opportunity and entered into the Downstream Joint Venture with POSCO on 22 October 2021, allowing the Board to approve the vesting of these deferred awards (20% weighting) on 27 October 2021.

### Vesting of FY2020 LTIs in FY2022

In FY2020, the Company granted 9,894,734 unlisted options and 1,359,358 performance rights over ordinary shares in the Company to executives under the Company's Award Plan. The vesting of these awards were subject to the achievement of performance criteria based on relative TSR targets and a strategic objective over a three year vesting period ending on 30 June 2022.

The performance targets set for the LTI's and the outcome of the assessment by the PC Committee and approved by the Board are outlined below:

#### **50% weighting towards relative TSR targets**

The TSR was set against a defined peer group of companies determined at the beginning of the three year vesting period based on industry, size and life cycle criteria. Companies selected in the peer group included:

Orocobre Limited<sup>1</sup>, Galaxy Resources Limited<sup>1</sup>, Dacian Gold Limited, Gold Road Resources, Altura Mining Limited<sup>2</sup>, Independence Group NL<sup>3</sup>, Kidman Resources Limited<sup>4</sup>, Mineral Resources Limited, Neometals Limited, Northern Star Resources Ltd, Sandfire Resources Limited, Saracen Mineral Holdings Limited<sup>5</sup> and Western Areas Limited<sup>6</sup>.

#### Peer Group Notes

<sup>1</sup> Orocobre and Galaxy merged on 25 August 2021, with Orocobre Limited subsequently changing the company name to Allkem Limited (ASX:AKE), effective 6 December 2021.

<sup>2</sup> Acquisition of Altura Mining Limited by Pilbara Minerals Limited completed in January 2021, with Altura now trading as Morella Corporation Limited (ASX:IMC).

<sup>3</sup> Independence Group NL changed to IGO Limited in January 2020.

<sup>4</sup> Kidman Resources Limited was acquired by Wesfarmers (ASX:WES) in September 2019.



<sup>5</sup> Saracen Mineral Holdings was acquired by Northern Star Resources Ltd in February 2021.

<sup>6</sup> Western Areas Limited was acquired by IGO Limited in June 2022.

In accordance with the terms of the LTIs, vesting of 50% of the awards was based on the satisfaction of the relative TSR performance target when compared to the peer group calculated as follows:

- if the Company's TSR was below the 50<sup>th</sup> percentile, none of the relevant awards vest;
- if the Company's TSR is in the 50<sup>th</sup> percentile or higher, then the relevant awards will vest according to a pro rata linear scale whereby:
  - if the Company's TSR is in the 50<sup>th</sup> percentile, 50% of the relevant awards will vest; and
  - if the Company's TSR is in the 85<sup>th</sup> percentile or higher, 100% of the relevant awards will vest.

The TSR calculations considered the effects of any peer group companies that was involved with any merger and acquisition activity during the performance period, where applicable.

The Company's TSR for the period 1 July 2019 to 30 June 2022 was determined to be 343%, being a relative TSR of 93% in comparison to the defined TSR peer group, resulting in 100% of the relative TSR target being achieved. This LTI award had a 50% overall weighting.

### 50% weighting towards sustainable production (strategic objective)

The target for this strategic objective was set at the start of FY2020 and required the production and sale of spodumene concentrate at a rate of 840ktpa, or such other rate as approved by the Board, by the end of FY2022.

In assessing this target, the Board determined that 33% of the target be awarded based on partial performance against the objective in challenging market conditions during the three-year vesting period, in particular acknowledging the improvement in the production rate by the end of the vesting period.

The vesting outcomes for each executive for the FY2020 LTIs based on assessment against these performance targets are outlined below:

	Issued		% Achieved	% Forfeited	Awarded	
	Options	Rights			Options <sup>1</sup>	Rights
Ken Brinsden	4,210,526	578,452	66.5%	33.5%	2,800,000	384,671
Brian Lynn	1,894,736	260,302	66.5%	33.5%	1,259,999	173,101
Alex Eastwood	1,894,736	260,302	66.5%	33.5%	1,259,999	173,101
Dale Henderson	1,894,736	260,302	66.5%	33.5%	1,259,999	173,101
Total	9,894,734	1,359,358			6,579,997	903,974

<sup>1</sup>The FY2020 options have an exercise price of \$0.3634 per share.

### LTIs issued under FY2022 Executive Remuneration Framework

For FY2022, an annual grant of performance based LTIs with a three year vesting period were awarded to executives under the FY2022 Executive Remuneration Framework in the form of options and performance rights under the Company's shareholder approved Awards Plan.

The vesting date for the FY2022 options and performance rights is 30 June 2024.

#### *Options and Performance Rights:*

The performance-based options and performance rights for FY2022 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 may vest subject to pre-determined and weighted performance conditions related to strategic targets aligned to growth, sustainability and relative TSR which are measured over a three year vesting period beginning 1 July 2021 and ending 30 June 2024; and
- subject to vesting, LTI awards to executives comprised a mix of options and performance rights, allowing them to elect to take up to a maximum of 60% in options with balance in performance rights.

A total of 994,776 unlisted options and 610,352 performance rights were issued to executives subject to achievement of the following performance conditions to be measured over the three year vesting period:

- **50% weighting towards relative TSR targets** (between the 50<sup>th</sup> to 75<sup>th</sup> percentile with a corresponding pro rata straight line vesting of 50% to 100%) against a defined peer group of companies which were selected as companies of a similar nature and stage in life cycle to the Company (see below); and
- **50% strategic targets being:**
  - **Production (30% weighting)** – Increasing production tonnes to achieve an annualised production rate of between 580ktpa to 850ktpa for any quarter during the vesting period, through either project expansions or acquisitive growth. A straight line assessment will apply where 35% will vest at 580ktpa, 100% will vest at 850ktpa, with a pro-rata vesting application to be applied between these outcomes.; and
  - **Sustainability (20% weighting)** – The Company achieving at any time during the three-year vesting period a renewable energy target of at least 30% of the existing Pilgan Plant's energy requirements that delivers peak renewable generation during amendable supply periods.

The number of performance rights and the exercise price of the options were determined based on a face value of \$1.4041 per instrument. This represented the share price of the Company at the start of the relevant vesting period and was calculated using a VWAP of the Company's shares for the twenty trading days up to 1 July 2021.

**Peer group companies:** Alumina Ltd, Chalice Mining Ltd, Champion Iron Ltd, CIMIC Group Ltd, De Grey Mining Ltd, Downer EDI Ltd, IGO Ltd, Iluka Resources Ltd, Lynas Rare Earths Ltd, Nickel Mines Ltd, Orocobre Ltd, Perenti Global Ltd, Piedmont Lithium Ltd, Qube Holdings Ltd, Ramelius Resources Ltd, Regis Resources Ltd, Sandfire Resources Ltd, Silver Lake Resources Ltd and Sims Ltd.

## **FY2023 Remuneration Framework**

In April 2022, for the purposes of setting the FY2023 executive remuneration framework, the Company engaged external remuneration advisory firm, Guerdon Associates, to undertake a benchmark review of the Company's executive remuneration framework in relation to a relevant peer group of companies and to present these findings to the PC Committee and Board to assist in the annual review of the remuneration framework.

### Fixed Remuneration

As part of an independent review undertaken in late FY2021, the fixed remuneration of executives was benchmarked to a comparative group of peer companies, that was reflective of the Company's growth, resulting in the Board approving an increase to fixed remuneration effective from 1 July 2021. Apart from Dale Henderson, the remuneration of the executives including their fixed remuneration has not changed since 1 July 2021, however it is intended that the executives' remuneration will be reviewed in October 2022.

The fixed remuneration of Dale Henderson was adjusted following his appointment to the role of Chief Executive Officer (effective 1 June 2022) and Managing Director (effective 30 July 2022), with the assistance of independent benchmarking from a comparator group of peer companies.

Details of FY2023 executives' fixed remuneration is outlined in section (h) executive contractual arrangements.

### STIs

The executive remuneration framework for FY2023 will continue to include a variable "at risk" component with STI performance measures being set by the PC Committee for recommendation to the Board.

The key focus areas and associated weightings that have been determined for the STI targets for executives for FY2023 are:

- Safety (**20% weighting**) – continued improvement in the Company's safety performance as measured by leading and lagging indicators which includes targets for quality safety interactions and TRIFR;
- Gender balance (**10% weighting**) – maintenance and growth of the Company's female employment rate;
- Production tonnes achieved (**30% weighting**) – given that the strength of the Company's financial position is linked to cashflows generated from production tonnes, targets have been established for stretch, target and threshold levels of tonnes produced;
- Unit costs (**15% weighting**) – performance related to unit cost of production measured against the FY2023 annual budget, including setting stretch, target and threshold unit cost targets, and;
- Individual performance (**25% weighting**) – subject to satisfactory outcomes on individual performance evaluations and individual achievement of defined short-term objectives related to each executive's responsibilities and areas of influence, as considered appropriate by the PC Committee and Board.

### LTI

For FY2023, the LTI performance targets will focus on a mix of relative TSR and strategic targets directed towards the Company's longer term growth, sustainability and carbon reduction objectives with the intention of aligning executive pay with the creation of shareholder return.

TSR will be benchmarked and relatively measured against the Company's peers, which are outlined in the table below.

The LTI's will be issued as a mix of options and performance rights allowing executives to elect to take up to a maximum of 60% in options with the balance in performance rights. Consistent with previous years, this approach is designed to balance the risk of volatility in the market and the Company's share price with the ability for executives to benefit from a guaranteed return derived from performance rights, as well as receive options which have greater potential to derive value from future share price growth in absolute terms.

The LTI targets for FY2023 have been determined as follows:

- **70% weighting towards relative TSR targets** (between the 50<sup>th</sup> to 75<sup>th</sup> percentile with a corresponding pro rata straight line vesting of 50% to 100%) against a defined peer group of companies (outlined in the table below); and
- **30% strategic sustainability targets being:**
  - construction and commissioning of a demonstration plant for the Company's mid-stream project to the satisfaction of the Board before the completion of the three year vesting period - (**15% weighting**)<sup>1</sup> and;
  - carbon emission reduction pertaining to the combined Pilgangoora processing plant facilities as measured over a two-month period prior to completion of the vesting period - (**15% weighting**)

<sup>1</sup> In the event that the demonstration plant project is considered by the Board to be uneconomic or commercially unviable or a FID is not otherwise made by the Board in respect of the demonstration plant, this performance target will either be

replaced with a different performance target aligned to the Company's strategic objectives as determined by the Board, or by default will be replaced by the TSR performance target for the FY23 remuneration framework with the weighting of the TSR performance target adjusted accordingly.

To reflect the Company's growth and changed status in FY2022 into the ASX 100 group of companies, the Company's FY2023 relative TSR comparative peer group, outlined below, was updated and determined with the assistance of 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 Alchem Limited	12 Lynas Rare Earths Limited
2 AVZ Minerals Limited	13 Nickel Mines Limited
3 BlueScope Steel Limited	14 Mineral Resources Limited
4 Champion Iron Limited	15 OZ Minerals Limited
5 Core Lithium	16 Piedmont Lithium Limited
6 Firefinch Limited	17 Sandfire Resources Limited
7 Iluka Resources Limited	18 Savona Mining Limited
8 IGO Limited	19 Sims Limited
9 Ioneer Limited	20 Vulcan Energy Resources Limited
10 Lake Resources Limited	21 29 Metals Limited
11 Liontown Resources Limited	

#### e. Minimum holding condition policy

All directors, executives and employees of the Company are encouraged to become equity holders and own Pilbara Minerals shares. To that end the Company enables executives and employees to participate in becoming shareholders or to increase their holdings through short term and long term incentives.

The Company also has 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 within a reasonable timeframe over three years by holding shares or other securities that vest under any STI and LTI, or otherwise through on-market acquisition. The minimum shareholding requirement combined with the structure of the Company's incentive plans ensures that KMP remuneration and their holdings in the Company are directly aligned with shareholder returns.

At the end of the 2022 financial year, all KMP outlined above have met the minimum holding requirement under the policy. Ms Miriam Stanborough was appointed to the Company's Board in October 2021 and in accordance with the minimum holding policy has until October 2024 to meet the minimum holding requirement.

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

#### f. Assessing performance and clawback of remuneration

The PC Committee and Board are 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 of the Group 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.

	2022	2021	2020	2019	2018
Profit/(loss) for the year attributable to owners of Pilbara Minerals Limited (\$'000)	561,825	(51,448)	(99,262)	(28,932)	(19,415)
Basic earnings/(loss) per share (cents)	18.98	(2.00)	(4.67)	(1.63)	(1.19)
Dividend payments (\$'000)	-	-	-	-	-
Share price - 30 June	\$2.29	\$1.45	\$0.25	\$0.55	\$0.87
Increase/(decrease) in share price (%)	57.9	480.0	(54.1)	(37.4)	128.9

## h. Executive contractual arrangements

The agreements relating to remuneration and other terms of employment for the executives for the 2023 financial year are set out in the following table.

	K Brinsden <sup>1</sup> Managing Director/ Chief Executive Officer	B Lynn Chief Financial Officer	A Eastwood Chief Commercial and Legal Officer/Company Secretary	D Henderson <sup>2</sup> Managing Director/ Chief Executive Officer
Total fixed remuneration p.a inclusive of superannuation	\$850,000	\$480,000	\$480,000	\$900,000
Resignation notice	16 weeks	16 weeks	12 weeks	24 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

<sup>1</sup> Mr Brinsden stepped down as Managing Director effective 30 July 2022.

