APPENDIX 4D: HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

Results for announcement to the market

Current Reporting Period: 6 months ending 31 December 2022
Previous Reporting Period: 6 months ending 31 December 2021

	31 December 2022 $'000	31 December 2021 $'000	Change '$000	%
Revenue from ordinary activities	2,180,127	291,725	1,888,402	647.3%
Profit from ordinary activities after tax attributable to members	1,241,905	114,000	1,127,905	989.4%
Net profit for the period attributable to members	1,241,905	114,000	1,127,905	989.4%

Dividends

	Amount per security	**Franked amount per security**
Interim dividend (per share)	11 cents	11 cents

Record date of interim dividend	3 March 2023
Payment date of interim dividend	24 March 2023
Franking	100% franked

The financial effect of the current reporting period interim dividend has not been brought to account in the financial statements for the period ended 31 December 2022 and will be recognised in subsequent financial reports.

Net Tangible Assets

	31 December 2022	31 December 2021
Net tangible asset per security	**$0.86**	$0.28

Changes in Controlled Entities

There have been no gains or losses in control over entities during the period ended 31 December 2022.

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Associate and Joint Ventures

Associate	31 December 2022	31 December 2021
POSCO-Pilbara Minerals Lithium Solution Co Ltd	18%	-

Joint Ventures	Principal activities 2022	31 December 2022
Mount Francisco JV	Exploration	70%
Calix JV	Development	55%

The Calix JV was entered into during the period ended 31 December 2022 to support the future development of a Mid-Stream Demonstration Plant at the Pilgangoora Project. The Mount Francisco JV is a contractual arrangement between participants for the sharing of costs and outputs and does not generate revenue or profit.

Audit Review

This Report is based on consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by KPMG.

Other Information Required by Listing Rule 4.2A.3.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the Consolidated Financial Statements for the half-year ended 31 December 2022.

Pilbara Minerals

ABN 95 112 425 788

Interim Financial Report

31 December 2022

CONTENTS

DIRECTORS' REPORT

Your Directors present their report on the Group consisting of Pilbara Minerals Limited **("Pilbara Minerals" or "the Company")** and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

DIRECTORS

The Directors of the Company who held office during the half-year and up to the date of this report are stated below. Directors were in office for this entire period unless otherwise stated.

Anthony Kiernan AM	Non-Executive Chairman
Dale Henderson	Managing Director & Chief Executive Officer (appointed 30 July 2022)
Steve Scudamore AM	Non-Executive Director
Nicholas Cernotta	Non-Executive Director
Sally-Anne Layman	Non-Executive Director
Miriam Stanborough	Non-Executive Director
Ken Brinsden	Managing Director & Chief Executive Officer (resigned 30 July 2022)

REVIEW OF OPERATIONS

Key highlights of the Company's operations during the half-year ended 31 December 2022, including progress on project development activities, included:

- Operating profit after tax of $1.2 billion; underpinned by strong production from the Company's Pilgangoora Operations Project and continued strong market conditions that led to favourable pricing outcomes.
- Significantly higher revenue of $2.2 billion and gross profit of $1.8 billion; achieved on the back of strong demand conditions, improved pricing outcomes following completion of price reviews with major offtake customers, and record sales prices being realised through the Battery Material Exchange (**BMX**) platform.
- Closing cash balance at 31 December 2022 of $2.2 billion.
- 286,876 dry metric tonnes (**dmt**) of spodumene concentrate shipped, a 68% increase compared to the 170,228 dmt shipped during the prior corresponding period (**PCP**).
- Ngungaju Plant successfully ramped-up to annual nameplate capacity of 180-200,000 dmt during the September Quarter 2022.
- 6MW solar photovoltaic farm began generating and supplying power to the Pilgangoora Project. The solar farm is expected to displace approximately 3.8M litres of diesel fuel annually, saving an estimated 9,900tpa of CO_2 emissions over the 15-year contract period. The solar farm represents the first major step towards reducing carbon emissions at the Pilgangoora Project.
- Construction of the P680 Project commenced. Commissioning of the Primary Rejection facility is expected to commence during the September Quarter 2023, with the new 5Mtpa crushing plant and ore sorting facility expected to commence commissioning during the December Quarter 2023. The total capital cost estimate was revised to ~$404M.

- Pre-FID funding for the P1000 Expansion Project of $38M was approved by the Board to maintain project schedule. FID for the P1000 Project is scheduled for the March Quarter 2023.
- Construction of the 43,000 tpa LHM primary lithium hydroxide chemical processing facility in South Korea in joint venture with POSCO was progressed, with the first train of 21,500 tpa expected to be commissioned from late in the 2023 calendar year and the second train of 21,500 tpa expected to commence commissioning from March Quarter 2024.
- Formal joint venture established with Calix to support the future development of the Mid-Stream Demonstration Plant at the Pilgangoora Project, to deliver a superior value-added lithium product that could enable lower product costs, reduced carbon energy intensity, as well as a reduction in waste and product logistics. FID for the development of the Demonstration Plant is targeted for the June Quarter 2023.
- $250M long-term debt facility from the Australian Government approved to support the P680 Expansion Project.
- Capital Management Framework established, inclusive of a dividend policy, with the Company's inaugural fully franked interim dividend payment of 11 cents per share declared subsequent to period end, with payment to shareholders scheduled on 24 March 2023.
- Key senior leadership appointments, with Dale Henderson appointed as CEO and Managing Director on 30 July 2022 and Vince De Carolis appointed as Chief Operating Officer.

Pilgangoora Operations

Set out below is a summary of the key results achieved for the Pilgangoora Operation during the half-year.

Table 1: Key results summary table

	Units	YTD FY22	YTD FY23	% change
Production and shipments				
Spodumene concentrate produced	dmt	169,235	309,255	83%
Spodumene concentrate shipped	dmt	170,228	286,876	68%
Financial				
Average realised selling price CIF China[1]	US$/dmt	$1,232	$4,993	305%
Unit operating cost (FOB Port Hedland and excl. royalties)[2]	A$/dmt	$476	$595	(25%)
Unit operating cost (CIF China)[3]	A$/dmt	$666	$1,136	(70%)
Average exchange rate	AUD:USD	0.7319	0.6705	(8%)

During the half-year the Company increased spodumene concentrate production at the Pilgangoora Project to take advantage of positive lithium raw material market demand conditions.

Increased production was achieved from both the successful ramp-up of the Ngungaju Plant to its nameplate capacity of 180–200,000 tpa, as well as from modification to the Company's production strategy to lower the targeted product grade to optimise product yield, thereby maximising production and sales volumes. The average grade of product sold during the reporting period was ~5.4% Li_2O (PCP: ~5.7% Li_2O).

[1] Average US$ realised price for the half-year based on a ~5.4% product grade (CIF China). Equivalent SC6.0 CIF China price for the half-year was US$5,570/dmt. The SC6.0 CIF China price is an industry accepted reference price. The actual concentrate grade delivered to customers is generally less than 6% lithia content ranging between 5.0% to 6.0% lithia, in which case the actual price received is adjusted pro-rata to the 6% reference price.

