

# Offtake Pricing and Project Expansion Update

**CUSTOMER PRICE REVIEWS ACHIEVE IMPROVED PRICING OUTCOMES; P680 EXPANSION PROJECT SCHEDULE ON TRACK WITH REVISED CAPITAL COST ESTIMATE.**

## KEY POINTS

- Price reviews completed with major offtake customers, resulting in improved pricing outcomes, equating to an average SC6.0 equivalent price of approximately US\$6,300/DMT (CIF China) when applying current pricing reference data.
- P680 Expansion Project delivery schedule remains on target with the total capital cost estimate revised to ~A\$404M. The estimated capital cost to deliver an additional 100ktpa of spodumene concentrate by way of a new primary rejection heavy media separation circuit (**Primary Rejection**) has been revised to A\$150M, whilst the new integrated crushing and ore sorting (**Crushing and Ore Sorting**) facility which will support future expansions is now expected to cost A\$254M.
- The Primary Rejection facility remains on track for commissioning in the September 2023 Quarter, with the Company focused on delivering this additional 100ktpa of production capacity as rapidly as possible to take advantage of favourable market conditions. The Crushing and Ore Sorting facility also remains on track for commissioning in the December 2023 Quarter and will support future expansions at the Pilgan Plant which will ultimately deliver 1Mtpa of spodumene concentrate from the combined Pilgangoora operations.
- Pre-FID funding of \$38M for the P1000 Expansion Project approved by the Board to procure long-lead items and progress engineering to maintain the overall project schedule, with the Final Investment Decision for the P1000 Project now scheduled for the March 2023 Quarter.

Australian lithium producer Pilbara Minerals Limited (**Pilbara Minerals or the Company** – ASX: PLS) is pleased to provide an update following completion of price reviews with its major offtake customers, as well as an update on its expansion activities at the Pilgangoora Project.

## PRICING UPDATES

Pilbara Minerals has achieved a significant improvement in pricing outcomes with its major offtake customers, following completion of the price reviews foreshadowed in the Company's September 2022 Quarterly Activities Report. The revised offtake pricing applies for all shipments to the Company's major offtake customers falling within December 2022 and onwards.

Based on today's market pricing reference data, average pricing across major offtake customers would equate to approximately US\$6,300/DMT (CIF China) on an SC6.0 equivalent basis.

## P680 EXPANSION PROJECT UPDATE

The P680 Expansion Project has continued to progress with bulk earthworks for the Primary Rejection facility nearing completion and bulk earthworks for the Crushing and Ore Sorting package on track for completion in late January 2023. In addition, the majority of major equipment packages required for Primary Rejection have now been placed, along with some long-lead items in support of the Crushing and Sorting facility.

Pilbara Minerals remains on target to achieve the P680 Expansion Project schedule, which will likely see:

- the Primary Rejection facility commissioned in the September 2023 Quarter with full capacity targeted for the December 2023 quarter, resulting in an additional 100,000tpa of spodumene concentrate production from the Pilgan Plant (once ramp-up is complete); and
- the new company-owned Crushing and Ore Sorting facility commissioned during the December 2023 Quarter (with ramp-up scheduled for the March 2024 Quarter). This facility will be capable of processing up to 5Mtpa of ore at the Pilgan Plant, supporting further process improvements and concentrate quality. This facility is also critical to supporting future expansions at Pilgangoora that could ultimately deliver production of 1Mtpa of spodumene concentrate.

The Company remains focused on maintaining the delivery schedule for the P680 Project in order to capitalise on the strong lithium market dynamics.

Pilbara Minerals is now in final negotiations with its preferred tenderer for the remainder of the construction of the Primary Rejection facility. With the imminent award of this contract and the procurement and construction contracts awarded to date, some cost increases have either been incurred or are likely to crystallise shortly. As such, the Company has revised its capital cost estimate from the original Final Investment Decision (**FID**) estimate for both the Primary Rejection and Crushing and Ore Sorting facilities as displayed in Table 1 below.