<sup>2</sup> Mr Henderson was the Company's Chief Operating Officer until his appointment to CEO effective 1 June 2022 and Managing Director effective 30 July 2022.

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

## i. Non-executive director remuneration

Non-executive Director fees and payments are reviewed annually by the PC Committee and Board within the maximum amount approved by shareholders, taking into account comparable roles and market data and the demands and responsibilities placed on them.

In late FY2021, a benchmarking review was undertaken regarding Non-executive Director fees. Following this review, the Board resolved to increase non-executive director fees to the levels summarised in the table below. The maximum annual aggregate directors' fee pool limit, which was approved by shareholders on 29 September 2021, is set at \$1.1 million. In light of the Company's continued growth, it is proposed, subject to shareholder approval at the next annual general meeting of shareholders, to increase this to \$1.3 million to allow the Company flexibility to appoint additional directors as required.

The fees are reviewed annually by the Board with the last changes proposed to take effect from 1 July 2022.

	From 1 July 2022 \$	From 1 July 2021 \$	From 1 July 2020 \$
<b>Base fees (annual)</b>			
Non-Executive Chair (including Committee's)	285,000	240,000	190,000
Other Non-Executive Directors	140,000	125,000	100,000
<b>Committee Fees (annual)</b>			
Committee Chair	35,000	25,000	10,000
Committee Member	18,000	15,000	7,500

Fees paid to non-executive directors are not linked to the performance of the Company.

## Non-Executive Director Fee Sacrifice Scheme

In November 2020, the Company's shareholders approved the Non-Executive Director Fee Sacrifice Offer under the Company's Award Plan for eligible non-executive directors at that time. The offer provides non-executive directors an opportunity to own Company shares and increase their security holding that will count toward their minimum holding under the Company's Minimum Holding Policy. The offer allows non-executive directors to sacrifice a fixed component of their fee each year over a twelve month period for performance rights. These rights have no performance conditions attached to their vesting other than a service condition, and automatically vest quarterly into shares under the Company's Award Plan. The scheme has been approved by shareholders to operate for three years from 1 December 2020 with the face value of the rights to be reset each year in December using a one month VWAP for the month of November.

In the first year of the scheme (1 December 2020 to 30 November 2021), the non-executive directors elected to salary sacrifice 40% of their gross fees over a twelve-month period, which was paid as performance rights on a quarterly basis in four tranches. The number of performance rights issued was determined by dividing the amount of fees sacrificed for the relevant quarter by the face value of the rights determined using the reference price of \$0.5884, being the one-month VWAP for the month of November 2020 and determined at the commencement of the scheme and at the time of electing to sacrifice their fees. For the first year of the scheme, all tranches vested and were automatically converted to shares on 3 March 2021, 1 June 2021, 1 September 2021 and 1 December 2021.

At the beginning of the second year of the scheme (1 December 2021 to 30 November 2022), the eligible non-executive directors elected the following salary sacrifice percentages of their gross fees over the twelve-month period, which was divided into four tranches:

Anthony Kiernan – 40%

Stephen Scudamore – 10%

Nicholas Cernotta – 20%

Sally-Anne Layman – 0%

The number of performance rights issued was determined by dividing the fee sacrificed for the relevant quarter by the face value of the rights determined using the reference price of \$2.4263 being the one-month VWAP for the month of November 2021.

For the second year of the scheme, Tranches 1 and 2 vested and were automatically converted to shares on 1 March 2022 and 1 June 2022 respectively. Tranches 3 and 4 are expected to vest and will be automatically converted to shares on or about 31 August 2022 and 30 November 2022 respectively.

Shares allocated upon conversion of rights each quarter are subject to a disposal restriction and cannot be disposed or dealt with until the earlier of:

- 18 months from each relevant vesting date; or
- the date the participant ceases to be a director.

## j. Directors' and executive officers' remuneration

Details of the remuneration of the KMP of the Group for the 2021 and 2022 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 <sup>A</sup>	Performance shares <sup>B</sup>	STI Payment <sup>C</sup>		
<b>Non-Executive Directors</b>									
Anthony Kiernan	2022	135,172	-	22,614	83,194	-	-	240,980	0%
	2021	133,029	-	16,484	69,431	-	-	218,944	0%
Steve Scudamore	2022	127,906	-	15,568	17,728	-	-	161,202	0%
	2021	87,519	-	10,845	45,679	-	-	144,043	0%
Nicholas Cernotta	2022	126,313	-	12,197	29,905	-	-	168,415	0%
	2021	91,113	-	9,218	46,592	-	-	146,923	0%
Sally-Anne Layman	2022	149,580	-	-	1,127	-	-	150,707	0%
	2021	90,495	-	-	42,025	-	-	132,520	0%
Miriam Stanborough <sup>D</sup>	2022	100,384	-	10,038	-	-	-	110,422	0%
	2021	-	-	-	-	-	-	-	0%
<b>Executive Directors</b>									
Ken Brinsden	2022	826,432	(88,423)	23,568	51,845	333,136	404,812	1,551,370	48%
	2021	506,018	(7,414)	21,694	182,394	884,934	621,000	2,208,626	68%
<b>Other KMP</b>									
Brian Lynn	2022	452,500	952	27,500	48,610	467,787	178,080	1,175,429	55%
	2021	371,462	(7,138)	25,000	124,022	411,423	279,450	1,204,219	57%
Alex Eastwood	2022	452,500	(1,555)	27,500	48,610	467,787	182,880	1,177,722	55%
	2021	371,462	(5,491)	25,000	124,022	411,423	279,450	1,205,866	57%
Dale Henderson	2022	491,432	(43,871)	23,568	48,610	467,787	178,080	1,165,606	55%
	2021	374,768	(2,197)	21,694	124,022	411,423	279,450	1,209,160	57%
<b>Total Directors and KMP remuneration</b>									
	<b>2022</b>	<b>2,862,219</b>	<b>(132,897)</b>	<b>162,553</b>	<b>329,629</b>	<b>1,736,497</b>	<b>943,852</b>	<b>5,901,853</b>	<b>45%</b>
	<b>2021</b>	<b>2,025,866</b>	<b>(22,240)</b>	<b>129,935</b>	<b>758,187</b>	<b>2,119,203</b>	<b>1,459,350</b>	<b>6,470,301</b>	<b>55%</b>

<sup>A</sup> Non-performance shares issued to non-executive directors relate to the 2020 Non-Executive Director Fee Sacrifice Offer. Non-performance shares issued to executives and other KMP are related to the 2020 Salary Sacrifice Offer and 2020 Retention Options. The amounts disclosed in the table above relate to the non-cash value ascribed to share options under Australian Accounting Standards using the Black Scholes option valuation methodology.

<sup>B</sup> 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.

<sup>C</sup> 2022 STI's relates to the STI declared for FY2022 that will be paid during the year ended 30 June 2023.

<sup>D</sup> Ms Stanborough was appointed on 4th October 2021.

## k. 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 2022 is shown in the table below:

	Year of Grant	Equity Options Granted No.	Performance Rights Granted No.	Non-performance		Performance		Total (\$)
				Equity Options (\$)	Rights (\$)	Equity Options (\$)	Rights (\$)	
Anthony Kiernan	2021	-	117,957	-	8,599	-	-	8,599
	2022	-	38,218	-	74,595	-	-	74,595
Steve Scudamore	2021	-	77,603	-	5,658	-	-	5,658
	2022	-	6,182	-	12,070	-	-	12,070
Nicholas Cernotta	2021	-	79,155	-	5,769	-	-	5,769
	2022	-	12,365	-	24,136	-	-	24,136
Sally-Anne Layman	2021	-	71,395	-	1,127	-	-	1,127
								<b>131,954</b>
Ken Brinsden	2019	1,183,970	243,313	-	-	10,986	-	10,986
	2020	5,930,435	384,671	51,845	-	(5,614)	(15,137)	31,094
	2021	1,437,895	729,276	-	-	130,723	212,178	342,901
								<b>384,981</b>
Brian Lynn	2019	532,786	109,490	-	-	7,470	-	7,470
	2020	3,607,825	173,102	48,610	-	(2,842)	(6,897)	38,871
	2021	932,642	473,020	-	-	181,388	118,364	299,752
	2022	167,150	102,556	-	-	97,181	73,123	170,304
								<b>516,397</b>
Alex Eastwood	2019	532,786	109,490	-	-	7,470	-	7,470
	2020	3,607,825	173,102	48,610	-	(2,842)	(6,897)	38,871
	2021	932,642	473,020	-	-	181,388	118,364	299,752
	2022	167,150	102,556	-	-	97,181	73,123	170,304
								<b>516,397</b>
Dale Henderson	2019	532,786	109,490	-	-	7,470	-	7,470
	2020	3,607,825	173,102	48,610	-	(2,842)	(6,897)	38,871
	2021	932,642	473,020	-	-	181,388	118,364	299,752
	2022	167,150	102,556	-	-	97,181	73,123	170,304
								<b>516,397</b>
<b>Total</b>		<b>24,273,509</b>	<b>4,334,639</b>	<b>197,675</b>	<b>131,954</b>	<b>985,686</b>	<b>750,811</b>	<b>2,066,126</b>

Vesting conditions attached to these options and performance rights are set out in note 2.2.3 of the Financial Statements.

### 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 Company's Award Plan which was approved by shareholders on 17 November 2020.



Details of unlisted options over ordinary shares in the Company that were granted as compensation to each KMP during the 2022 financial year are as follows:

	No. of options granted during the year <sup>1</sup>	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	No. of options vested during the year
Ken Brinsden	246,663	16-Nov-21	\$1.589	\$1.4041	31-Dec-25	-
Ken Brinsden	246,663	16-Nov-21	\$1.631	\$1.4041	31-Dec-25	-
Brian Lynn	83,575	02-Dec-21	\$1.750	\$1.4041	31-Dec-25	-
Brian Lynn	83,575	02-Dec-21	\$1.748	\$1.4041	31-Dec-25	-
Alex Eastwood	83,575	02-Dec-21	\$1.750	\$1.4041	31-Dec-25	-
Alex Eastwood	83,575	02-Dec-21	\$1.748	\$1.4041	31-Dec-25	-
Dale Henderson	83,575	02-Dec-21	\$1.750	\$1.4041	31-Dec-25	-
Dale Henderson	83,575	02-Dec-21	\$1.748	\$1.4041	31-Dec-25	-

<sup>1</sup> The vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 75<sup>th</sup> percentile) against a defined peer group of companies measured over a three-year vesting period;
- 30% vest upon the Company achieving an increase in annual production run rate to between 580kt to 850kt or higher for at least one full quarter during the three-year vesting period; and
- 20% vest upon the Company achieving at any time during the three-year vesting period a renewable energy target of at least 30% of the combined Pilgan Plant's energy requirement.

Options were issued with an exercise price of \$1.4041, determined using the 20-day VWAP of the Company's shares up to 1 July 2021.

### 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 included:

	Options expiring 31 Dec 25	Options expiring 31 Dec 25
Exercise price	\$1.4041	\$1.4041
Grant date	16-Nov-21	02-Dec-21
Expiry date	31-Dec-25	31-Dec-25
Share price at grant date	\$2.400	\$2.540
Expected volatility	75%	75%
Expected dividend yield	0%	0%
Risk-free interest rate	1.440%	1.345%

## Exercise of Options granted as Compensation Instruments

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

	No. of shares	Amount paid per share
Ken Brinsden	1,183,970	\$0.8325
Ken Brinsden	1,252,174	\$0.3235
Brian Lynn <sup>1</sup>	343,157	\$0.8325
Brian Lynn <sup>2</sup>	807,514	\$0.3235
Alex Eastwood <sup>1</sup>	343,157	\$0.8325
Alex Eastwood <sup>2</sup>	807,514	\$0.3235
Dale Henderson <sup>1</sup>	331,993	\$0.8325
Dale Henderson	939,130	\$0.3235

<sup>1</sup> Exercised 532,786 options under the cashless exercise facility available under the Company's Employee Award Plan

<sup>2</sup> Exercised 939,130 options under the cashless exercise facility available under the Company's Employee Award Plan

There are no amounts unpaid on any ordinary shares following the exercise of unlisted options during the financial year.