[2] Unit operating costs (FOB Port Hedland excluding royalties) include mining, processing, transport, native title costs, port charges, and site based general and administration costs and are net of Ta_2O_5 by-product credits. It is calculated on an incurred basis (including accruals), and includes inventory movements, and credits for capitalised deferred mine waste development cost.

[3] Unit operating cost (CIF China) includes the unit operating costs (FOB Port Hedland excluding royalties) plus freight and royalty costs. Royalty costs include a 5% state government royalty on the FOB selling price, a 1% native title royalty on the FOB selling price, and a 5% private royalty on the FOB selling price which is applied to a part of the resource/reserve acquired following the Altura Lithium Operation acquisition.

Total material mined for the Pilgangoora Project was 15,439,569 wet metric tonnes (wmt) (PCP: 8,241,069 wmt), including ore mined of 2,538,284 wmt (PCP: 1,418,556 wmt). Total material movements increased compared to the prior corresponding period to support the ramp-up of the Ngungaju Plant, as well as planned additional waste movements. Volumes for the September Quarter 2022 were however impacted by COVID-19 related labour challenges. During the period, Pilbara Minerals transitioned to a primarily "owner operator" mining model.

Processing plant feed for the period was 1,704,892 dmt (PCP: 1,009,718 dmt), contributing to a combined spodumene concentrate production from both processing plants of 309,255 dmt for the half-year, up 83% on the prior corresponding period production of 169,235 dmt. The Pilgan Plant continued to perform to expectations during the period, whilst the Ngungaju Plant was successfully ramped up to its annual nameplate capacity of 180-200,000dmt during the September Quarter 2022.

The Company shipped 286,876 dmt of spodumene concentrate during the half-year, an increase of 68% over the prior corresponding period (170,228 dmt), under both existing offtake agreements and through spot sales, including Pilbara Minerals' Battery Material Exchange (BMX). An average realised price of US$4,993/dmt on a ~5.4% basis (CIF China) (PCP: US$1,232/dmt) was achieved for these shipped tonnes, with this increase reflective of robust demand for lithium raw materials across the global lithium-ion supply chain.

Exceptional pricing results were achieved for those cargoes sold via the BMX platform, culminating in a price of US$7,805/dmt SC5.5 basis (FOB Port Hedland) in November 2022. This is equivalent to a price of ~US$8,575/dmt on an SC6.0 basis (CIF China).

The Company completed price reviews with its offtake partners under its existing offtake agreements during the December Quarter 2022, to better align offtake pricing outcomes (which typically reference lithium chemical pricing inputs) with prevailing market conditions. This process achieved a significant improvement in pricing outcomes, with the revised offtake pricing applying from December 2022.

During the commissioning phase of the Ngungaju Plant, the Company produced a medium grade (~1.2% Li_2O) concentrate product (middlings) via the flotation feed, with 45,041 dmt of this product) sold on the spot market for an average realised price of ~US$495/dmt (CIF China).

Tantalite production for the half-year totalled 34,943 lbs (PCP: 58,186 lbs). Tantalite production was lower than planned, principally due to ore being sourced from the South Pit which has lower tantalite content.

A unit operating cost (FOB Port Hedland and excluding royalties)[4] for the combined Pilgangoora Project of A$595/dmt was achieved for the reporting period (PCP: A$476/dmt; Pilgan Plant only).

Costs for the reporting period were higher compared to the prior corresponding period, impacted by the ramp up of the Ngungaju Plant to nameplate capacity, labour shortages in the Western Australian mining sector (including the impact of COVID-19) leading to cost pressures, supply chain disruptions, general inflationary cost pressures and an elevated strip ratio in support of further investment in mining activities.

[4] Unit operating costs (FOB Port Hedland excluding royalties) include mining, processing, transport, native title costs, port charges, and site based general and administration costs and are net of Ta2O5 by-product credits. It is calculated on an incurred basis (including accruals), and includes inventory movements, and credits for capitalised deferred mine waste development costs

Including freight and royalty costs[5], the unit operating cost for the half-year was A$1,136/dmt (CIF China) (PCP: A$666/dmt; Pilgan Plant only), with significantly higher royalty costs in line with the higher selling prices achieved for spodumene concentrate sales.

Pilgangoora Expansion Projects

P680 Expansion Project

The Board approved the P680 Project in June 2022, incorporating:

- the construction of a new Primary Rejection circuit to deliver an additional 100,000 tpa of spodumene concentrate production from the Pilgan Plant;
- replacement of the existing contracted crushing service with a new company-owned crushing facility designed for 5Mtpa of throughput crushing capacity to satisfy future expansion needs; and
- introduction of ore-sorting technology to the front-end of the Pilgan Plant to reject basalt (and other non-lithium hosting materials) earlier in the production process.

Works on the P680 Project commenced during the half-year with bulk earthworks nearing completion, and most of the major equipment packages required for the Primary Rejection facility, along with some long-lead items in support of the Crushing and Ore Sorting facility placed.

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

- the Primary Rejection facility commissioned in the September Quarter 2023 with full capacity targeted for the December Quarter 2023; and
- the new company-owned Crushing and Ore Sorting facility commissioned during the December Quarter 2023 (with ramp-up scheduled for the March Quarter 2024).

The Crushing and Ore Sorting facility will be capable of processing up to 5Mtpa of ore at the Pilgan Plant which will support future expansions that could ultimately deliver production of 1Mtpa of spodumene concentrate (P1000 Expansion Project).

During the half-year Pilbara Minerals revised its P680 Project capital cost estimate from the original Final Investment Decision (**FID**) estimate following completion of contract negotiations for the remainder of the construction of the Primary Rejection facility and based on the procurement and construction contracts awarded to date. The revised P680 Project capital estimate is set out below in Table 2.

Table 2 - P680 Project revised capital estimate

Area	Revised Capital (A$M)
Primary Rejection	150
Crushing and Ore Sorting	254
Total	**404**

[5] Royalty costs include a 5% state government royalty on the FOB selling price, a 1% native title royalty on the FOB selling price, and a 5% private royalty on the FOB selling price which is applied to a part of the resource/reserve acquired following the Altura Lithium Operation acquisition.

The changes in the capital cost estimate 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%.

P1000 Expansion Project

In support of its growth strategy, Pilbara Minerals progressed the feasibility study on the P1000 Project during the period ahead of a FID expected during the March Quarter 2023. The P1000 Project will increase total annual spodumene concentrate production capacity across the Pilgangoora Project by ~320,000dmt to up to 1Mtpa.

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

Mid-Stream Project

During the half-year, Pilbara Minerals and Calix executed agreements for:

- the formation of an unincorporated joint venture to potentially develop and operate a Demonstration Plant for the Mid-Stream process; and
- the formation of an incorporated joint venture for the potential future commercialisation of the Mid-Stream process.

The aim of the Demonstration Plant is to produce a superior "value-added" lithium salts product that is lower in cost, carbon energy intensity and waste product utilising Calix's flash calcination technology.