**Table 1 - P680 Project revised capital estimate**

Area	Capital (A\$M) <sup>1</sup>	Revised Capital A\$M
Primary Rejection	103.0	150
Crushing and Ore Sorting	194.5	254
<b>Total</b>	<b>297.5</b>	<b>404</b>

The changes in the capital cost estimates relate largely to increased cost of materials and equipment, acceleration costs to maintain the project delivery schedule, increased quantities of work as a result of engineering being further progressed, as well as additional trade labour hours being required for construction in the current labour market compared to the base estimates applied in the FID. Included in the revised capital cost estimates are allowances for growth and a contingency allowance of 8%.

<sup>1</sup> Original FID Capital estimate had been determined utilising a "Class 2 – Definitive Estimate" with an accuracy of -15% / +20%

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## P1000 EXPANSION PROJECT UPDATE

In support of its growth strategy, Pilbara Minerals has also been progressing the P1000 Expansion Project to increase total spodumene concentrate production capacity across the Pilgangoora Project to up to 1Mtpa.

Pilbara Minerals' Board has approved pre-FID funding of \$38.3M for the P1000 Expansion Project to ensure that the execution schedule is maintained. This spend will support front-end engineering design and procurement of long-lead equipment to support the delivery schedule for P1000.

Work on the P1000 Expansion Project feasibility study has progressed, including engineering and pricing estimations. As a result of the recent capital cost increase on the P680 Expansion Project, the Company now expects to consider a Final Investment Decision for the P1000 Expansion Project during the March 2023 Quarter.

Pilbara Minerals' Managing Director and CEO, Dale Henderson, said:

*"The revised pricing outcomes with our major offtake customers represent a very positive outcome for our shareholders, reflecting the strong market for lithium raw materials supply and bringing our contracted pricing in alignment with the broader market.*

*"The improved pricing outcomes are expected to further improve cash-flow generation from the Pilgangoora Project, helping the business to continue on its rapid growth trajectory into 2023 and beyond. Our strong balance sheet and the current cash-generating capacity of the Pilgangoora Project enables the Company to continue the timely delivery of the P680 project, notwithstanding the capital escalation.*

*"In the meantime, the Board's approval of the pre-FID funding for the P1000 Expansion Project enables us to progress delivery of the next expansion leg at Pilgangoora. The delivery of the P680 and P1000 expansion projects will cement Pilbara Minerals' position as a major supplier of essential lithium raw materials required for the global energy transition."*

*Release authorised by Dale Henderson, Pilbara Minerals Limited's Managing Director.*

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## MORE INFORMATION

The capital cost estimates in this announcement for the P680 Project are indicative only. It is developed in the context of an uncertain operating environment including in respect of COVID-19 related risks (community transmission and supply chain disruption), inflationary macroeconomic conditions, incomplete engineering and uncertainties surrounding the commissioning and ramp up of the Primary Rejection and the Crushing & Ore Sorting facilities. The information is provided as an indicative guide to assist sophisticated investors with modelling of the Company. It should not be relied upon as a predictor of future performance.

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This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein.

Information in this presentation regarding expansions in nameplate capacity of the Pilgan Plant in respect of the P680 and P1000 projects 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 the ASX on 6 October 2021 and as updated in the Company's FY22 Annual Report released to the market on 13 October 2022. The relative proportions of proven Ore Reserves and probable Ore Reserves are 11% proven Ore Reserves and 89% 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.

All references to dollars (\$) and cents in this announcement are to Australian currency, unless otherwise stated.

## ABOUT PILBARA MINERALS

Pilbara Minerals is the leading ASX-listed lithium company, owning 100% of the world's largest, independent hard-rock lithium operation. Located in Western Australia's resource-rich Pilbara region, the Pilgangoora Operation produces a spodumene and tantalite concentrate. The significant scale and quality of the operation has attracted a consortium of high quality, global partners including Ganfeng Lithium, General Lithium, POSCO, CATL and Yibin Tianyi.

While it continues to deliver a quality spodumene concentrate to market, Pilbara Minerals is pursuing a growth and diversification strategy to become a sustainable, low-cost lithium producer and fully integrated lithium raw materials and chemicals supplier in the years to come.

Through execution of this strategy, Pilbara Minerals has become a major player in the rapidly growing lithium supply chain, underpinned by increasing demand for clean energy technologies such as electric vehicles and energy storage as the world pursues a sustainable energy future.

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