## Performance Rights over Equity Instruments granted as Compensation Instruments

Details on performance rights over ordinary shares in the Company that were granted during the reporting period 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 (valuation purposes) <sup>1</sup>	Fair value per performance right at grant date	Expiry date	No. of performance rights vested
Anthony Kiernan <sup>1</sup>	9,554	15-Dec-21	\$2.321	28-Feb-22	9,554
Anthony Kiernan <sup>1</sup>	9,554	15-Dec-21	\$2.325	31-May-22	9,554
Anthony Kiernan <sup>1</sup>	9,554	15-Dec-21	\$2.323	31-Aug-22	-
Anthony Kiernan <sup>1</sup>	9,556	15-Dec-21	\$2.322	30-Nov-22	-
Steve Scudamore <sup>1</sup>	1,546	15-Dec-21	\$2.321	28-Feb-22	1,546
Steve Scudamore <sup>1</sup>	1,546	15-Dec-21	\$2.325	31-May-22	1,546
Steve Scudamore <sup>1</sup>	1,546	15-Dec-21	\$2.323	31-Aug-22	-
Steve Scudamore <sup>1</sup>	1,544	15-Dec-21	\$2.322	30-Nov-22	-
Nicholas Cernotta <sup>1</sup>	3,091	15-Dec-21	\$2.321	28-Feb-22	3,091
Nicholas Cernotta <sup>1</sup>	3,091	15-Dec-21	\$2.325	31-May-22	3,091
Nicholas Cernotta <sup>1</sup>	3,091	15-Dec-21	\$2.323	31-Aug-22	-
Nicholas Cernotta <sup>1</sup>	3,092	15-Dec-21	\$2.322	30-Nov-22	-
Ken Brinsden <sup>2,3</sup>	151,342	16-Nov-21	\$1.688	31-Dec-25	-
Ken Brinsden <sup>2,3</sup>	151,342	16-Nov-21	\$2.400	31-Dec-25	-
Brian Lynn <sup>3</sup>	51,278	02-Dec-21	\$1.738	31-Dec-25	-
Brian Lynn <sup>3</sup>	51,278	02-Dec-21	\$2.540	31-Dec-25	-
Alex Eastwood <sup>3</sup>	51,278	02-Dec-21	\$1.738	31-Dec-25	-
Alex Eastwood <sup>3</sup>	51,278	02-Dec-21	\$2.540	31-Dec-25	-
Dale Henderson <sup>3</sup>	51,278	02-Dec-21	\$1.738	31-Dec-25	-
Dale Henderson <sup>3</sup>	51,278	02-Dec-21	\$2.540	31-Dec-25	-

<sup>1</sup> These performance rights were issued under the 2020 Non-Executive Director Fee Sacrifice Offer. The offer allows the sacrifice by non-executive directors of a fixed component of their director fee over a 12 month period for performance rights at a share price of \$2.4263. The rights have no vesting performance conditions other than a service condition and automatically vest quarterly into shares under the Company's Award Plan. Shares issued each quarter are subject to an 18 month disposal restriction.

<sup>2</sup> In relation to Mr Brinsden, all performance rights granted were approved by shareholders on 16 November 2021.

<sup>3</sup> The performance vesting conditions attached to these performance rights are:

- 50% vest upon the Company's Total Shareholder Return ("TSR") relative to the TSR of the Peer Companies;
- 30% vest upon the Company achieving a production target; and
- 20% vest upon the Company achieving a renewable energy target.

Except for performance rights issued under the 2020 Non-Executive Director Fee Sacrifice Offer which were issued in exchange for director fees sacrificed, the performance rights have been provided at no cost and expire on the earlier of the expiry date or termination of employment.

### Fair value of performance rights granted

Except for performance rights issued under the Non-Executive Director Fee 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:

	Non-Executive Directors <sup>1</sup> Salary Sacrifice	Executive Director	Other KMP
Exercise price	-	-	-
Grant date (for valuation purposes)	15-Dec-21	16-Nov-21	2-Dec-21
Expiry date	28-Feb-22, 30-May-22, 31-Aug-22, 30-Nov-22	30-Jun-24	30-Jun-24
Share price at grant	\$2.700	\$2.400	\$2.540
Expected volatility of the Company's shares	75%	75%	75%
Expected dividend	0%	0%	0%
Risk-free interest	0.525%	1.015%	0.935%

<sup>1</sup> Tranches 3 and 4 will expire on or about 31 August 2022 and 30 November 2022.

## 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 2022 are detailed below.

	Instrument	No. of instruments issued	Grant date <sup>2</sup>	% vested in year	% forfeited in year <sup>1</sup>	Financial year grant vests
Anthony Kiernan	Performance Rights	117,957	01-Dec-20	50%	0%	2021/2022
		38,218	15-Dec-21	50%	0%	2022/2023
Steve Scudamore	Performance Rights	77,603	01-Dec-20	50%	0%	2021/2022
	Performance Rights	6,182	15-Dec-21	50%	0%	2022/2023
Nicholas Cernotta	Performance Rights	79,155	01-Dec-20	50%	0%	2021/2022
	Performance Rights	12,365	15-Dec-21	50%	0%	2022/2023
Sally-Anne Layman	Performance Rights	71,395	01-Dec-20	50%	0%	2021/2022
Ken Brinsden	Options	1,321,100	28-Nov-18	20%	0%	2021/2022
	Options	4,210,526	21-Nov-19	66.5%	33.5%	2022
	Options	3,130,435	10-Mar-20	40%	0%	2022/2023
	Options	2,072,539	17-Nov-20	0%	30.6%	2023
	Options	493,326	16-Nov-21	0%	100%	2024
	Performance Rights	271,493	28-Nov-18	20.0%	0%	2021/2022
	Performance Rights	578,452	21-Nov-19	66.5%	33.5%	2022
	Performance Rights	1,051,156	17-Nov-20	69.4%	30.6%	2023
Brian Lynn	Options	594,495	21-Dec-18	20%	0%	2021/2022
	Options	1,894,736	14-Nov-19	66.5%	33.5%	2022
	Options	2,347,826	13-Dec-19	40%	0%	2022/2023
	Options	932,642	01-Dec-20	0%	0%	2023
	Options	167,150	02-Dec-21	0%	0%	2024
	Performance Rights	122,171	21-Dec-18	20.0%	0%	2021/2022
	Performance Rights	260,303	01-Oct-19	66.5%	33.5%	2022
	Performance Rights	473,020	01-Dec-20	0%	0%	2023
Alex Eastwood	Options	594,495	21-Dec-18	20%	0%	2021/2022
	Options	1,894,736	14-Nov-19	66.5%	33.5%	2022
	Options	2,347,826	13-Dec-19	40%	0%	2022/2023
	Options	932,642	01-Dec-20	0%	0%	2023
	Options	167,150	02-Dec-21	0%	0%	2024
	Performance Rights	122,171	21-Dec-18	20.0%	0%	2021/2022
	Performance Rights	260,303	01-Oct-19	66.5%	33.5%	2022
	Performance Rights	473,020	01-Dec-20	0%	0%	2023
Dale Henderson	Options	594,495	21-Dec-18	20%	0%	2021/2022
	Options	1,894,736	14-Nov-19	66.5%	33.5%	2022
	Options	2,347,826	13-Dec-19	40%	0%	2022/2023
	Options	932,642	01-Dec-20	0%	0%	2023
	Options	167,150	02-Dec-21	0%	0%	2024
	Performance Rights	122,171	21-Dec-18	20.0%	0%	2021/2022
	Performance Rights	260,303	01-Oct-19	66.5%	33.5%	2022
	Performance Rights	473,020	01-Dec-20	0%	0%	2023
	Performance Rights	102,556	02-Dec-21	0%	0%	2024

<sup>1</sup> The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest.

<sup>2</sup> Grant date for accounting purposes.

## 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 <sup>1</sup> (\$)	Performance rights granted in year	Fair value of performance rights granted in the year <sup>1</sup> (\$)
Anthony Kiernan	-	-	38,218	88,773
Steve Scudamore	-	-	6,182	14,362
Nicholas Cernotta	-	-	12,365	28,723
Ken Brinsden	493,326	794,255	302,684	618,687
Brian Lynn	167,150	292,345	102,556	219,369
Alex Eastwood	167,150	292,345	102,556	219,369
Dale Henderson	167,150	292,345	102,556	219,369

<sup>1</sup> 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-21	Granted	Exercised	Forfeited	Held at 30-Jun-22	Vested and Exercisable
Ken Brinsden	10,597,470	493,326	(2,436,144)	(2,538,496)	6,116,156	2,800,000
Brian Lynn	5,707,990	167,150	(1,471,916)	(634,737)	3,768,487	1,259,999
Alex Eastwood	5,707,990	167,150	(1,471,916)	(634,737)	3,768,487	1,259,999
Dale Henderson	5,707,990	167,150	(1,471,916)	(634,737)	3,768,487	1,259,999

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-21	Granted	Exercised	Forfeited	Held at 30-Jun-22	Vested during the year	Vested and Exercisable
Anthony Kiernan	58,979	38,218	(78,087)	-	19,110	78,087	-
Steve Scudamore	38,801	6,182	(41,893)	-	3,090	41,893	-
Nicholas Cernotta	39,577	12,365	(45,759)	-	6,183	45,759	-
Sally-Anne Layman	35,697	-	(35,697)	-	-	35,697	-
Ken Brinsden	1,872,920	302,684	(243,312)	(818,345)	1,113,947	438,970	384,671
Brian Lynn	842,812	102,556	(109,490)	(87,200)	748,678	197,536	173,102
Alex Eastwood	842,812	102,556	(109,490)	(87,200)	748,678	197,536	173,102
Dale Henderson	842,812	102,556	(109,490)	(87,200)	748,678	197,536	173,102

## 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 2021	Received on exercise of options/rights	Other changes <sup>1</sup>	Held at 30 June 2022
Anthony Kiernan	541,443	78,087	(150,000)	469,530
Steve Scudamore	200,449	41,893	-	242,342
Nicholas Cernotta	230,973	45,759	-	276,732
Sally-Anne Layman	135,955	35,697	-	171,652
Miriam Stanborough	-	-	36,600	36,600
Ken Brinsden	5,400,936	2,679,456	(1,400,000)	6,680,392
Brian Lynn	227,102	1,260,161	(1,312,263)	175,000
Alex Eastwood	100,000	1,260,161	(1,235,161)	125,000
Dale Henderson	245,974	1,380,613	(1,100,000)	526,587

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.

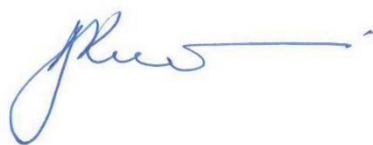
End of Audited Remuneration Report.

## NO NEW INFORMATION STATEMENT

Information in this report regarding expansions in nameplate capacity of the Pilgan Plant and the Ngungaju Plant are underpinned by the Company's existing Ore Reserves that have been prepared by a Competent Person in accordance with the JORC Code (2012 Edition) and were released by the Company to ASX on 6 October 2021. The relevant proportions of proven Ore Reserves and probable Ore Reserves are 13% proven Ore Reserves and 87% probable Ore Reserves. The Company confirms it is not aware of any new information or data that materially affects the information included in that release or report and that all material assumptions and technical parameters underpinning the Ore Reserves estimates continue to apply and have not materially changed.

Information in this report relating to Mineral Resource and Ore Reserve estimates is extracted from the ASX releases dated 6 September 2021 and 6 October 2021. 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 Mineral Resource and Ore Reserve estimates continue to apply and have not materially changed. Pilbara Minerals confirms that the form and context in which the competent persons' findings are presented in this presentation 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 AM  
**Chair**

Dated this 22<sup>nd</sup> day of August 2022



# 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 2022 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

Derek Meates  
Partner

Perth

22 August 2022

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue from contracts with customers	2.1.1	1,189,591	175,824
Operating costs	2.1.2	(380,284)	(155,754)
<b>Gross profit</b>		<b>809,307</b>	<b>20,070</b>
Other income		114	100
<b>Expenses</b>			
General and administration expense		(20,929)	(13,384)
Acquisition costs expensed		990	(17,120)
Exploration and feasibility costs expensed	2.2.1	(13,915)	(6,645)
Inventory write-down	2.2.2	(588)	-
Depreciation and amortisation expense		(729)	(520)
Share based payment expense	2.2.3	(5,178)	(4,869)
<b>Operating profit/(loss)</b>		<b>769,072</b>	<b>(22,368)</b>
Finance income		11,330	3,201
Finance costs		(55,591)	(32,281)
<b>Net financing costs</b>	2.3	<b>(44,261)</b>	<b>(29,080)</b>
Share of profit equity accounted investee	3.2	208	-
<b>Profit/(loss) before income tax expense</b>		<b>725,019</b>	<b>(51,448)</b>
Income tax expense	2.6	(163,194)	-
<b>Net profit/(loss) for the period</b>		<b>561,825</b>	<b>(51,448)</b>
<b>Other comprehensive income</b>			
Translation differences on foreign operations	3.2	1,188	-
		<b>1,188</b>	<b>-</b>
<b>Total comprehensive profit/(loss) for the period</b>		<b>563,013</b>	<b>(51,448)</b>
Basic earnings/(loss) per share	2.7	18.98	(2.00)
Diluted earnings/(loss) per share	2.7	18.47	(2.00)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.1.1	591,739	99,712
Trade and other receivables	4.2	299,145	25,706
Inventories	4.3	69,307	38,621
<b>Total current assets</b>		<b>960,191</b>	<b>164,039</b>
<b>Non-current assets</b>			
Property, plant, equipment and mine properties	3.1	929,361	775,900
Equity accounted investments	3.2	77,594	-
Deferred exploration and evaluation expenditure	3.3.1	9,289	9,781
Financial assets	3.2.1	1,953	-
<b>Total non-current assets</b>		<b>1,018,197</b>	<b>785,681</b>
<b>Total assets</b>		<b>1,978,388</b>	<b>949,720</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4.4	184,155	54,522
Financial liability	4.5	3,782	-
Provisions	3.4	3,494	2,082
Borrowings	5.2	55,768	13,344
Other liabilities	3.5	-	100,004
Current tax liabilities	2.6	90,148	-
<b>Total current liabilities</b>		<b>337,347</b>	<b>169,952</b>
<b>Non-current liabilities</b>			
Trade and other payables	4.4	10,929	16,454
Provisions	3.4	38,250	35,448
Borrowings	5.2	236,196	153,621
Deferred tax liabilities	2.6	63,640	-
<b>Total non-current liabilities</b>		<b>349,015</b>	<b>205,523</b>
<b>Total liabilities</b>		<b>686,362</b>	<b>375,475</b>
<b>Net assets</b>		<b>1,292,026</b>	<b>574,245</b>
<b>Equity</b>			
Issued capital	5.1.1	965,078	821,391
Reserves	5.1.2	9,558	7,246
Retained earnings/(accumulated losses)		317,390	(254,392)
<b>Total equity</b>		<b>1,292,026</b>	<b>574,245</b>