Key commercial terms in relation to the agreements with Calix were provided in Pilbara Minerals' ASX Announcement dated 28 November 2022.

Engineering design work and feasibility studies for the Demonstration Plant are being progressed and a market engagement program has commenced following generation of market samples (lithium salt product) via a pilot test work program. This work will support the final design of the Demonstration Plant leading up to the FID, which is expected during the June Quarter 2023.

Liaison continues with the Australian Government to finalise the grant agreement for the $20M Modern Manufacturing Initiative Grant awarded to the Mid-Stream Project (refer ASX announcement dated 17 May 2022). It is expected this grant agreement will be finalised ahead of the FID.

Downstream Joint Venture with POSCO

Construction of the 43,000 tpa Lithium Hydroxide Monohydrate (LHM) Chemical Facility in Gwangyang, South Korea is continuing under the joint venture with POSCO, with key progress during the reporting period including:

- ordering of key long-lead items and award of various work packages;
- progress with civil works including piling, concrete foundation formwork and structural steelwork in relation to the calcination kiln site, raw material storage facilities and auxiliary facilities such as head and sub-centre headquarters; and
- ongoing procurement, including supplementary packages for the calcination kiln.

Commissioning of the Chemical Facility remains on schedule and budget, with the first train of 21,500 tpa expected to commence commissioning from late in the 2023 calendar year and the second train of 21,500 tpa to commence commissioning from March Quarter 2024.

Members of Pilbara Minerals' senior leadership team visited the Gwangyang Facility during the reporting period.

Sustainability

In October 2022, Pilbara Minerals issued its 2022 Annual and Sustainability Report. Since its initial report in 2019, the Company has made significant progress, reporting against key metrics and aligning with recognised frameworks including the Sustainability Accounting Standards Board (SASB) under the category of "Extractives and Minerals Processing, Metals and Mining Industry", the Taskforce on Climate-related Financial Disclosure and the United Nations Development Goals. A multi-disciplinary disclosure review was also undertaken to ensure alignment with industry and value chain requirements, as well as stakeholder expectations.

Key initiatives during the half-year included:

- Construction and commissioning of the 6MW solar photovoltaic farm and connecting overhead power line (connecting the Pilgan and Ngungaju Plants to the solar farm) was completed and energised. The solar farm is now generating and supplying power to the Pilgangoora Project and is expected to displace approximately 3.8M litres of diesel fuel annually, saving an estimated 9,900 tpa of CO_2 emissions over the 15-year contract period.
- A partnership with Strelley School and Pacific Energy to construct a 33kW photovoltaic and lithium battery storage system. The installation of renewable energy at this community will displace approximately 60,000 litres of diesel usage annually.
- Pilbara Minerals' employees participated in an overnight cultural awareness camp on country with the Traditional Owners of the area on which the Pilgangoora Project is located, the Nyamal People.
- To support a future generation of resource sector employees, Pilbara Minerals launched its 2023 Graduate Program and hosted a group of female high school students from Curtin University's Girls in Engineering Tomorrow program at the Pilgangoora Project. The tour was coordinated in partnership with Roy Hill.

Health and Safety

Seven recordable safety incidents were recorded in the half-year, which included 3 hand injuries, a cut knee and a back strain. The Total Recordable Injury Frequency Rate was 4.22 at the end of the half-year.

COVID-19 cases and associated absenteeism impacted operations during the September Quarter 2022. Pilbara Minerals continues to monitor COVID-19 and respond accordingly to any changes in directives by the State and Federal governments.

People

Several key changes were made to Pilbara Minerals' senior executive team during the reporting period, including:

- Ken Brinsden formally stepped down as Chief Executive Officer and Managing Director in July 2022;
- Chief Executive Officer, Dale Henderson was formally appointed to the position of Managing Director in July 2022;
- Vince De Carolis was recruited for the position of Chief Operating Officer (commencement date of 14 November 2022); and
- Brian Lynn advised he would be stepping down as Chief Financial Officer.

During the period the Company progressed the recruitment process to appoint a Chief Sustainability Officer, Project Director, a Chief Development Officer and a replacement Chief Financial Officer. Subsequent to period end the Company announced the appointments of John Stanning as Chief Development Officer, Sandra McInnes as Chief Sustainability Officer and Paul Laybourne as Project Director.

To support its operational expansion, the Company continued with its external recruitment campaigns.

The Company's internal communications campaign reiterating the Company's zero tolerance approach to workplace harassment and inappropriate behaviour, as well as its mandatory training of safe and respectful behaviours continued during the half-year.

Exploration

Exploration activities conducted during the half-year included the commencement of a major resource development drilling program in mid-November at the Pilgangoora Project, with the objective of upgrading and expanding the resource inventory for reserve consideration.

The program has been designed to test down-dip extensions of key pegmatite domains within the mine footprint as well as numerous other priority exploration targets.

Corporate

Operating Result

The Company achieved a net profit for the half-year of $1.2 billion (PCP: $114.0M) on the back of a significant increase in spodumene concentrate produced and higher selling prices attributable to strong market demand conditions. The higher level of production when combined with a strong market pricing environment, meant the Company's Pilgangoora Project was able to deliver a gross profit of $1.8 billion for the half-year (PCP: $158.5M), a 1,036% improvement compared to the same period last year.

The following table provides additional information on the Company's result for the half year and specifically reconciles the gross margin[2] to the statutory net profit for the period.

	31 December 2022 $'000	31 December 2021 $'000
Revenue from contracts with customers	2,180,127	291,725
Operating cost of sales[1]	(333,607)	(117,407)
Gross margin - Pilgangoora operations [2]	**1,846,520**	**174,318**
Depreciation and amortisation - lease assets	(18,975)	(8,532)
Depreciation and amortisation - other assets	(28,118)	(7,336)
Gross profit	**1,799,427**	**158,450**
Expenses		
Corporate general and administration expense	(16,539)	(9,594)
Exploration and feasibility costs expensed	(12,527)	(10,573)
Depreciation and amortisation expense	(561)	(259)
Inventory write down	-	(588)
Share based payment expense	(3,871)	(2,994)
Operating profit before finance and acquisition costs and profit from investments	**1,765,929**	**134,442**
Finance income	18,392	49
Other (expense)/income	(149)	547
Fair value movements - financial assets and liabilities	14,376	(259)
Finance costs - interest and loan costs	(11,339)	(5,358)
Amortisation borrowing costs	(954)	(828)
Finance costs - foreign exchange (loss)/gain	(9,430)	(7,710)
Net financing costs before acquisition expenses	**10,896**	**(13,559)**
Profit before acquisition expenses and profit from equity investee	**1,776,825**	**120,883**
Acquisition costs expensed	-	990
Finance costs - deferred consideration fair value movement	-	(37,212)
Share of loss - equity accounted investee	(1,952)	-
Net profit before income tax expense	**1,774,873**	**84,661**
Income tax (expense)/benefit	(532,968)	29,339
Net profit for the period	**1,241,905**	**114,000**

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 are net of Ta_2O_5 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 measure is unaudited.

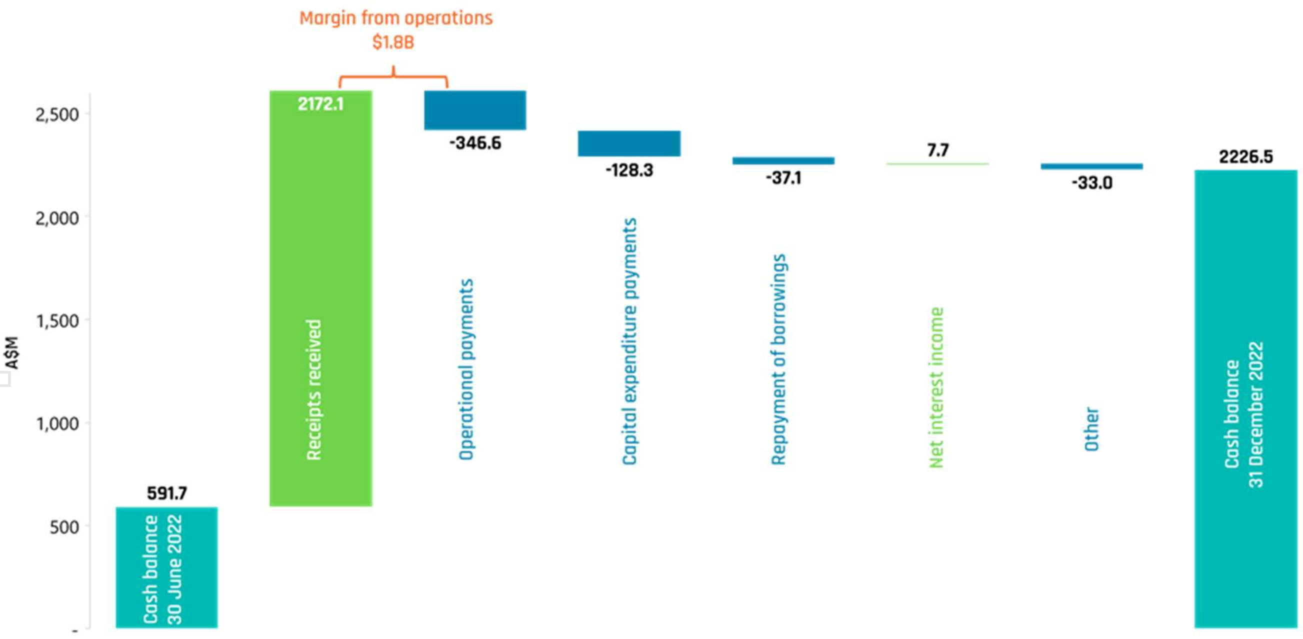
Cash and Liquidity

The Company's cash balance as at 31 December 2022 was $2.2 billion, an increase of $1.6 billion compared to 30 June 2022 (June 2022: $591.7M). The net cash position (cash less secured debt excluding capitalised borrowing costs) at 31 December 2022 stood at $2.1 billion compared to 30 June 2022 (June 2022: $431.8M).

Significant cash inflows and outflows during the half-year included:

- a net inflow of $1.8 billion related to operational activities, representing customer receipts of $2.2 billion and payments to suppliers and employees of $346.6M;
- payments of $128.3M on capital expenditure related to the P680 Project, sustaining capital for operations and capitalised mine waste stripping costs;
- payments of $11.2M on exploration activities;
- payments of $15.6M on payroll, administration and corporate costs;
- proceeds from share options exercised $1.2M;
- payments of $6.8M on premiums for foreign currency call options;
- repayment of borrowings of $37.1M;
- net interest income of $7.7M; and
- foreign currency gain of $4.0M due to a weaker AUD:USD exchange rate on the Company's USD denominated cash reserves (31 December 2022: 0.6775; 30 June 2022: 0.6889).

Cash Flow Reconciliation – Half-Year Ended 31 December 2022



Capital Management Framework and Dividend

During the half-year, Pilbara Minerals announced details of its Capital Management Framework, inclusive of its inaugural dividend policy (refer ASX Announcement: 16 November 2022).

The Framework prioritises the allocation of capital first to maintaining safe and reliable operations, as well as near term productivity initiatives designed to maximise cash being generated from existing operations. Net operating cash flow generated should then be allocated to:

- sustaining capital to maintain operational performance;
- further investment into sustainability commitments and initiatives;
- establishing and maintaining balance sheet strength to protect the Company through all commodity price cycles (inclusive of prudent gearing ratios); and
- paying a sustainable dividend to shareholders.

Excess cash flow above and beyond these priorities could then be allocated to:

- further investment to improve the Company's operations;
- investment in organic and inorganic growth and acquisitions opportunities;
- debt reduction; and/or
- further returns to shareholders.

A target dividend payout ratio of 20-30% of free cash flow[6] has been adopted by the Company. This target payout ratio is designed to provide a sustainable dividend return to shareholders, but also reflects the early stages of Pilbara Minerals' growth cycle.

Having utilised all prior year tax losses, Pilbara Minerals will commence paying income tax in February 2023. With this as a backdrop and given the substantial cashflows generated during the half-year, the Directors have resolved to pay an inaugural fully franked interim dividend of 11 cents per share for the 2023 Financial Year.

Financing

During the reporting period, Pilbara Minerals announced a 10-year debt facility which has been approved by the Australian Government, through the Export Finance Australia (EFA) and Northern Australia Infrastructure Facility (NAIF) agencies to support the P680 Project expansion of the Pilgangoora Operation.

The Facility is subject to satisfaction of conditions precedent for financial close and drawdown.. The key terms of the Facility reflect current market conditions for the type and size of the debt being provided, with satisfaction of conditions precedent for financial close and drawdown, which is expected during the March Quarter 2023.

This support from the Australian Government is expected to enhance the capital structure of the Company and provide Pilbara Minerals with additional financial flexibility as it looks to expand and diversify its operations further down the battery materials supply chain.

In parallel with the execution of the 10-year debt facility agreements after period end, the Company has also entered into financing agreements to refinance its existing USD secured debt facility on improved terms.

[6] Free cash flow is defined as statutory cashflow from operating activities less tax paid/payable less sustaining capital (inclusive of capitalised waste mine development).

Hedging

The Company is exposed to the risk of movements in foreign currency exchange rates as a result of its revenues being received in US dollars (USD), whilst the Company's functional currency is Australian dollars (AUD) and the majority of costs are paid in AUD. The Company has a Risk Management and Hedging Policy which outlines the Company's approach to financial risk management, with the objective to control exposures consistent with the Company's risk tolerances.

During the period, the Company adopted a Hedging Strategy to provide a framework to manage foreign exchange risk. The Hedging Strategy is reviewed annually as a minimum, or in the event a defined set of circumstances change that trigger a review. The underlying principle of the Hedging Strategy is to establish a framework for managing the conversion of USD sales receipts to AUD. Where a high degree of certainty exists over USD sales receipts (usually 1-3 month timeframe), then forward foreign exchange contracts (committed hedging) are used to manage foreign exchange risk. Where there is less certainty over USD sales receipts (usually 4-15 month timeframe), then option contracts (uncommitted hedging) are used to manage foreign exchange risk. The volume of hedging and mix of committed versus uncommitted hedge instruments is determined using target return levels. These targets are assessed regularly using forecasting models.