The notes on pages 59 to 109 are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Notes	Issued capital \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings/ (accumulated losses) \$'000	Total equity \$'000
<b>Balance at 1 July 2020</b>		587,329	3,850	-	(204,205)	386,974
Loss for the period		-	-	-	(51,448)	(51,448)
<b>Total comprehensive loss for the period</b>		-	-	-	(51,448)	(51,448)
Issue of ordinary shares	5.1.1	240,156	-	-	-	240,156
Share issue costs (net of tax)	5.1.1	(8,300)	-	-	-	(8,300)
Issue of options and performance rights	5.1.2	2,206	4,657	-	-	6,863
Transfer on exercised/forfeited awards	5.1.2	-	(1,261)	-	1,261	-
<b>Balance at 30 June 2021</b>		<b>821,391</b>	<b>7,246</b>	-	<b>(254,392)</b>	<b>574,245</b>
<b>Balance at 1 July 2021</b>		821,391	7,246	-	(254,392)	574,245
Profit for the period		-	-	-	561,825	561,825
Other comprehensive income	3.2	-	-	1,188	-	1,188
<b>Total comprehensive profit for the period</b>		-	-	1,188	561,825	563,013
Issue of ordinary shares	5.1.1	137,216	-	-	-	137,216
Share issue costs (net of tax)	5.1.1	2,907	-	-	-	2,907
Issue of options and performance rights	5.1.1	3,564	4,582	-	-	8,146
Tax benefit on equity awards issued via share trust	2.6.5	-	6,499	-	-	6,499
Transfer on conversion/forfeiture of awards	5.1.2	-	(9,957)	-	9,957	-
<b>Balance at 30 June 2022</b>		<b>965,078</b>	<b>8,370</b>	<b>1,188</b>	<b>317,390</b>	<b>1,292,026</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		968,089	158,431
Cash paid to suppliers and employees		(310,884)	(134,437)
Payments for exploration and evaluation expenditure		(9,919)	(5,396)
Interest received		321	178
<b>Net cash inflow from operating activities</b>	4.1.2	<b>647,607</b>	<b>18,776</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant, equipment and mine properties		(128,327)	(20,488)
Investment in equity accounted joint venture, including costs		(76,198)	-
Acquisition of subsidiary, including costs		-	(210,302)
<b>Net cash outflow from investing activities</b>		<b>(204,525)</b>	<b>(230,790)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares and exercise of options		3,564	239,654
Capital raising costs		-	(8,300)
Proceeds from borrowings		107,254	155,785
Transaction costs related to borrowings		(1,253)	(6,386)
Repayment of borrowings		(49,791)	(149,597)
Proceeds/(repayment) of customer prepayment		(2,605)	19,732
Interest and other costs of finance paid		(11,631)	(12,260)
Call premium on redemption of borrowings		-	(5,948)
<b>Net cash inflow from financing activities</b>		<b>45,538</b>	<b>232,680</b>
Net increase in cash held		488,620	20,666
Cash and cash equivalents at the beginning of the period		99,712	86,250
Effect of exchange rate fluctuations on cash held		3,407	(7,204)
<b>Cash and cash equivalents at the end of the period</b>	4.1.1	<b>591,739</b>	<b>99,712</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Note 1 - BASIS OF PREPARATION

In preparing the 2022 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, Mining and Production
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, 146 Colin Street, West Perth, WA 6005. These consolidated financial statements comprise the Company and its subsidiaries together referred to as the "**Group**". The Group is a for-profit entity and is primarily involved in the exploration, development and mining of minerals.

### 1.2 Basis of Accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("**AAS**") adopted by the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("**IFRS**") adopted by the International Accounting Standards Board ("**IASB**"). They were authorised for issue by the Board of Directors on 22 August 2022.

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.

The consolidated financial statements have been prepared on the historical cost basis except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and derivative financial instruments.

Throughout the ongoing COVID-19 pandemic, the Group's focus continues to be the reliable operation of the Pilgangoora Project and the well-being of its people. At certain times throughout the year, the Group has needed to deploy a range of control measures in response to COVID-19, in accordance with Government directives, designed to ensure the safety of its people and contractors whilst at the same time maintaining business continuity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 1.3 New and Amended Accounting Standards

All new, revised or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period have been adopted. The adoption of any changes to Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

### New and Amended Standards Adopted by the Group

#### AASB 116 Property, Plant and Equipment

The Group has applied the provisions of AASB 116 from 1 July 2021 that require an entity to recognise in profit or loss the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting amounts received from the cost of the asset.

### Standards issued but not yet effective

The Company is yet to assess in detail the potential impacts on its consolidated financial statements of the following, however they are not expected to have a material impact on the Groups consolidated financial statements:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments – effective date 1 January 2022 – AASB 137 Provisions, Contingent Liabilities and Contingent Assets – to specify the costs that an entity includes when assessing whether a contract is loss-making;
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – effective date 1 January 2023 – requires a liability be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period;
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date – effective date 1 January 2023 – defers mandatory effective date from 1 January 2022 to 1 January 2023;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates – effective date 1 January 2023 – Amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies;
- AASB 2021-6 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective date 1 January 2023 – Amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations; and
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture – effective date 1 January 2025 – Amendments require the full gain or loss to be recognised when assets transferred meet the definition of a ‘business’ under AASB 3 Business Combinations (whether housed in a subsidiary or not).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 1.4 Basis of Consolidation

### 1.4.1 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.

### 1.4.2 Transactions eliminated on consolidation

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

### 1.4.3 Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

## 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.

### 1.5.3 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are transferred into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the average exchange rates during the period.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling Interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to 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 3.2.1 – judgements in relation to fair value measurement of non-current financial assets
- Note 3.4 – measurement of mine rehabilitation provision and non-current employee leave benefits
- Note 4.3 – estimation of selling prices and cost to completion for any net realisable value calculations of inventory
- Note 4.4 – contract liability initial fair value measurement
- Note 6.3.3 – business combination fair value measurement



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## NOTE 2 - RESULTS FOR THE YEAR

### 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, with 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, with revenue 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 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.

	2022	2021
	\$'000	\$'000
Sales to customers under contracts	1,162,235	164,468
Other revenue - provisional pricing adjustments	27,356	11,356
	1,189,591	175,824

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 2.1.2 Operating costs

	2022 \$'000	2021 \$'000
Mining and processing costs <sup>1</sup>	286,240	125,767
Care, maintenance and operational readiness costs <sup>2</sup>	1,922	2,705
Royalty expenses	76,429	10,441
Depreciation and amortisation	44,154	26,110
Inventory movement	(23,106)	(3,287)
By-product revenue	(5,355)	(5,982)
	380,284	155,754

<sup>1</sup> Costs include mining, processing, maintenance, offsite logistics, freight and shipping, and site administration.

<sup>2</sup> Costs incurred following the acquisition Ngungaju Lithium Operations Pty Ltd (formerly Altura Lithium Operations Pty Ltd) and are associated with the care and maintenance and subsequent restart of the Ngungaju plant.

## 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Accounting policy

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.

	2022 \$'000	2021 \$'000
Exploration and evaluation costs	3,178	3,005
Feasibility and development study costs	10,245	3,640
Impairment of exploration and evaluation assets (note 3.3.1) <sup>1</sup>	492	-
	13,915	6,645

<sup>1</sup> At each reporting date the Company undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the year, the Company announced an agreement for Trek Metals Limited ("Trek") to acquire a 100% interest in the Pilgangoora tenement E45/4640 for a total consideration of \$300,000 payable in Trek shares and a 2.5% net smelter royalty (see ASX announcement dated 17th May 2022). At 30 June 2022, the carrying value of the tenement has been written down to the purchase consideration value of \$300,000.

## 2.2.2 Inventory write-down

	2022 \$'000	2021 \$'000
Inventory write-down	588	-

During the year the Group recognised an inventory write-down of \$588,000 across ROM and crushed ore stockpiles that were considered uneconomic.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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.

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 volatilities 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:

	2022	2021
	\$'000	\$'000
Share options expense	2,245	2,427
Performance rights expense	2,933	2,442
	5,178	4,869

#### Share options

The following table shows options issued during the year ended 30 June 2022 and the value attributed to each option granted, by category holder:

Holder	No. of options	Exercise Price	Expiry Date	Fair Value (\$/option)	Total Value (\$'000)
Executive Director	246,663	\$1.404	31-Dec-25	\$1.589	392
Executive Director	246,663	\$1.404	31-Dec-25	\$1.631	402
Other KMP	250,725	\$1.404	31-Dec-25	\$1.750	439
Other KMP	250,725	\$1.404	31-Dec-25	\$1.748	438

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

	2022		2021	
	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
Outstanding at 1 July	\$0.36	46,548,920	\$0.48	47,643,197
Exercised during the period	\$0.46	(12,392,457)	\$0.88	(2,000,000)
Forfeited during the period	\$0.24	(6,261,582)	\$0.56	(7,261,446)
Granted during the period	\$1.40	994,776	\$0.23	8,167,169
Outstanding at 30 June	\$0.32	28,889,657	\$0.36	46,548,920
Exercisable at 30 June		10,190,487		4,661,410

The classes of the unlisted options on issue as at 30 June 2022 are as follows:

Expiry date	Options issued	Exercise price	Number of options not yet exercised
31 December 2022 <sup>a</sup>	10,190,487	\$0.363	10,190,487
1 May 2023 <sup>b</sup>	10,665,195	\$0.324	10,665,195
31 December 2024 <sup>c</sup>	7,532,525	\$0.234	7,532,525
31 December 2025 <sup>d</sup>	501,450	\$1.404	501,450

<sup>a</sup> The vesting conditions attached are:

- Up to 50% vest upon the Company achieving specified relative TSR targets (between the 50<sup>th</sup> to 85<sup>th</sup> percentile) against a defined peer group of companies measured over the 3 year vesting period; and
- Up to 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

<sup>b</sup> The vesting conditions attached are:

- vest on 31 October 2022, subject to the KMP or employee remaining in service at that date.

<sup>c</sup> The vesting conditions attached are:

- Up to 50% vest upon the Company achieving specified relative TSR targets (between the 50<sup>th</sup> to 85<sup>th</sup> percentile) against a defined peer group of companies measured over the 3 year vesting period; and
- Up to 50% vest upon the Company achieving specified absolute TSR targets (compound annual growth rate between 5% and 15%) over the 3 year vesting period.

<sup>d</sup> The vesting conditions attached are:

- Up to 50% vest upon the Company achieving specified relative TSR targets (between the 50<sup>th</sup> to 75<sup>th</sup> percentile) against a defined peer group of companies measured over a 3 year vesting period;
- Up to 30% vest upon achievement of an increase in annual production run rate to between 580,000 to 850,000 tonnes of spodumene concentrate or higher for at least one full quarter during the 3 year vesting period achieved through expansions or acquisitive growth; and
- Up to 20% vest upon achievement at any time during the 3 year vesting period a renewable energy target of at least 30% of the Pilgan Plant's energy requirement.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Performance Rights

The following table shows performance rights granted during the year ended 30 June 2022 and the value attributed to each right granted, by the category holder:

Holder	No of performance rights	Vesting Date	Fair value (\$/Right)	Total Value (\$'000)
Non-Executive Director <sup>1</sup>	14,191	28-Feb-22	\$2.321	33
Non-Executive Director <sup>1</sup>	14,191	31-May-22	\$2.325	33
Non-Executive Director <sup>1</sup>	14,191	31-Aug-22	\$2.323	33
Non-Executive Director <sup>1</sup>	14,192	30-Nov-22	\$2.322	33
Other employee	23,485	21-Jan-22	\$3.560	84
Executive Director	151,342	30-Jun-24	\$1.688	255
Executive Director	151,342	30-Jun-24	\$2.400	363
Other KMP	153,834	30-Jun-24	\$1.738	267
Other KMP	153,834	30-Jun-24	\$2.540	391
Other employees <sup>2</sup>	90,718	31-Aug-22	\$1.450	132
Other employees <sup>2</sup>	90,718	31-Aug-22	\$3.200	290
Other employees	435,181	30-Jun-24	\$1.738	756
Other employees	435,181	30-Jun-24	\$2.540	1,105

<sup>1</sup> These performance rights were issued to non-executive directors and relate to the participation under the Non-executive Director Fee Sacrifice Scheme approved by shareholders on 17 November 2020, which allows non-executive directors to sacrifice a component of their director fees each year for performance rights that have no performance conditions other than a service condition attached to their vesting. Shares issued on their conversion each quarter are subject to an 18 month disposal restriction unless the participant ceases to be a director before that date.