Open forward foreign exchange contracts at 31 December 2022 totalled US$570M at a weighted average exchange rate of 0.6747 with maturity dates from January 2023 to April 2023.

Open foreign exchange option contracts at 31 December 2022 totalled US$2.2B at a weighted average strike price of 0.85 with maturity dates from January 2023 to May 2024.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the period end, the Company declared a fully franked interim dividend of 11 cents per share to Shareholders with a record date of 3 March 2023 and a payment date of 24 March 2023.

On 22 February 2023, the Company confirmed execution of the finance documents to establish the A$250M secured 10-year amortising debt facility with Australian Government agencies the Export Finance Australia (EFA) and Northern Australia Infrastructure Facility (NAIF).

In parallel, the Company entered into a US$113M secured 5-year amortising debt facility with commercial lenders to re-finance the existing senior secured USD secured debt facility on improved terms.

These new debt facilities contain improved terms relative to the existing secured syndicated debt facility including longer tenor, semi-annual repayments, more favourable covenants, less onerous undertakings and improved pricing. Both facilities remain subject to satisfaction of conditions precedent for financial close and drawdown, which is expected to occur during the March Quarter 2023.

There are no other matters or circumstances that have arisen since the end of the half year which have 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.

RESULT OF OPERATIONS

The Company's consolidated profit after tax for the half year ended 31 December 2022 was $1.24 billion (PCP: $114.0M). This comprised a gross profit of $1.8 billion (PCP: gross profit of $158.5M) and an income tax expense of $532.9M(PCP: income tax benefit of $29.3M). The Company's basic earnings per share for the period was 41.59 cents per share (PCP: 3.87 cents per share).

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is set out on page 17 and forms part of this Directors' Report for the half year ended 31 December 2022.

FORWARD LOOKING STATEMENTS AND IMPORTANT NOTICE

This report 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. All references to dollars ($) and cents in this report are to Australian currency, unless otherwise stated. Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.

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.

Information in this ASX release relating to the 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 this report 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 report have not been materially modified from the original market announcements.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Anthony Kiernan AM
Chair
Dated this 23 day of February 2023

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 review of Pilbara Minerals Limited for the half-year ended 31 December 2022 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. No contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Derek Meates
Partner
Perth
23 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Revenue from contracts with customers	2.1	2,180,127	291,725
Cost of sales	2.2	(380,700)	(133,275)
Gross profit		**1,799,427**	**158,450**
Expenses			
General and administration expense		(16,539)	(9,594)
Acquisition costs expensed		-	990
Exploration and feasibility costs expensed	2.3	(12,527)	(10,573)
Inventory write-down		-	(588)
Depreciation and amortisation expense		(561)	(259)
Share based payment expense	2.4	(3,871)	(2,994)
Other (expense)/income		(149)	547
Operating profit		**1,765,780**	**135,979**
Finance income		33,164	295
Finance costs		(22,119)	(51,613)
Net financing income/(costs)	2.5	**11,045**	**(51,318)**
Share of loss of equity accounted investee	3.4	(1,952)	-
Profit before income tax expense		**1,774,873**	**84,661**
Income tax (expense)/benefit	2.6.1	(532,968)	29,339
Net profit for the period		**1,241,905**	**114,000**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Losses on cash flow hedges	5.2	(4,066)	-
Translation differences on foreign operations	3.4	3,383	-
Income tax relating to these items		(151)	-
Total comprehensive profit for the period		**1,241,071**	**114,000**
Basic earnings per share (cents)		41.59	3.87
Diluted earnings per share (cents)		41.05	3.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31 December 2022 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		2,226,493	591,739
Trade and other receivables	3.1	303,617	299,145
Inventories	3.2	94,278	69,307
Financial assets	5.3	13,705	-
Total current assets		**2,638,093**	**960,191**
Non-current assets			
Inventories	3.2	14,828	-
Property, plant, equipment and mine properties	3.3	1,062,265	929,361
Equity accounted investments	3.4	79,016	77,594
Deferred exploration and evaluation expenditure		8,989	9,289
Financial assets	5.3	2,318	1,953
Total non-current assets		**1,167,416**	**1,018,197**
Total assets		**3,805,509**	**1,978,388**
Liabilities			
Current liabilities			
Trade and other payables		214,633	184,155
Provisions		4,471	3,494
Borrowings	3.5	75,459	55,768
Financial liability	5.3	-	3,782
Current tax liabilities		576,263	90,148
Total current liabilities		**870,826**	**337,347**
Non-current liabilities			
Trade and other payables		7,823	10,929
Provisions		30,022	38,250
Borrowings	3.5	248,072	236,196
Deferred tax liabilities		83,176	63,640
Total non-current liabilities		**369,093**	**349,015**
Total liabilities		**1,239,919**	**686,362**
Net assets		**2,565,590**	**1,292,026**
Equity			
Issued capital	4	966,230	965,078
Reserves		9,903	9,558
Retained earnings		1,589,457	317,390
Total equity		**2,565,590**	**1,292,026**

The notes on pages 22 to 36 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2022

	Notes	Issued capital $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Retained earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2021		821,391	7,246	-	-	(254,392)	574,245
Profit for the period		-	-	-	-	114,000	114,000
Total comprehensive income for the period		-	-	-	-	114,000	114,000
Issue of ordinary shares		137,216	-	-	-	-	137,216
Share issue costs (net of tax)		2,453	-	-	-	-	2,453
Issue of options and performance rights		3,564	-	-	-	-	3,564
Employee share and option plans - value of employee services		-	2,994	-	-	-	2,994
Tax benefit on equity awards issued via share trust		-	6,455	-	-	-	6,455
Transfer on conversion or forfeiture of awards		-	(9,846)	-	-	9,846	-
Balance at 31 December 2021		**964,624**	**6,849**	**-**	**-**	**(130,546)**	**840,927**
Balance at 1 July 2022		965,078	8,370	1,188	-	317,390	1,292,026
Profit for the period		-	-	-	-	1,241,905	1,241,905
Other comprehensive income	5.2	-	-	2,012	(2,846)	-	(834)
Total comprehensive income for the period		-	-	2,012	(2,846)	1,241,905	1,241,071
Issue of options and performance rights	4	1,152	-	-	-	-	1,152
Employee share and option plans - value of employee services	2.4	-	3,871	-	-	-	3,871
Tax benefit on equity awards issued via share trust	2.6.3	-	27,470	-	-	-	27,470
Transfer on conversion or forfeiture of awards		-	(30,162)	-	-	30,162	-
Balance at 31 December 2022		**966,230**	**9,549**	**3,200**	**(2,846)**	**1,589,457**	**2,565,590**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities			
Receipts from customers		2,172,124	248,060
Cash paid to suppliers and employees		(362,262)	(124,093)
Payments for exploration and evaluation expenditure		(11,246)	(7,334)
Interest received		13,162	60
Payment for financial assets	5.2	(6,822)	-
Net cash inflow from operating activities		**1,804,956**	**116,693**
Cash flows from investing activities			
Payments for property, plant, equipment and mine properties		(128,315)	(37,991)
Net cash outflow from investing activities		**(128,315)**	**(37,991)**
Cash flows from financing activities			
Proceeds from the issue of shares and exercise of options	4	1,152	3,564
Proceeds from borrowings		-	27,651
Transaction costs related to borrowings		-	(788)
Repayment of borrowings	3.5	(15,070)	(2,740)
Repayment of leases		(19,197)	(8,364)
Repayment of customer prepayment		(2,849)	-
Interest and other finance costs paid		(9,953)	(5,126)
Call premium on redemption of borrowings		-	-
Net cash (outflow)/inflow from financing activities		**(45,917)**	**14,197**
Net increase in cash held		1,630,724	92,899
Cash and cash equivalents at the beginning of the period		591,739	99,712
Effect of exchange rate fluctuations on cash held		4,030	(1,367)
Cash and cash equivalents at the end of the period		**2,226,493**	**191,244**

The notes on pages 22 to 36 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Pilbara Minerals Limited (the "Company") is a listed public company incorporated and domiciled in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration, development and mining of minerals.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 are available upon request from the Company's registered office at Level 2, 146 Colin Street, West Perth WA 6005 or at *www.pilbaraminerals.com.au*.

Basis of preparation

The interim financial statements are general purpose financial statements prepared in accordance with **AASB 134 Interim Financial Reporting** and the Corporations Act 2001.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

The accounting policies and methods of computation adopted in the preparation of the Interim Financial Report are consistent with those adopted and disclosed in the Group's Annual Financial Report for the financial year ended 30 June 2022.

These interim financial statements were approved by the Board of Directors on 23rd February 2023.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars unless otherwise stated.

The financial report is presented in Australian dollars, except where otherwise stated.

Use of judgements and estimates

In preparing these interim financial statements management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and judgements are consistent with those adopted in the Group's Annual Financial Report for the financial year ended 30 June 2022. Additional judgements and estimates which are material to the interim financial statements are found in the following sections:

- 3.2 Inventory – judgements in relation to the classification of work in progress stockpiles as current or non-current;
- 5.3 Fair value measurement of financial instruments – judgements in relation to fair value measurement of financial instruments.

New and amended Standards

There are a number of new standards which are effective for annual reporting periods beginning after 1 July 2022. The Group has not had any change to its accounting policy or made any retrospective adjustments in relation to these standards. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 2 – RESULTS FOR THE HALF-YEAR

2.1 Revenue from contracts with customers

	31 December 2022 $'000	31 December 2021 $'000
Sales to customers under contracts	2,080,634	260,665
Other revenue - provisional pricing adjustments	99,534	31,060
Other revenue	(41)	-
	2,180,127	291,725

Sales to customers under contracts includes $33.0M of sales of medium grade (~1.2% $Li^{2}O$) middlings concentrate product produced during the commissioning phase of the Ngungaju Plant.

2.2 Cost of sales

	31 December 2022 $'000	31 December 2021 $'000
Mining and processing costs	223,740	108,319
Care, maintenance and operational readiness costs	-	1,697
Royalty expenses	136,865	17,318
Depreciation and amortisation	47,093	15,868
Inventory movement	(25,043)	(5,584)
By-product revenue	(1,955)	(4,441)
Foreign exchange loss	-	98
	380,700	133,275

2.3 Exploration and feasibility costs expensed

	31 December 2022 $'000	31 December 2021 $'000
Exploration and evaluation costs	3,705	1,655
Feasibility and development study costs	8,822	4,864
Write-off of previously capitalised costs (refer note 3.3)	-	4,054
	12,527	10,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

2.4 Share-based payment expense

The share-based payment expense includes:

	31 December 2022 $'000	31 December 2021 $'000
Share options expense	836	1,619
Performance rights expense	3,035	1,375
	3,871	2,994

During the period, 1,306,922 performance rights were issued to key management personnel with a total fair value of $5.8M.

No additional share options were issued during the period.

2.5 Net financing costs

Net financing income/(costs) are as follows:

	31 December 2022 $'000	31 December 2021 $'000
Interest income on cash and cash equivalents	18,392	49
Foreign currency contracts - net changes in fair value[1] (note 5.3)	14,772	246
Finance income	33,164	295
Deferred consideration fair value movement[2]	-	(37,212)
Interest expense - lease liabilities	(2,809)	(1,190)
Interest expense - borrowings	(7,965)	(3,872)
Amortised borrowing costs	(954)	(828)
Net movement in financial liability at amortised cost	(396)	(505)
Unwind of discount on site rehabilitation provision	(565)	(296)
Net foreign exchange loss[3]	(9,430)	(7,710)
Finance costs	(22,119)	(51,613)
Net finance income/(costs) recognised in profit or loss	11,045	(51,318)

1. During the period, the Group executed forward foreign exchange contracts totalling US$1.6B at an average rate of 0.6697, compared with a market average foreign exchange rate of 0.6705.

2. Represents the fair value movement in the variable deferred consideration for the acquisition of Altura Lithium Operations Pty Ltd that was settled by the issue of 68.8 million shares in two equal tranches during the prior corresponding period.

3. The AUD:USD foreign exchange rate decreased during the half-year from 0.6889 at 30 June 2022 to 0.6775 at 31 December 2022. The largely unrealised foreign exchange loss for the period resulted from the net revaluation of the Company's USD denominated debt facility, USD denominated cash reserves and USD denominated debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

2.6 Income tax

2.6.1 Income tax expense/(benefit)

	31 December 2022 $'000	31 December 2021 $'000
Current tax expense		
Current year tax	515,228	-
	515,228	-
Deferred tax expense		
Origination and reversal of temporary differences	18,015	13,315
Adjustment for prior period	(275)	-
Utilisation of tax losses	-	23,365
Recognition of previously unrecognised tax losses	-	(66,019)
	17,740	(29,339)
Income tax expense/(benefit)	532,968	(29,339)

2.6.2 Numerical reconciliation of Income tax expense

	31 December 2022 $'000	31 December 2021 $'000
Profit before tax	1,774,873	84,661
Tax at the statutory tax rate of 30%	532,462	25,398
Tax effect of:		
Non-deductible expenses:		
- Share based payments	1,161	899
- Other non-deductible items	462	8
Employee share trust payments	(692)	(492)
Capital losses not recognised	-	10,867
Other reserves	(151)	-
Recognition of previously unrecognised tax losses	-	(66,019)
Prior year adjustments	(275)	-
Income tax expense/(benefit)	532,968	(29,339)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

2.6.3 Amounts recognised in equity

	31 December 2022 $'000	31 December 2021 $'000
Current and deferred income tax attributable to equity and not recognised in net profit or loss:		
Business related capital allowances	386	454
Reserves	(151)	-
Payment for shares issued via employee share trust	27,470	-
	27,705	454

2.7 Operating segments

The Group has one reportable operating segment which is exploration, development and mining of minerals in Australia.