<sup>2</sup> These performance rights were issued to employees under the Company's performance based Short Term Incentive Scheme where employees could elect to exchange 50% of their FY2021 short term incentive for equity in the Company. Under the scheme, the Company agreed to match the number of performance rights granted with the same number of additional performance rights on a 'one for one' basis where employees elected to take the performance rights with a 12 month vesting period. The performance rights have no performance conditions other than a service condition during the vesting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

The performance rights on issue as at 30 June 2022 are as follows:

Date performance rights granted <sup>1</sup>	Vesting date	Number of performance rights
01 October 2019 <sup>a</sup>	30 June 22	519,305
14 November 2019 <sup>a</sup>	30 June 22	438,411
21 November 2019 <sup>a</sup>	30 June 22	384,671
26 November 2019 <sup>a</sup>	30 June 22	54,757
10 March 2020 <sup>a</sup>	30 June 22	101,343
17 November 2020 <sup>b</sup>	30 June 23	729,276
1 December 2020 <sup>b</sup>	30 June 23	3,091,090
22 April 2021 <sup>c</sup>	31 March 23	168,678
22 April 2021 <sup>c</sup>	31 March 24	253,017
1 September 2021 <sup>d</sup>	31 August 22	181,436
1 December 2021 <sup>e</sup>	31 August 22	14,191
1 December 2021 <sup>e</sup>	30 November 22	14,192
2 December 2021 <sup>f</sup>	30 June 24	1,178,030

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

<sup>a</sup> The performance vesting conditions attached are:

- Up to 50% vest upon the Company achieving specified relative TSR targets (between the 50<sup>th</sup> to 85<sup>th</sup> percentile) against a defined peer group of companies measured over the 3 year vesting period; and
- Up to 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

<sup>b</sup> The performance conditions attached are:

- Up to 50% vest upon the Company achieving customer diversification and strategic options for material growth, including integration in the lithium supply chain via downstream or upstream transaction opportunity; and
- Up to 50% vest upon achievement of global cost competitiveness relative to the Company's global peers.

<sup>c</sup> The vesting conditions are:

- 40% vest on 31 March 2023, subject to the employee remaining in service at that date; and
- 60% vest on 31 March 2024, subject to the employee remaining in service at that date.

<sup>d</sup> The vesting conditions are:

- 100% vest on 31 August 2022, subject to the employee remaining in service at that date.

<sup>e</sup> These performance rights have no vesting conditions attached other than a service condition. They are issued under the 2020 Non-Executive Director Fee Salary Sacrifice Offer whereby non-executive directors are able to sacrifice a component of their fee for performance rights. Shares allocated post vesting each quarter are subject to disposal restrictions and cannot be disposed or dealt with until the earlier of 18 months from the relevant vesting date or the date the participant ceases to be a director.

<sup>f</sup> The performance vesting conditions attached are:

- Up to 50% vest upon the Company achieving specified relative TSR targets (between the 50<sup>th</sup> to 75<sup>th</sup> percentile) against a defined peer group of companies measured over a 3 year vesting period;
- Up to 30% vest upon achievement of an increase in annual production run rate to between 580,000 to 850,000 tonnes of spodumene concentrate or higher for at least one full quarter during the 3 year vesting period achieved through expansions acquisitive growth; and
- Up to 20% vest upon achievement at any time during the 3 year vesting period a renewable energy target of at least 30% of the combined Pilgangoora Plant's energy requirement.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 2.3 Net Financing Costs

### Accounting policy

The Group's finance income and finance costs include:

- interest income and interest expense;
- foreign exchange gains and losses;
- income from sale of financial investments;
- movement in fair value of foreign currency hedges;
- movement in fair value of financial assets;
- derivative fair value movements;
- unwinding of the discount on site rehabilitation provisions; and
- gains and losses on derivatives related to financing activities.

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

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

Net financing costs are analysed as follows:

	2022 \$'000	2021 \$'000
Interest income on bank accounts	651	185
Financial asset - fair value movement <sup>1</sup>	1,953	-
Net foreign exchange gain <sup>2</sup>	8,726	3,016
<b>Finance income</b>	<b>11,330</b>	<b>3,201</b>
Deferred consideration fair value movement (note 3.5) <sup>3</sup>	(37,212)	(12,599)
Interest expense - leases (note 5.2.1)	(3,207)	(2,435)
Interest expense - borrowings	(8,582)	(9,430)
Amortised borrowing costs <sup>4</sup>	(1,446)	(3,454)
Call premium on redemption of borrowings <sup>5</sup>	-	(5,948)
Net movement in financial liability at amortised cost (note 4.4)	(981)	2,125
Foreign currency contracts - net changes in fair value	(3,570)	(212)
Unwind of discount on site rehabilitation provision	(593)	(328)
<b>Finance costs</b>	<b>(55,591)</b>	<b>(32,281)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(44,261)</b>	<b>(29,080)</b>

<sup>1</sup> Represents fair value movement of a call option granted by POSCO to increase the Company's interest in the incorporated downstream joint venture (POSCO- Pilbara Minerals Lithium Solutions Co Ltd) from 18% to 30% (see note 3.2).

<sup>2</sup> The AUD:USD foreign exchange rate decreased during the year from 0.7518 at 30 June 2021 to 0.6889 at 30 June 2022. The foreign exchange gain for the period resulted from the revaluation of the Company's USD denominated debt facility, which was offset by the revaluation of the Company's USD denominated cash reserves and USD denominated debtors.

<sup>3</sup> This represents the fair value movement in the variable deferred consideration pursuant to the acquisition of Ngungaju Lithium Operations Pty Ltd (formerly Altura Lithium Operations Pty Ltd) in the prior year, that was settled during the year (see note 3.5).

<sup>4</sup> FY21 amortised borrowing costs includes the expensing of residual borrowing costs (\$2,125,000) following the full repayment of the Nordic Bond facility in September 2020.

<sup>5</sup> In September 2020 the Company refinanced the USD Nordic Bond facility with a syndicated finance facility reflecting improved terms provided by BNP Paribas and the Clean Energy Finance Corporation. Under the terms of the Nordic Bond

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

facility a call premium was paid following early redemption.

## 2.4 Operating Segments

The Group has one reportable operating segment which is exploration, development and mining of minerals in Australia. The Group has no single reliance upon any one of its 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.

## 2.5 Personnel Expenses

Accounting policy
<p><b>Short-term employee benefits</b></p> <p>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.</p>
<p><b>Defined contribution plans</b></p> <p>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.</p>
<p><b>Other long-term employee benefits</b></p> <p>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.</p>
<p><b>Termination benefits</b></p> <p>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.</p>

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

	2022	2021
	\$'000	\$'000
Wages and salaries (including superannuation)	50,530	23,589

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 2.6 Income Tax

### 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;
- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

At 31 December 2021 the Company recognised previously unrecognised income tax losses as a result of emerging taxable income, as well as greater certainty that sufficient future taxable profits would be available to utilise unused tax losses in accordance with *AASB 112 Income taxes* and the Company's accounting policy. The income tax losses recognised at the start of the financial year totalled \$108,825,000. During the financial year, the Company fully utilised these tax losses. At 30 June 2022 the Company has recognised a net deferred tax liability of \$63,640,000.

## 2.6.1 Income tax expense

	2022 \$'000	2021 \$'000
<b>Current income tax</b>		
Current year	99,554	-
	99,554	-
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	21,161	-
Utilisation of tax losses	108,825	-
Recognition of previously unrecognised tax losses and deferred tax liabilities	(66,346)	-
	63,640	-
<b>Income tax expense</b>	163,194	
<b>Income tax expense - in equity</b>		
Business related capital allowances	2,907	-
Payments for shares	6,499	-
	9,406	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 2.6.2 Reconciliation of income tax expense

	2022 \$'000	2021 \$'000
Profit/(loss) before tax	725,019	(51,448)
Tax at the statutory rate of 30% (2021: 30%)	217,506	(15,434)
Tax effect of:		
Non-deductible expenses:		
- Share based payment expense	1,553	1,461
- Other non-deductible items	107	(712)
Employee share trust payments	(493)	-
Capital losses not recognised	10,867	20,860
	229,540	6,175
Recognition of previously unrecognised tax losses and deferred tax liabilities	(66,346)	(6,175)
<b>Income tax expense</b>	163,194	-

## 2.6.3 Reconciliation of carry forward losses

	2022 \$'000	2021 \$'000
Tax effected balances at 30%		
Carried forward tax losses at 1 July	108,825	-
Tax losses recouped during the period	(108,825)	-
Carried forward recognised tax losses	-	-

Set out below are the Company's capital tax losses for which no deferred tax asset has been recognised. During the year, capital losses of \$10,867,000 arose in relation to the deferred consideration component of the Altura Lithium Operations Pty Ltd acquisition.

	2022 \$'000	2021 \$'000
Unrecognised capital tax losses	65,941	-
Potential tax benefit @ 30%	19,782	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 2.6.4 Deferred tax balances

	2022 \$'000	2021 \$'000
Deferred tax asset		
Capital feasibility expenditure	1,263	1,111
Provision for employee entitlements	1,223	722
Capital allowances	1,999	2,907
Rehabilitation liability provision	11,300	10,650
Trade and other payables	1,588	909
Net financial assets/liabilities	769	(574)
Leasing assets and liabilities	653	633
Unrealised foreign currency losses	706	(1,747)
Tax losses revenue	-	39,573
	19,501	54,184
Deferred tax liability		
Inventories	890	775
Borrowing costs	27	1
Property, plant and equipment	80,815	52,712
Other financial assets	586	-
Tenement expenditure	579	619
Other	244	77
	83,141	54,184
<b>Net deferred tax liability</b>	<b>(63,640)</b>	<b>-</b>

## 2.6.5 Tax benefit from share trust awards

During the year, options and performance rights that were granted in previous financial years vested. Upon these grants vesting, the Company issued new shares via the Pilbara Minerals Employee Award Plan Trust ('the Trust'). These new shares were purchased by the Trust at the prevailing market value, with the market value being deductible to the Company for tax purposes. In accordance with *AASB112 Income Taxes*, where the market value paid for these shares exceeds the recognised value of the related share based payment expense, then the tax benefit of any such excess is required to be recognised in equity.

During the current year, a tax benefit of \$6,499,000 was recognised in equity which related to shares issued via the Trust.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 2.6.6 Current tax liabilities

	2022 \$'000	2021 \$'000
<b>Current income tax</b>		
Current year	99,554	-
	99,554	-
<b>Income tax expense - in equity</b>		
Business related capital allowances	(2,907)	-
Payments for shares	(6,499)	-
	(9,406)	-
<b>Current tax liabilities</b>	90,148	-

## 2.7 Earnings/(loss) per share

	2022	2021
Basic earnings/(loss) per share		
Net profit/(loss) attributable to ordinary shareholders (\$'000)	561,825	(51,448)
Issued ordinary shares at 1 July ('000)	2,898,982	2,224,737
Effect of shares issued ('000)	61,034	346,853
Weighted average number of ordinary shares used in calculating basic earnings per share at 30 June ('000)	2,960,016	2,571,590
Adjustment for calculation of diluted earnings per share ('000)	81,037	-
Weighted average number of ordinary shares used in calculating diluted earnings per share at 30 June ('000)	3,041,053	-
Basic earnings/(loss) per share (cents)	18.98	(2.00)
Diluted earnings/(loss) per share (cents)*	18.47	(2.00)

\* Due to the fact that the Group made a loss in the previous financial year, potential ordinary shares from the exercise of options were excluded due to their anti-dilutive effect.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## NOTE 3 - ASSETS, LIABILITIES AND PROVISIONS SUPPORTING EXPLORATION, EVALUATION, MINING AND PRODUCTION

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
<p><b>Property, Plant and Equipment</b></p> <p><b>Recognition and measurement</b></p> <p>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.</p> <p><b>Depreciation</b></p> <p>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.</p> <p>The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:</p> <ul style="list-style-type: none"> <li>• Office equipment                      2 to 20 years</li> <li>• Plant and equipment                2 to 20 years</li> <li>• Motor vehicles                        3 to 5 years</li> <li>• Mine properties                        Units of production basis over the life of mine</li> <li>• Deferred stripping                    Units of ore extracted basis over the life of component ratio</li> <li>• Leased equipment                    Over the shorter of the lease term and the life of the asset</li> </ul> <p>Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted appropriately.</p> <p><b>Leased Assets</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Group includes right of use leased assets separately in Property, Plant, Equipment and Mine Properties disclosures.</p> <p>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.</p>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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 to determine whether the benefit accruing from that activity is likely to provide access to ore than can be used to produce ore inventory, or whether it also 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 a future economic benefit (in the form of 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 deferred is based on the life of component ratio which is obtained by dividing the amount of waste tonnes mined by the quantity of ore tonnes for each component of the mine. Stripping costs incurred in the period are deferred to the extent that the actual current period waste to ore ratio exceeds the life of component expected 'life of component' ratio and presented within mine properties in production. A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity and is determined based on a mine plan. An identified component of the ore body is typically a subset of the total ore body of the mine. The deferred stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the ore within an identified component, plus an allocation of directly attributable overhead costs. The deferred

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Accounting policy

stripping asset is depreciated over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis.

### **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 the assets, 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 of component ratio and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio). Any resulting changes are accounted for prospectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 3.1 Property, plant, equipment and mine properties

	Property, plant and equipment \$'000	Right-of-use lease assets \$'000	Mine properties in production \$'000	Mine properties in development \$'000	Mineral rights \$'000	Mine rehabilitation \$'000	Total \$'000
<b>At 30 June 2021</b>							
Cost	1,148	51,096	385,095	183,830	181,338	19,853	822,360
Accumulated depreciation	(866)	(27,449)	(16,331)	-	(1,412)	(402)	(46,460)
<b>Net book value</b>	<b>282</b>	<b>23,647</b>	<b>368,764</b>	<b>183,830</b>	<b>179,926</b>	<b>19,451</b>	<b>775,900</b>
Opening net book value	437	40,658	354,717	15,917	54,294	16,395	482,418
Additions	31	2,135	21,516	39	-	3,329	27,050
Business combinations additions	-	-	-	167,874	126,535	-	294,409
Disposals	-	(1,347)	-	-	-	-	(1,347)
Depreciation charge	(186)	(17,799)	(7,469)	-	(903)	(273)	(26,630)
<b>Net book value</b>	<b>282</b>	<b>23,647</b>	<b>368,764</b>	<b>183,830</b>	<b>179,926</b>	<b>19,451</b>	<b>775,900</b>
<b>At 30 June 2022</b>							
Cost	1,813	88,256	536,207	174,241	181,338	21,804	1,003,659
Accumulated depreciation	(1,004)	(33,177)	(36,357)	-	(3,015)	(745)	(74,298)
<b>Net book value</b>	<b>809</b>	<b>55,079</b>	<b>499,850</b>	<b>174,241</b>	<b>178,323</b>	<b>21,059</b>	<b>929,361</b>
Opening net book value	282	23,647	368,764	183,830	179,926	19,451	775,900
Additions	665	68,816	145,517	60	-	1,951	217,009
Disposals	-	(14,611)	-	(4,054)	-	-	(18,665)
Transfers	-	-	5,595	(5,595)	-	-	-
Depreciation charge	(138)	(22,773)	(20,026)	-	(1,603)	(343)	(44,883)
<b>Net book value</b>	<b>809</b>	<b>55,079</b>	<b>499,850</b>	<b>174,241</b>	<b>178,323</b>	<b>21,059</b>	<b>929,361</b>

At 30 June 2022 the Group had outstanding contractual capital commitments of \$8,440,000 (2021: \$7,870,000) which are expected to be settled prior to 30 June 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 3.2 Equity accounted investments

### Accounting policy

The Group's interests in equity accounted investments comprises an interest in an associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments, until the date on which the Group ceases to have significant influence.