The Group's operating segment has been determined with reference to the information and reports the Chief Operating Decision Maker uses to make strategic decisions regarding Group 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.

NOTE 3 - ASSETS AND LIABILITIES

3.1 Trade and Other Receivables

	31 December 2022 $'000	30 June 2022 $'000
Trade debtors	275,333	288,515
Goods and services tax receivable	12,074	5,476
Prepayments	6,383	3,652
Other receivables	9,827	1,502
	303,617	299,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

3.2 Inventory

	31 December 2022 $'000	30 June 2022 $'000
Current		
Finished goods	36,104	24,096
Work-in-progress[1]	18,781	21,087
Consumables	39,393	24,124
	94,278	69,307
Non-Current		
Work-in-progress[1]	14,828	-
	14,828	-

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

Work-in-progress stockpiles which are not expected to be processed within 12 months from the reporting date are classified as non-current assets. The Company has a reasonable expectation that processing of these stockpiles will provide a future economic benefit. Pursuant to the Group's accounting policy these stockpiles are valued at the lower of cost and net realisable value. Classification of work-in-progress stockpiles as current or non-current assets includes the use of estimates and judgements regarding the timing of ore processing based on forecasts and mine plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

3.3 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
At 30 June 2022							
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)
Net book value	809	55,079	499,850	174,241	178,323	21,059	929,361
Opening net book value	282	23,647	368,764	183,830	179,926	19,451	775,900
Additions	665	68,816	145,517	60	-	-	215,058
Changes in rehabilitation provision estimates	-	-	-	-	-	1,951	1,951
Disposals	-	(14,611)	-	(4,054)	-	-	(18,665)
Transfers	-	-	5,595	(5,595)	-	-	-
Depreciation charge	(138)	(22,773)	(20,026)	-	(1,603)	(343)	(44,883)
Net book value	809	55,079	499,850	174,241	178,323	21,059	929,361
At 31 December 2022							
Cost	2,080	140,182	799,557	39,575	181,338	13,011	1,175,743
Accumulated depreciation	(1,128)	(44,115)	(59,910)	-	(7,359)	(966)	(113,478)
Net book value	952	96,067	739,647	39,575	173,979	12,045	1,062,265
Opening net book value	809	55,079	499,850	174,241	178,323	21,059	929,361
Additions	268	131,395	99,973	28,712	-	-	260,348
Changes in rehabilitation provision estimates	-	-	-	-	-	(8,793)	(8,793)
Disposals	-	(70,997)	-	-	-	-	(70,997)
Transfers	-	-	163,378	(163,378)	-	-	-
Depreciation charge	(125)	(19,410)	(23,554)	-	(4,344)	(221)	(47,654)
Net book value	952	96,067	739,647	39,575	173,979	12,045	1,062,265

At 31 December 2022, the Group had outstanding contractual commitments of $58.1M (PCP: $8.4M) which are expected to be settled within 12 months.

3.4 Equity accounted investment

	31 December 2022 $'000	30 June 2022 $'000
Opening balance 1 July	77,594	75,675
Foreign currency differences through translation reserve	3,383	1,188
Share of (loss)/profit - equity accounted investee	(1,952)	208
Feasibility costs capitalised	-	523
Other	(9)	-
	79,016	77,594

Pilbara Minerals holds an 18% equity interest in POSCO-Pilbara Minerals Lithium Solution Co. Ltd ("JV Co"), with the remaining 82% held by POSCO Holdings ("POSCO"). The JV Co will construct and operate a downstream 43ktpa lithium hydroxide monohydrate processing facility in South Korea. Pilbara Minerals has the ability to increase its shareholding to 30% through the exercise of a Call Option (refer note 5.3).

The Company's 18% ownership interest was funded by a five-year $79.6M convertible bond issued to POSCO. In accordance with the Convertible Bond Agreement, Pilbara Minerals Limited issued 79,603,050 convertible bonds at a face value of $79.6M to POSCO's wholly owned Australian subsidiary POS-LT Pty Ltd (refer to note 3.5).

3.5 Borrowings

	31 December 2022 $'000	30 June 2022 $'000
Current		
Secured debt (US$ denominated facility)	35,424	30,483
Lease liability	40,035	25,285
Total borrowings - current	75,459	55,768
Non-Current		
Secured debt (US$ denominated facility)	108,843	124,901
Lease liability	58,658	31,969
Convertible bonds (refer note 3.4)	80,571	79,326
Total borrowings - non-current	248,072	236,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

Secured Debt

During the half-year, the Company repaid A$15.1M (US$10.0M) of the secured debt facility in accordance with the principal repayment schedule contained within the USD Syndicated Facility Agreement.

The Company terminated the US$25M Working Capital Facility following the significant increase in cash during the period.

The Secured Debt Facility includes a cash sweep mechanism whereby the Company is required to make mandatory repayments in the event excess cash flows are generated after debt servicing. In May 2022, the secured lenders agreed to formally waive the cash sweep mechanism for the remainder of the 2022 calendar year.

Compliance with loan covenants

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

Under the terms of the Syndicated Secured Debt Facility, the Company is required to maintain a minimum liquidity position of A$20M at all times as well as comply with the following financial covenants each 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 of 3 times over the loan, but not in consecutive quarters.

USD Syndicated Debt Facility

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

	31 December 2022 $'000	30 June 2022 $'000
Opening balance 1 July	155,384	141,208
Draw down	-	27,651
Principal debt repayments (cash sweep)	(15,070)	(27,208)
Unrealised foreign exchange loss[1]	2,999	13,064
Debt proceeds at balance date	143,313	154,715
Directly attributable transaction costs	-	(777)
Amortisation of transaction costs	954	1,446
Carrying amount at balance date	144,267	155,384

1. The AUD:USD foreign exchange rate at 31 December was 0.6775 (30 June 2022: 0.6889). The AUD:USD foreign exchange on the date of debt drawdown was 0.7061.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

AUD Convertible Bond

The carrying amount of the AUD convertible bonds is as follows:

	31 December 2022 $'000	30 June 2022 $'000
Opening balance 1 July	79,326	79,603
Directly attributable transaction costs	-	(556)
Capitalised interest expense	1,245	279
Carrying amount at balance date	80,571	79,326

4. Capital

	31 December 2022		30 June 2022	
	$'000	Number ('000)	$'000	Number ('000)
Fully paid ordinary shares	966,230	2,997,970	965,078	2,976,848
Total share capital on issue at end of period	966,230	2,997,970	965,078	2,976,848
Movements in ordinary shares on issue:				
On issue at beginning of period	965,078	2,976,848	821,391	2,898,982
Shares issued during the period:				
Issued in business combination	-	-	137,216	65,341
Exercise of options/vesting of performance rights	1,152	21,122	3,564	12,525
Share issue costs (net of tax)	-	-	2,907	-
On issue at end of period	966,230	2,997,970	965,078	2,976,848

5 Financial risk management

5.1 Foreign exchange risk

During the period the Company continued to sell spodumene concentrate to offshore customers, with the sales proceeds denominated in US dollars (USD).

Foreign exchange risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the Group's functional currency (AUD). The Group is exposed to the risk of movements in foreign currency because revenues are denominated in US dollars, but are converted to the Group's functional currency (AUD). The Group's Risk Management and Hedging Policy outlines the Group's approach to financial risk management, with the objective of mitigating exposures consistent with the Group's risk tolerances. The Group utilises cash flow management and forecasting to help manage and mitigate foreign exchange risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

During the period, the Group adopted a Hedging Strategy to provide a framework for managing foreign exchange risk. The Hedging Strategy is reviewed at least annually, or where a defined set of circumstances triggers a review. The underlying principle of the Hedging Strategy is to convert US dollar sales receipts to Australian dollars. Where there is a high degree of certainty over the USD receipts, then forward foreign exchange contracts (committed hedging) are used to help manage the foreign currency exposure. Where there are longer term US dollar receipts which are less certain, the Group uses option contracts to protect a worst-case position (uncommitted hedging). The volume of hedging and mix of committed versus uncommitted instruments is determined using target return levels with these targets assessed regularly.

Forward foreign exchange contracts

Forward foreign exchange contracts represent a commitment to sell US dollars and buy Australian dollars at an agreed date and exchange rate. These instruments are used where sales are more certain and receipts are expected within a four-month period. In accordance with the Group's accounting policy, forward foreign exchange contracts are considered to be cash flow hedges and are classified as other financial assets and measured at fair value, with movements in fair value recognised through profit and loss.

The balance of open forward foreign exchange contracts outstanding at 31 December 2022 is shown in the table below. The mark-to-market value of these contracts at the reporting date of $10.9M has been recorded as a financial asset (see note 5.3).

Maturity Date	USD	AUD	Weighted exhange rate
Jan - Apr 23	$570M	$845M	$0.6747

Australian dollar call options

The Company also purchases Australian dollar call options which give the right but not the obligation to buy Australian dollars with US dollars at a predetermined fixed call rate ("strike price") and date. These instruments are used for longer dated sales where USD proceeds are less certain (in respect of sales volumes and selling prices) and are expected to be received within a period of fifteen months. In accordance with the Group's accounting policy, option contracts are classified as cash flow hedges and measured at fair value and classified as other financial assets, with movements in fair value recognised in Other Comprehensive Income (OCI). The Company pays a premium to purchase the Australian dollar call options which represents the fair value of the option contract at inception with the premium initially recognised as a financial asset, with subsequent fair value movements going through the cash flow hedge reserve in OCI. Upon maturity of the option contract, the fair value is recycled to profit or loss as revenue from contracts with customers.

The foreign currency exchange option contracts outstanding at 31 December 2022 are shown in the table below. The carrying value of these contracts at the reporting date was $2.7M which has been recorded as a financial asset (see note 5.3).

	31 December 2022
Cover (US$'000)	2,200,000
Weighted average strike	0.85
Maturity dates	Jan 23 - May 24
Hedge ratio*	1:1

** The foreign currency options are denominated in the same currency as the highly probable future sales transaction (USD) therefore the hedge ratio is 1:1.*

5.2 Cash flow hedge reserve

Total premium paid during the period to purchase Australian dollar call options was $6.8M. A reconciliation of the closing cost of the hedge reserve is provided below:

	31 December 2022 $'000	30 June 2022 $'000
Cost of options	6,822	-
Fair value at period end	2,715	-
Fair value movement recognised in other comprehensive income	(4,107)	-
Reclassified from other comprehensive income to profit or loss	41	-
Deferred tax	1,220	-
	(2,846)	-

5.3 Fair value measurement of financial instruments

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2022 and 30 June 2022. The fair value movement of the foreign currency options are recognised through other comprehensive income, while the fair value movement of all the other financial assets and liabilities are recognised through profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

	31 December 2022 $'000	30 June 2022 $'000
Financial Assets		
Current		
Foreign currency forwards[2]	10,990	-
Foreign currency options[2]	2,715	-
	13,705	-
Non Current		
Listed investments[1]	365	-
POSCO Call Option (A)[2]	1,953	1,953
	2,318	1,953
Financial Liability		
Current		
Foreign currency forwards[2]	-	3,782
	-	3,782

[1]Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

[2]Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Valuation inputs include underlying spot prices, implied volatility, discount curves and time until expiration, expressed as a percent of a year.

POSCO Options

Under the terms of the Shareholders Deed executed with POSCO (refer note 3.4), the Company was granted certain protection mechanisms in the form of four (4) options.

- Call Option (A) - allows Pilbara Minerals to increase its ownership interest in the JV Co 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

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 previously 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 model to measure the fair value of these options. The key input assumptions into the Black Scholes model include spot share price, expected volatility, expected life and risk-free interest rate, which requires judgement. The Company estimates the spot share price using a discounted cashflow or net present value (NPV) model because the JV Co is not a listed investment. The NPV takes into consideration key assumptions including, key project milestones, construction profile and costs, technical risks, operating cost and market price risks.

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 remote given commissioning of the chemical facility remains both on schedule and budget This probability is applied to the Black Scholes value to arrive at a final valuation at the reporting date.

A nil value was attributed to Option B, as the value can only be ascertained in the event a cost overrun occurs, until that point spot price is unknown. Based on information received from the JV manager during the period, no expected cost overrun has been communicated to shareholders.

6. Subsequent Events

Subsequent to the period end, the Company announced an interim fully franked dividend of 11 cents per share to Shareholders, payable on 24 March 2023.

On 22 February 2023, the Company confirmed execution of the finance documents to establish the A$250M secured 10-year amortising debt facility with Australian Government agencies, Export Finance Australia (EFA) and Northern Australia Infrastructure Facility (NAIF).

In parallel, the Company entered into a US$113M secured 5-year amortising debt facility with commercial lenders to re-finance the existing senior secured USD secured debt facility on improved terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

These new debt facilities contain improved terms relative to the existing secured syndicated debt facility including longer tenor, semi-annual repayments, more favourable covenants, less onerous undertakings and improved pricing. Both facilities remain subject to satisfaction of conditions precedent for financial close and drawdown, which is expected to occur during the March Quarter 2023

There is no other matter or circumstance that has arisen since the end of the half-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.

END OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

In the opinion of the Directors of Pilbara Minerals Limited ('the Company'):

1. The financial statements and notes thereto, as set out on pages 22 to 36, are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standard ***AASB 134: Interim Financial Reporting***, the Corporations Regulations 2001; and

   b. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Anthony Kiernan AM
Chair

23rd February 2023

KPMG

Independent Auditor's Review Report

To the shareholders of Pilbara Minerals Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Pilbara Minerals Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Pilbara Minerals Limited does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group's*** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 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 Half-year ended on that date;
- Notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Pilbara Minerals Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Derek Meates
Partner
Perth
23 February 2023