	2022 \$'000	2021 \$'000
Equity accounted investment	77,594	-

In April 2022, conditions precedent for completion were finalised for the Company to form an incorporated joint venture with POSCO Holdings (POSCO) named 'POSCO-Pilbara Minerals Lithium Solution Co Ltd' (**JV Co**) to construct and operate a downstream 43ktpa lithium hydroxide monohydrate processing facility in South Korea.

Pilbara Minerals' initial 18% equity interest is held by the wholly owned subsidiary Pilbara Minerals Korea JV Pty Ltd ("**PMK JV**"). Under the terms agreed with POSCO, PMK JV has the ability to increase its shareholding to 30% through the exercise of a Call Option (refer note 3.2.1).

The Company's 18% ownership interest in JV Co was funded by a five-year \$79,603,000 Convertible Bond issued to POSCO. In accordance with the Convertible Bond Agreement, Pilbara Minerals Limited has issued 79,603,050 convertible bonds at a face value of \$79,603,050 to POSCO's wholly owned Australian subsidiary POS-LT Pty Ltd. The proceeds received by Pilbara Minerals Limited were applied to funding PMK JV's 18% equity contribution to JV Co (\$75,675,000). The key terms of the convertible bonds are:

- term of 5 years;
- convertible to ordinary shares in Pilbara Minerals Limited at the Company's election at any time upon notice being provided;
- convertible at a conversion price that is 92.5% of a VWAP of Pilbara Minerals Limited share price at the time of conversion; and
- interest at 1.5% above the RBA interbank overnight cash rate, which interest accumulates and is payable on redemption or conversion of the Convertible Bonds.

As part of the arrangements agreed with POSCO, the Company entered into an Offtake Agreement to supply up to 315ktpa of spodumene concentrate to JV Co at market pricing for the lesser of 20 years and the life of the Pilgangoora Project.

The following table summarises the financial information on the carrying amount of the Group's interest in JV Co.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

	2022 \$'000	2021 \$'000
Percentage ownership interest	18%	-
Current assets	327,558	-
Non-current assets	105,461	-
Current liabilities	(3,411)	-
Non-current liabilities	(1,438)	-
Net assets (100%)	428,170	-
Group's share of net assets (18%)	77,071	-
Feasibility costs capitalised	523	-
Carrying amount of interest in joint venture	77,594	-
Translation reserve	1,188	-
Revenue	3,088	-
Cost of goods sold	(2,721)	-
Gross profit	367	-
Sales and general administrative expenses	(575)	-
Net financing costs	1,365	-
Net profit (100%)	1,157	-
Group's share of profit (18%)	208	-

The carrying amount of the equity accounted investment is as follows:

	2022 \$'000	2021 \$'000
Initial recognition of equity accounted investment	75,675	-
Foreign currency differences through translation reserve	1,188	-
Share of profit - equity accounted investee	208	-
Feasibility costs capitalised	523	-
Carrying amount at 30 June	77,594	-

Since formation of the joint venture, foreign currency translation difference of \$1,188,000 were recognised in other comprehensive income and accumulated in the foreign currency translation reserve during the year.

## 3.2.1 Financial Asset

Under the terms of the Shareholders Deed executed with POSCO, the Company was granted certain protection mechanisms in the form of the four (4) options described below. In accordance with AASB 9 Financial Instruments, these options are classified as financial instruments and measured at fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Financial assets - Carrying Value

Call Option (A) - fair value through profit and loss

	2022 \$'000	2021 \$'000
	1,953	-
	1,953	-

- Call Option (A) - allows Pilbara Minerals to increase its ownership interest in the JV from 18% to 30%. The Call Option is exercisable at any time up until 18 months following the successful ramp up to 90% of nameplate capacity of the Conversion Facility. Call Option (A) can be exercised at cost (being the original subscription price) (plus 3.58% interest per annum) up until the date the Conversion Facility receives independent battery certification from tier 1 battery producers, and thereafter at fair value.

In the event there are significant cost overruns prior to ramp up of the Conversion Facility which are not capable of being debt financed by the JV Co (up to a maximum gearing limit of 65%), then there is no obligation on either JV party to contribute additional equity to fund such overruns. While there is no obligation to do so, should POSCO decide to contribute additional equity to fund such cost overruns, then the Company can choose to elect to dilute and defer its decision whether or not to contribute its share of equity contribution until 18 months after the successful ramp up of the Conversion Facility. The following options are built into the Shareholders Deed to provide protection for the Company:

- Call Option (B) – this option allows the Company to return its ownership interest to 18% where it has decided not to contribute to cost overruns and therefore elected to dilute its interest in JV Co. This Call Option (B) can be exercised up to 18 months after the successful ramp up of the Conversion Facility at the same valuation that was applied for the equity subscription for the cost overrun.
- Put Option (C) – this option allows the Company to exit the JV by selling all of its shares in JV Co to POSCO at the original cost, where there are significant cost overruns during the construction and ramp up of the Conversion Plant.
- Milestone Put Option (D) – this option allows the Company to exit the JV and sell all of its shares in JV Co to POSCO at the original cost where the Conversion Plant is delayed in achieving successful ramp up including achievement of certain milestones related to nameplate capacity parameters, product quality specifications or unit operating costs.

The Company has used the Black Scholes option pricing model to measure the fair value of the financial instruments. The inputs into the Black Scholes valuation include expected volatility, expected life and risk free interest rate. The value of these inputs at the reporting date are shown in the table below.

In undertaking the valuations, the Company has exercised judgement for Options C and D when estimating the probability that the options will be exercised. At the reporting date, this probability was considered to be low given site development of the Conversion Facility had only just commenced. This probability is applied to the Black Scholes value to arrive at a final valuation at the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

	Call Option (A)	Call Option (B) <sup>1</sup>	Put Option (C)	Milestone Put Option (D)
Expected volatility	80%	80%	80%	80%
Expected life	2.5 years	-	3.10 years	4.8 years
Risk free interest rate	3.33%	-	3.33%	3.66%
Valuation (\$000)	\$1,953	\$-	\$-	\$-

<sup>1</sup>This option will only be valued in the event a cost overrun occurs.

## 3.3 Exploration and Evaluation Expenditure

Accounting policy
Refer to note 2.2.1 for the Group's exploration and evaluation expenditure policy.

### 3.3.1 Exploration and evaluation assets

	2022 \$'000	2021 \$'000
Costs carried forward in relation to areas of interest in the exploration and evaluation phase	9,289	9,781
<u>Reconciliations: Exploration and evaluation phase</u>		
Carrying amount at the beginning of the year	9,781	6,401
Acquisitions through business combinations (note 6.3.3)	-	3,380
Impairment (note 2.2.1)	(492)	-
Carrying amount at the end of the year	9,289	9,781

### 3.3.2 Exploration licence expenditure commitments

The Group has minimum exploration licence commitments as follows:

	2022 \$'000	2021 \$'000
Within one year	1,313	988
Later than one year but less than five years	3,335	2,331
Greater than five years	4,622	3,228



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 3.4 Provisions

Accounting policy	
<b>Provisions</b>	<p>Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.</p> <p>Provisions are determined by discounting the long-term 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.</p>
<b>Mine Rehabilitation</b>	<p>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.</p> <p>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.</p>
<i>Key estimates and judgements</i>	<p>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.</p>
<b>Employee leave benefits</b>	<p>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.</p> <p>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.</p>

	2022 \$'000	2021 \$'000
<b>Current – Provisions</b>		
Employee leave benefits	3,494	2,082
	<b>3,494</b>	<b>2,082</b>
<b>Non-Current – Provisions</b>		
Employee leave benefits	585	326
Mine rehabilitation provision	37,665	35,122
	<b>38,250</b>	<b>35,448</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Rehabilitation and mine closure costs:

	2022 \$'000	2021 \$'000
Opening balance 1 July	35,122	16,847
Unwinding of discount rate	592	328
Additions recognised through business combinations	-	14,618
Adjustments to provision estimates:		
Recognised as adjustment to property plant and equipment (note 3.1)	1,951	3,329
Carrying amount at year end	37,665	35,122

## Employee leave benefits movements:

	2022 \$'000	2021 \$'000
Opening balance 1 July	2,408	1,593
Net additional provisions recognised	1,671	815
Carrying amount at year end	4,079	2,408

## 3.5 Other Liabilities

### Accounting policy

Variable deferred consideration is initially valued at fair value at the acquisition date as part of the business combination. The variable deferred consideration meets the definition of a financial liability, and it is subsequently remeasured at fair value at each reporting date. The determination of the fair value is based on the Black Scholes option pricing methodology.

### Current

	2022 \$'000	2021 \$'000
Variable deferred consideration	-	100,004
	-	100,004

### Movements:

Opening balance 1 July	100,004	-
Additions recognised upon business acquisition	-	87,405
Fair value movements recognised through profit and loss (note 2.3)	37,212	12,599
Settlement following issue of Company shares (note 5.1.1)	(137,216)	-
	-	100,004

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Variable deferred consideration relates to the acquisition during the previous financial year of Ngungaju Lithium Operations Pty Ltd (formerly Altura Lithium Operations Pty Ltd). At the time of the acquisition, the variable deferred consideration represented 68.8M new shares in Pilbara Minerals Limited which could be settled in cash or shares (at the Company's election) up to 12 months after the completion date of 20 January 2021. In August 2021 the Company agreed to the early settlement of the deferred consideration through the issue of new shares, including a ~5% discount to the 68.8M shares originally agreed in consideration of early settlement. The resulting 65.34M shares were issued in two equal tranches in August 2021 and October 2021. During the year and prior to settlement, the fair value of the deferred consideration increased by \$37,212,000 to \$137,216,000, following increases in the Company share price prior to settlement of each of the two tranches.

Further details relating to the variable deferred consideration offered as part of the acquisition of Altura Lithium Operations Pty Ltd are contained in note 6.3.3.

## 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.

#### 4.1.1 Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Bank balances	84,821	20,733
Call / term deposits	506,918	78,979
	591,739	99,712

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 4.1.2 Reconciliation of cash flows from operating activities

### 4.1.2 Cash flows from operating activities

	2022 \$'000	2021 \$'000
Profit/(loss) for the period	561,825	(51,448)
Adjustments for:		
- Income tax expense	163,194	-
- Depreciation and amortisation expense	44,883	26,630
- Profit on sale of property, plant and equipment	(776)	(96)
- Net financing costs	16,426	13,735
- Deferred consideration fair value movement	37,212	12,599
- Call premium on redemption of borrowings	-	5,948
- Feasibility and development study costs written down	4,054	-
- Impairment of deferred exploration and evaluation	492	-
- Unrealised foreign currency loss/(gain)	11,924	(4,049)
- Share based payment expense	5,178	5,232
- Share of profits equity accounted investee	(208)	-
- Business combination acquisition costs (note 6.3.3)	(990)	17,120
Operating profit before changes in working capital and provisions	843,214	25,671
Change in trade and other receivables	(273,349)	(21,562)
Change in trade and other payables	106,757	18,177
Change in provisions	1,671	883
Change in inventories	(30,686)	(4,393)
Net cash from operating activities	647,607	18,776

## 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.

### Current

	2022 \$'000	2021 \$'000
Trade debtors	288,515	20,785
Goods and services tax receivable	5,476	2,207
Security deposits	135	135
Prepayments	3,652	1,415
Other receivables	1,367	1,164
	299,145	25,706

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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.

	2022	2021
	\$'000	\$'000
<b>Current</b>		
Finished goods	24,096	9,589
Work-in-progress <sup>1</sup>	21,087	11,084
Consumables	24,124	17,948
	<b>69,307</b>	<b>38,621</b>

Inventory is held at cost, except for certain stockpiles held at fair value that were acquired as part of the acquisition of Ngungaju Lithium Operations Pty Ltd (formerly Altura Lithium Operations Pty Ltd).

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

## 4.4 Trade and Other Payables

### Accounting policy

#### Trade payables

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

#### Contract Liabilities

A contract liability is the obligation to transfer goods to a customer when the Group has received prepaid consideration from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made. Contract liabilities that are not linked to a specific sales agreement but generally to an offtake agreement are a financial liability initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method with movements recognised in net financing costs. The value of goods transferred to the customer reduces the contract liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Current – Trade and other payables

	2022 \$'000	2021 \$'000
Trade payables	44,716	14,694
State royalty relief payable <sup>1</sup>	-	583
Accruals	124,839	35,311
Contract liabilities <sup>2</sup>	6,860	2,345
Unearned revenue	7,675	1,239
Other payables	65	350
	<b>184,155</b>	<b>54,522</b>

## Non-Current – Trade and other payables

	2022 \$'000	2021 \$'000
Contract liabilities <sup>2</sup>	10,929	15,482
State royalty relief payable <sup>1</sup>	-	972
	<b>10,929</b>	<b>16,454</b>

<sup>1</sup> In December 2020 the Western Australian Government granted temporary royalty relief to spodumene concentrate producers in the form of a 12 month assistance scheme. Royalty payments that qualified for the scheme were deferred and repayable in equal instalments over a 2-year period from December 2021. During December 2021, the Company repaid all royalty relief received.

<sup>2</sup> Contract liabilities represent the customer prepayment received from Yibin Tianyi Lithium Industry Co Ltd in March 2021. The unsecured prepayment was provided to partially fund the Pilgan Improvement Works and secures additional offtake under an existing agreement (up to 40,000tpa of spodumene concentrate) generated by the increased production capacity. The interest free prepayment will be repaid over a three-year period from January 2022 through sales of spodumene concentrate under the offtake agreement. The prepayment is a financial liability initially measured at fair value and subsequently measured at amortised cost with a loss of \$981,000 (FY2021: gain \$2,125,000) recognised in net financing costs.

## 4.5 Financial liability

### Current – Financial liability

	2022 \$'000	2021 \$'000
Forward foreign currency contracts	3,782	-
	<b>3,782</b>	<b>-</b>

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 5.1.1 Ordinary shares

	2022		2021	
	\$'000	Number ('000)	\$'000	Number ('000)
Fully paid ordinary shares	965,078	2,976,848	821,391	2,898,982
Total share capital on issue at 30 June	965,078	2,976,848	821,391	2,898,982
Movements in ordinary shares on issue:				
On issue at 1 July	821,391	2,898,982	587,329	2,224,737
Shares issued during the period:				
Issued for cash	-	-	240,156	667,099
Issued as consideration for business combination (note 3.5)	137,216	65,341	-	-
Exercise of options/vesting of performance rights	3,564	12,525	2,206	7,146
Share issue costs (net of tax)	2,907	-	(8,300)	-
On issue at 30 June	965,078	2,976,848	821,391	2,898,982

During the previous year, the Company completed equity raisings to fund the acquisition of Altura Lithium Operations Pty Ltd (renamed Ngungaju Lithium Operations Pty Ltd). The raisings included a private placement (\$118,897,000), an institutional entitlement offer (\$60,695,000) and a retail entitlement offer (\$60,564,000) which resulted in the issue of 667.1M ordinary shares at a share issue price of \$0.36 to raise \$240,156,000. The consideration paid also included a deferred component which the Company elected to settle by the issue of ordinary shares. At 30 June 2021, this deferred consideration represented 68.8M shares with a fair value of \$100,000,000.

In August 2021, the Company agreed to settle the deferred consideration component of the Altura Lithium Operations Pty Ltd acquisition in shares, including a ~5% discount to the 68.8M shares originally agreed to be issued. The 65.34M shares were issued in two equal tranches in August 2021 and October 2021 following shareholder approvals. Prior to settlement, the fair value of the deferred consideration had increased by \$37,216,000 as a result of increases in the Company's share price.

### 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

	2022	2021
	\$'000	\$'000
Share-based payment reserve	8,370	7,246
Foreign currency translation reserve	1,188	-
	9,558	7,246

During the year a profit reserve was established in Pilgangoora Operations Pty Ltd, a wholly owned controlled entity. The profit reserve represents profits transferred to a separate reserve to preserve

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

their profit character for tax purposes.

	2022 \$'000	2021 \$'000
Movements in foreign currency translation reserve		
Balance at 1 July	-	-
Transfer to foreign currency translation reserve	1,188	-
Balance at reporting date	1,188	-

Foreign currency differences of \$1,188,000 arising for the translation of the foreign equity accounted investment were recognised in other comprehensive income and accumulated in the foreign currency translation reserve during the year (refer 3.2).

	2022 \$'000	2021 \$'000
Movements in share-based payment reserve:		
Balance at 1 July	7,246	3,850
Share based payment expense following issue of options and performance rights	4,582	5,106
Performance rights issued for shares transferred to issued capital	-	(449)
Tax benefit on equity awards issued via share trust	6,499	-
Transfer to retained earnings/(accumulated losses) following exercise or forfeiture of options/ performance rights	(9,957)	(1,261)
Balance at reporting date	8,370	7,246

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, including their associated impact on the share-based payment reserve are as follows:

No. of options**	Grant date (valuation purposes)*	Share price on date of grant	Exercise price	Expiry date	Valuation (cents per option)
246,663	16-Nov-21	\$2.40	\$1.404	31-Dec-25	\$1.589
246,663	16-Nov-21	\$2.40	\$1.404	31-Dec-25	\$1.631
250,725	02-Dec-21	\$2.54	\$1.404	31-Dec-25	\$1.750
250,725	02-Dec-21	\$2.54	\$1.404	31-Dec-25	\$1.748

\* 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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:

	2022	2021
Expected volatility (weighted average)	75%	80%
Expected life (weighted average)	4.1 years	4.5 years
Risk free interest rate (based on government bonds) (weighted average)	1.345% to 1.44%	0.11% to 0.115%

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	Vesting date	Valuation (dollar per option)
90,718	01-Sep-21	\$2.220	31-Aug-22	\$1.450
90,718	01-Sep-21	\$2.220	31-Aug-22	\$3.200
151,342	16-Nov-21	\$2.400	30-Jun-24	\$1.688
151,342	16-Nov-21	\$2.400	30-Jun-24	\$2.400
14,191	01-Dec-21	\$2.600	28-Feb-22	\$2.321
14,191	01-Dec-21	\$2.600	31-May-22	\$2.325
14,191	01-Dec-21	\$2.600	31-Aug-22	\$2.323
14,192	01-Dec-21	\$2.600	30-Nov-22	\$2.322
589,015	02-Dec-21	\$2.540	30-Jun-24	\$1.738
589,015	02-Dec-21	\$2.540	30-Jun-24	\$2.540
23,485	21-Jan-22	\$3.560	21-Jan-22	\$3.560

\* 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

The key inputs used in the measurement of the fair values at grant date of the performance rights were as follows:

		Expected volatility	Expected life	Risk free interest rate (based on government bonds)
		Weighted average		
<b>2022</b>	01-Sep-21	75%	1.00 year	0.010%
	16-Nov-21	75%	4.13 years	1.015%
	01-Dec-21	75%	0.21 to 0.96 years	0.525%
	02-Dec-21	75%	4.08 years	0.935%
<b>2021</b>	30-Apr-20	80%	0.25 years	0.220%
	17-Jun-20	80%	0.08 to 0.50 years	0.270%
	17-Nov-20	80%	2.62 years	0.110%
	01-Dec-20	80%	2.58 years	0.115%
	14-Dec-20	80%	0.21 to 0.96 years	0.110%
	22-Apr-21	80%	1.94 years	0.07% and 0.10%

## 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 Award Plan. As at 30 June 2022 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.

#### **Lease liabilities**

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments and this initial value reflects the lease asset value. The lease payments include the present value of fixed payments prescribed in the contract;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Accounting policy

variable lease payments based on an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and exercise price of any purchase option if it is reasonably certain that the option will be exercised. 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.

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

	2022 \$'000	2021 \$'000
<b>Current</b>		
Lease liability	25,285	13,344
Secured debt (US\$ denominated facility)	30,483	-
<b>Total borrowings - current</b>	<b>55,768</b>	<b>13,344</b>
<b>Non-Current</b>		
Lease liability	31,969	12,413
Secured debt (US\$ denominated facility)	124,901	141,208
Convertible bonds	79,326	-
<b>Total borrowings - non-current</b>	<b>236,196</b>	<b>153,621</b>

During November 2021, the Company increased its Secured Debt Facility with existing lenders by US\$20,000,000 to US\$130,000,000 to support the restart of the Ngungaju operations. This debt was drawn down in December 2021. As part of the arrangement, the BNP Paribas working capital facility was also increased by US\$10,000,000 to US\$25,000,000 and this facility extended to November 2023. As at June 2022 the working capital facility remains undrawn.

The Secured Debt Facility includes a cash sweep mechanism whereby the Company is required to make mandatory repayments in the event excess cash flows after debt service are generated. During the year the Company repaid \$27,208,000 of the Secured Debt Facility as a result of the cash sweep mechanism. In May 2022 the secured lenders agreed to formally waive the cash sweep mechanism for the remainder of the 2022 calendar year.

In April 2022, the Company issued 79,603,050 convertible bonds in favour of POSCO's wholly owned Australian subsidiary, POS-LT Pty Ltd pursuant to the Convertible Bond Deed (see note 3.2) with proceeds applied to funding the Company's 18% equity interest in the downstream joint venture with POSCO in South Korea.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 5.2.1 Leases

At 30 June 2022 the Company has various right-of-use leased assets under agreements expiring in the next five years. During the year the following payments associated with leases have been made:

	2022 \$'000	2021 \$'000
Principal lease repayments	21,932	17,211
Interest payments on leases (note 2.3)	3,207	2,435
Payments for short-term and low value leases	1,725	402
	<b>26,864</b>	<b>20,048</b>

## 5.2.2 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2022		2021	
				Face value	Carrying	Face value	Carrying
				\$'000	\$'000	\$'000	\$'000
Leases	AUD	3.50% - 10.17%	2023-2027	57,254	57,254	25,757	25,757
Secured debt	USD	5.34%	2025	159,822	155,384	146,315	141,208
Convertible bond	AUD	2.35%	2027	79,882	79,326	-	-

## 5.2.3 Changes in liabilities arising from financing activities

	1 July 2021 \$'000	Net cash flows \$'000	Amortisation and foreign exchange movement \$'000	Net lease additions and remeasure \$'000	30 June 2022 \$'000
Lease liabilities	25,757	(21,932)	-	53,429	57,254
Secured USD debt	141,208	(334)	14,510	-	155,384
Convertible bond	-	79,326	-	-	79,326
	<b>166,965</b>	<b>57,060</b>	<b>14,510</b>	<b>53,429</b>	<b>291,964</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 5.2.4 USD Syndicated Debt Facility, AUD Convertible Bond and USD Secured Bond

### USD Syndicated Debt Facility

The carrying amount of the USD syndicated debt facility since inception is as follows:

	2022 \$'000	2021 \$'000
Debt facility proceeds at inception	155,785	155,785
Drawn down	27,651	-
Principal debt repayments (cash sweep)	(27,208)	-
Unrealised foreign exchange loss/(gain) <sup>1</sup>	3,594	(9,470)
Debt proceeds at balance date	159,822	146,315
Directly attributable transaction costs	(6,926)	(6,149)
Amortisation of transaction costs	2,488	1,042
Carrying amount at 30 June	155,384	141,208

<sup>1</sup> The value of the USD secured debt is required to be re-stated at the end of each financial period utilising the closing AUD:USD foreign exchange rate. The AUD:USD foreign exchange rate at 30 June 2022 is 0.6889 (30 June 2021: 0.7518). The AUD:USD foreign exchange rate on the date of debt drawdown was 0.7061.

### AUD Convertible Bond

The carrying amount of the AUD Convertible Bonds since inception is as follows:

	2022 \$'000	2021 \$'000
Debt proceeds at inception	79,603	-
Directly attributable transaction costs	(556)	-
Capitalised interest expense	279	-
Carrying amount at 30 June	79,326	-

Pilbara Mineral's initial 18% interest in the equity accounted investment in the incorporated joint venture with POSCO was funded from the \$79,603,000, five-year Convertible Bonds provided by POSCO (see note 3.2).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## USD Secured Bond

In September 2020 the USD Nordic Bond was fully repaid following a successful refinance. The movement in the borrowings and finance carrying amounts in relation to the Nordic Bond is outlined below:

	2022 \$'000	2021 \$'000
Bond proceeds at inception	-	132,310
Principal repayment	-	(141,528)
Realised foreign exchange loss from inception	-	9,218
Bond proceeds at 30 June	-	-
Directly attributable transaction costs	-	(6,036)
Amortisation of transaction costs	-	6,036
Carrying amount at 30 June	-	-

## 5.2.5 Compliance with loan covenants

The Group has complied with the financial covenants under its borrowing facilities during the year.

Under the terms of the US\$130,000,000 syndicated senior debt facility the Company is required to maintain a minimum liquidity position of A\$20,000,000 at all times as well as comply with the following financial covenants each quarter from and after the September 2022 quarter:

- debt service cover ratio (DSCR) not less than 1.15:1;
- loan life cover ratio (LLCR) not less than 1.25:1; and
- reserve tail ratio not less than 25%.

Equity cure rights are available for any default, which can be applied a maximum number of 3 times over the loan, but not in consecutive quarters.

During the year the Company repaid \$27,208,000 of the Secured Debt Facility as a result of the cash sweep mechanism. In May 2022 the secured lenders agreed to formally waive the cash sweep mechanism for the remainder of the 2022 calendar year.

## 5.2.6 Working capital facility

During the year, the working capital facility was increased by US\$10,000,000 to US\$25,000,000 and the facility extended to November 2023. As at 30 June 2022 the working capital facility remains undrawn.

## 5.3 Deed of Cross Guarantee

Pilbara Minerals Limited and certain of its wholly owned subsidiaries (refer note 6.3.2) are parties to a deed of cross guarantee 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)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The companies represent a 'closed group' for the purposes of the class order. The Group entities that are not part of the closed group are Tabba Tabba Tantalum Pty Ltd, Pilbara Lithium Pty Ltd, Mt Francisco Operations Pty Ltd and Pilbara Minerals Korea JV Pty Ltd. Collectively these entities have net assets of \$246,000 comprised of equity accounted investments (\$77,594,000), financial assets (\$1,953,000), cash and other receivables (\$190,000) and intergroup loans payable (\$79,492,000).

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## Accounting policy

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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 allowance 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.

	2022 \$'000	2021 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	591,739	99,712
Trade and other receivables	299,145	25,706
Financial assets	1,953	-
<b>Total financial assets</b>	<b>892,837</b>	<b>125,418</b>
<b>Financial liabilities</b>		
Trade and other payables	177,295	52,937
Forward foreign currency contracts	3,782	-
Contract liabilities	17,789	17,827
Borrowings	291,964	166,965
Variable deferred consideration	-	100,004
<b>Total financial liabilities</b>	<b>490,830</b>	<b>337,733</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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 a customer or counterparty 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 predominately mitigated by sales contracts that require a provisional payment of typically 100 per cent of the provisional value of the sale which is payable by letter of credit when the vessel is loaded. The customer contract also specifies the Standard and Poor's rating required by financial institutions providing the letters of credit as a further measure. Following the spodumene concentrate shipment the final value of the sale is determined, with any additional amounts not covered by a letter of credit arrangement and subject to credit risk invoiced to the customer.

The trade and other receivables balance consist of 96% of trade receivables (2021: 81%) and 2% of receivables from the Australian Tax Office for goods and services tax refund (2021: 9%).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 6.1.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group also manages liquidity risk by producing cash flow forecasts to ensure that there is a clear and up-to-date view of the short to medium term funding requirements and the possible sources of those funds. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount \$'000	Contractual cashflows				
		Total \$'000	Six months or less \$'000	Six to 12 months \$'000	One to two years \$'000	Two to five years \$'000
<b>30 June 2022</b>						
<b>Financial liabilities</b>						
Lease liability	57,254	63,779	15,868	13,065	19,162	15,684
Secured debt	155,384	178,217	18,777	19,769	45,447	94,224
Trade and other payables	177,295	177,295	177,295	-	-	-
Contract liabilities	17,789	19,023	3,668	3,668	11,687	-
Forward foreign currency contracts	3,782	3,782	3,782	-	-	-
Convertible bond	79,326	93,393	-	-	-	93,393
	490,830	535,489	219,390	36,502	76,296	203,301
<b>30 June 2021</b>						
<b>Financial liabilities</b>						
Lease liability	25,757	29,863	9,533	5,171	9,452	5,707
Secured debt	141,208	169,757	3,603	3,544	34,595	128,015
Trade and other payables	52,937	52,937	52,937	-	-	-
Contract liabilities	17,827	19,230	243	3,165	6,207	9,615
Variable deferred consideration <sup>1</sup>	100,004	100,004	-	100,004	-	-
	337,733	371,791	66,316	111,884	50,254	143,337

1. Variable deferred consideration related to the acquisition of Altura Lithium Operations Pty Ltd which was settled in shares during the year (refer to Note 5.1.1).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 concentrate and tantalum concentrate to offshore customers with the sales proceeds denominated in US dollars.

## a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group's functional currency. To manage and mitigate the foreign exchange risk the Group manages future commercial transactions through cash flow management and forecasting. In addition, the Group enters into forward exchange contracts to buy and sell foreign currencies at stipulated exchange rates to match to anticipated future sales and contracts.

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:

	2022 US\$'000	2021 US\$'000
Cash and cash equivalents	240,157	15,546
Contract liabilities	12,255	15,000
Borrowings	110,102	110,000
Trade receivables	198,639	15,236
Trade and other payables	16,574	1,879

The year-end exchange rate used to recalculate the US\$ dominated balances on 30 June 2022 was 0.6889 (2021: exchange rate of 0.7518).

### Group sensitivity

Based on financial instruments held at 30 June 2022, had the Australian dollar strengthened/weakened by 10% against the US dollar, with all other variables held constant, the Group's profit for the year would have been \$48,364,000 higher/\$39,571,000 lower (2021: \$11,620,000 higher/\$14,203,000 lower), as a result of foreign exchange gains/losses on translation of US dollar denominated cash, payables, receivables and borrowings.

## b) Interest Rate Risk

Interest rate risk arises from the Group's cash and cash equivalents earning interest at variable rates and from any variable portion of its loans and borrowings.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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:

	2022 Weighted average interest rate	2022 Balance \$'000	2021 Weighted average interest rate	2021 Balance \$'000
Cash and cash equivalents	1.66%	591,739	0.15%	99,712
Secured USD debt	5.34%	155,384	4.80%	141,208
Convertible bond	1.60%	79,326	-	-

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

The US\$130,000,000 syndicated secured debt facility comprises of a fixed interest portion and a portion that is LIBOR plus a fixed margin.

### Group sensitivity

Based on the financial instruments at 30 June 2022, 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 \$1,410,000 lower/\$1,410,000 higher (2021: \$5,000 lower/\$5,000 higher based on a 200 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. The Group's exposure to interest rate on financial assets and financial liabilities are detailed above in the liquidity risk management section of this note.

### 6.1.6 Fair values

The following table shows the carrying value of financial liabilities and their levels in the fair value hierarchy.

The carrying value of cash and cash equivalents, other receivables, trade creditors, other creditors and accruals are not included in the table below as their carrying value is considered to be a reasonable approximation of fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Financial assets - Carrying Value</b>			
Call Option (A) - fair value through profit and loss	3.2.1	1,953	-
		1,953	-

	Note	2022 \$'000	2021 \$'000
<b>Financial liabilities - Carrying Value</b>			
Variable deferred consideration - FVTPL	3.5	-	100,004
		-	100,004

## 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	Resigned
Ken Brinsden	Managing Director and CEO	18 January 2016	30 July 2022
Anthony Kiernan	Non-Executive Chair	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	
Miriam Stanborough	Non-Executive Director	4 October 2021	
Alex Eastwood	Chief Commercial and Legal Officer and Company Secretary	1 September 2016	
Brian Lynn	Chief Financial Officer	22 June 2016	
Dale Henderson	Project Director Chief Operating Officer Managing Director and CEO	4 September 2017 5 March 2018 30 July 2022	

Key management personnel compensation comprised the following:

	2022 \$	2021 \$
Short term employee benefits	3,673,174	3,462,976
Post-employment benefits	162,553	129,935
Share-based payments (non-cash)	2,066,126	2,877,390
	5,901,853	6,470,301

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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.

## 6.2.2 Other related parties

During the year, the Company formed an incorporated joint venture with POSCO Holdings (POSCO) named 'POSCO-Pilbara Minerals Lithium Solution Co Ltd' ("**JV Co**"). The Company holds an 18% equity in JV Co through its wholly owned subsidiary Pilbara Minerals Korea JV Pty Ltd. Further information, including transactions during the year is disclosed in note 3.2.

## 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	2022	2021	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
Pilbara Minerals Korea JV Pty Ltd <sup>1</sup>	Australia	100%	100%	No
Mt Francisco Operations Pty Ltd	Australia	100%	100%	No
Ngungaju Lithium Operations Pty Ltd <sup>2</sup>	Australia	100%	100%	Yes

<sup>1</sup> Formerly Pippingarra Road Logistics Pty Ltd.

<sup>2</sup> Formerly Altura Lithium Operations Pty Ltd acquired effective 20 January 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 6.3.3 Subsidiary acquisition

### Accounting policy

#### **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 and loss.

Any deferred consideration is measured at fair value at the date of acquisition. If the deferred obligation meets the definition of financial instrument, then it is classified as a liability and any changes in the fair value prior to settlement is accounted for in the profit and 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.

The measurement period for acquisition accounting associated with business combinations allows a 12 month measurement period where the Group can make retrospective adjustments to the acquisition accounting if it obtains new information about facts and circumstances that existed at the acquisition date.

During the prior year the Company completed the acquisition of Ngungaju Lithium Operations Pty Ltd (formerly Altura Lithium Operations Pty Ltd) on 20 January 2021. The total purchase consideration of \$294,130,000 comprised an upfront cash payment US\$155,000,000 (A\$200,725,000) at completion, a Deed of Company Arrangement (DOCA) contribution of A\$6,000,000, and a variable deferred consideration component (\$87,405,000). The fair value of the deferred consideration was estimated to be \$100,000,000 as at 30 June 2021.

The purchase consideration was equal to the fair value of the net assets acquired and the Company recorded no goodwill or discount on acquisition as a result of the acquisition.

#### **Variable deferred consideration**

The variable deferred consideration consisted of an option for the Company to settle it in cash or shares (at the Company's election) up to 12 months after the completion date of 20 January 2021. The deferred consideration represented 68.8M shares in Pilbara Minerals Limited and represented a value of A\$28,035,000 at the time the Implementation Agreement was signed on 22 October 2020 using a deemed share price of A\$0.4072 per share.

At the date of completion of the acquisition the fair value of the deferred consideration increased to \$87,405,000 (valued under the Black Scholes option pricing model). The fair value of the deferred consideration then increased to \$100,000,000 by 30 June 2021, with this fair value movement of \$12,599,000 being recognised through profit and loss.

During the current year the Company agreed to settle the deferred consideration early by issuing new shares, including a ~5% discount to the 68.8M shares originally agreed to be issued. The resulting 65.34M shares were issued during the year in two equal tranches in August 2021 and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

October 2021 following shareholder approvals. The fair value of the deferred consideration increased by a further \$37,212,000 to \$137,212,000 by the time this settlement of each of the two tranches had taken place, as a result of increases in the Company share price. This fair value increase of \$37,212,000 is recognised in the Statement of Profit and Loss and Other Comprehensive Income for the year ending 30 June 2022.

## 6.4 Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2022, 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.

	2022 \$'000	2021 \$'000
<b>Results of the parent entity</b>		
Loss for the period	(97,585)	(25,237)
Total comprehensive loss for the period	(97,585)	(25,237)
<b>Financial position of the parent entity at year end</b>		
Current assets	72,784	73,872
Total assets	1,004,492	706,884
Current liabilities	114,773	6,914
Total liabilities	260,778	7,753
<b>Total equity of the parent comprising of:</b>		
Share capital	965,078	821,391
Share-based payment reserve	8,370	7,246
Accumulated losses	(229,734)	(129,506)
<b>Total equity</b>	<b>743,714</b>	<b>699,131</b>

## 6.5 Subsequent Events

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 2022

## 5.6 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:

	2022 \$	2021 \$
Audit services – KPMG	255,540	234,547
Non-audit services – KPMG	-	15,525
Total auditor's remuneration – KPMG	255,540	250,072

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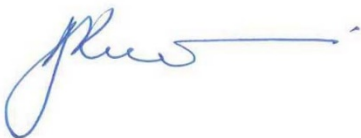


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## DIRECTORS' DECLARATION

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 55 to 109, and the Remuneration Report contained within the Directors' Report are in accordance with the *Corporations Act 2001*, including:
    - (i) complying with Accounting Standards, 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 2022 and of its performance for the financial year ended on that date.
  - (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 2022.

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



Anthony Kiernan AM  
**Chair**

22<sup>nd</sup> August 2022

# 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 2022 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 2022;
- 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; and
- Directors' Declaration.

The **Group** consists of 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 these requirements.

### Key Audit Matters

The **Key Audit Matter** we identified is:

- Equity Accounted Investments.

**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.

Equity Accounted Investments (\$77,594,000)	
Refer to 3.2 to the financial report	
The key audit matter	How the matter was addressed in our audit
<p>On 13 April 2022, the Group acquired an 18% investment in an incorporated joint venture named POSCO-Pilbara Minerals Lithium Solution Co Ltd (JV Co). Consideration of \$75.675 million was paid resulting in the recognition of an Equity Accounted Investment. The Group also issued convertible notes valued at \$79.603 million. As part of the transaction the Group was granted certain protection mechanisms in the form of options.</p> <p>These transactions are considered to be a key audit matter due to the size of the investment and consequently required significant audit effort and senior team involvement.</p> <p>Significant judgement was required by us in assessing the Group's:</p> <ul style="list-style-type: none"> <li>• Determination of significant influence of the group over the JV Co;</li> <li>• Estimate of the fair value of derivative assets associated with the investment, and</li> <li>• Assessment of financial liability associated with the convertible notes issued to fund the investment.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We evaluated the equity accounted investment accounting by the Group against the requirements of the accounting standards.</li> <li>• We read the underlying transaction documents to understand the terms of the investment and the nature of each parties rights and obligations.</li> <li>• We assessed the accuracy of the calculation and measurement of consideration paid to acquire JV Co based on the underlying transactions agreements.</li> <li>• We challenged the assumptions associated with derivatives acquired that form the basis for the calculation of the fair value of the derivatives, including: <ul style="list-style-type: none"> <li>• Working with our financial risk management specialists to assess the reasonableness of the valuation methodology utilised by the Group;</li> <li>• Assessing the reasonability of assumptions and consistency of application to the project plans and current financial position of the JV Co; and</li> <li>• We assessed changes in forecasts between acquisition date and 30 June 2022.</li> </ul> </li> <li>• We assessed the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</li> </ul>

## Other Information

Other Information is financial and non-financial information in Pilbara Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's Report, Managing Director's Report, ASX Additional Information, 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](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 2022 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 Director's Report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Derek Meates  
Partner

Perth

22 August 2022

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