Pilbara Minerals

Powering a sustainable energy future

Annual Report 2021

ACN 112 425 788 I ASX PLS

FY2021 Highlights

- World's largest independent lithium operation
- One operation with two processing plants
- ASX200 > $6B market cap
- Operate, grow, diversify strategy

Operations

Strong Balance Sheet

$115.7M Cash balance	US$110M Senior secured debt facility	$240.2M Equity raising for Altura acquisition
(Cash at bank of $99.7M+ $16M Irrevocable Letters of Credit)	(Successful low cost re-financing completed during FY2021)	

FY2022 Plan

Operate

- Increase the Pilgan Plant's throughput capacity to achieve targeted production of up to 380,000 dmtpa of spodumene concentrate
- Restart the recently acquired Ngungaju Plant targeting annual full production capacity of an additional 180,000 to 200,000 dmt of spodumene concentrate

Grow

- Continue feasibility studies to incrementally expand the Pilgan Plant to up to 5 Mtpa, to ultimately produce approximately 800,000 to 850,000 dmtpa of spodumene concentrate specification

Diversify

- Negotiate and establish POSCO joint venture for the development and operation of a 40,000 tpa downstream lithium chemical conversion facility in South Korea supported by 315,000 tpa spodumene concentrate offtake
- Complete scoping study to develop mid-stream 'value added' product that will enhance the current spodumene concentrate supply chain including the potential production of value-added lithium salts/chemicals with Calix

Foundation

- Continued safety performance improvement as measured by leading and lagging indicators
- Continued improvement in sustainability practices and performance including the implementation of systems to support target setting and reporting
- Development of a pathway to net zero emissions (Scope 1 and 2) in the decade commencing 2040
- Further evaluation of climate related risks and planning to manage exposure in consideration of the Taskforce on Climate-related Financial Disclosure (TFCD)

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Message from the Chair

Dear Shareholders,

Financial Year 2021 (FY2021) has, by any measure, been a momentous year for Pilbara Minerals.

The year started with poor spodumene prices and first quarter shipments of 44,000 tonnes, and finished with record spodumene prices and last quarter shipments of nearly 100,000 tonnes.

As a result of prudent operational and financial measures implemented last year, the Pilgangoora Operation has been able to rapidly emerge from a period of moderated production to one of delivering record production and shipments.

The market turnaround over the last six months has been quite extraordinary and largely driven by the green energy-focused economic stimulus measures implemented by governments around the world – predominantly related to electric vehicle adoption – which has seen lithium-ion battery manufacturers dramatically scale-up.

This has been reflected in materially improved spodumene concentrate demand and pricing with the resultant financial benefits to cash flow and balance sheet.

"we are pursuing opportunities to grow sales and diversify our product portfolio"

Operationally, it was an excellent year, with high recoveries and record plant throughput reflecting the successful implementation of plant improvement projects over the past 18 months.

The strategic acquisition of the neighbouring operation was a pivotal development, providing us a substantially increased resource base, operational and geological synergies and positioning Pilgangoora as amongst the largest hard rock lithium operations in the world. As I write this, we are on the cusp of restarting this operation and increasing our production by up to 200,000 tpa of spodumene concentrate to a targeted total of 560,000 to 580,000 dmtpa by mid-2022 calendar year.

This production, along with our staged expansion and optimisation program, provides us a clear pathway to achieve a combined nameplate production capacity of more than 1 Mtpa of spodumene concentrate.

In parallel with this production growth, we are pursuing opportunities to grow sales and diversify our product portfolio. Our work on the development of a mid-stream lithium salt product, as well our potential joint venture with POSCO, will expand our product portfolio into high value chemical and lower emissions lithium products.

Furthermore, let's not forget the new market we are creating for spot sales of spodumene concentrate through our new Battery Material Exchange platform, which has been highly successful so far in identifying new buyers and increasing product pricing.

In keeping with our role as one of the world's biggest lithium raw material suppliers, Pilbara Minerals continues to place an increasing emphasis on being a responsible and ethical operator. In FY 2021, we worked on developing our climate strategy with a focus on minimising our impact on and the potential financial and operational risks of climate change, while maintaining a focus on worker health and safety and building upon our strong culture.

The strong culture we have developed is a credit to everyone at Pilbara Minerals. The achievements of the past 12 months reflect an enormous team effort that has helped steer Pilbara Minerals through the tough times – ensuring we have a stronger, more resilient and well-balanced business and balance sheet able to further capitalise on the current market conditions.

In conclusion, I would like to thank fellow Board members, our senior management team led by Ken Brinsden, and all our employees and contractors both on and off site – for their exceptional efforts. Also, to our shareholders for their ongoing support and faith in our company.

Anthony Kiernan AM

Chair

Message from the Managing Director

Dear Shareholders,

What an incredible turnaround we have experienced in FY2021. I do not think anyone could have predicted a market rebound quite like the one we are experiencing!

While the lithium sector was doing it tough in 2019 and 2020, China's lithium chemical conversion industry continued to build-out capacity at a rapid pace and now spodumene convertor capacity has far outstripped the ability of the raw material supply to keep up with demand. This has begun to flow through to pricing outcomes, with the expectation that a reasonable period of incentive pricing is now required to build-out additional raw material supply.

Thanks to the hard work of our team, we have been able to move swiftly to capture this opportunity. We have ramped-up mining and processing operations in a measured and safe manner, leveraging off the plant improvement projects completed, as well as the acquisition of the former Altura Lithium Operations – which was one of the most exciting developments.

This strategic acquisition provides us with enormous operational flexibility and optionality, with the capacity to optimise mine plans and processing schedules across two processing plants, and the ability to unlock mining inventory sitting along the former boundary and open offtake.

The quality and scalability of our expanded asset base has been reflected in the growth in our market capitalisation, which was approaching $6B at the time of writing this report.

In May, I had the pleasure of presenting our corporate strategy and outlook to the market. As we enter the new financial year, we are well on the way to delivering on this strategy. Starting with our core business, the restart of the Ngungaju Plant is imminent, the Stage 1 Pilgan Plant improvements are being delivered and we have a plan in place to build out our production capacity to over 1 Mtpa – I am confident we will one day rival Greenbushes as one of the largest concentrate producers globally.

We are adding value and diversifying our business through the investigation of high value products such as the mid-stream 'lithium salt 'product development and our engagement with POSCO. We have also been opening new markets for spodumene spot sales through our Battery Material Exchange (BMX). Following the success of the first BMX auction, we now look to benefit from both long-term offtake agreements and the exciting opportunities available on the spot market.

All this work is being progressed within the broader context of an unwavering – indeed, increasing – focus on our sustainability practices, which remain at the absolute heart of our business. I am proud that we have delivered strong production growth this year with zero significant safety incidents and only three minor reportable incidents.

"it has been an exciting and transformational period for us"

Our pathway to achieving net zero emissions (Scope 1 and 2) in the decade commencing 2040 has been mapped and while it is challenging, we are up for it because it is an essential part of the global role we play.

We have also made strong commitments to stamping out disrespectful behaviour, with our "Stand Up, Unmute Yourself" campaign to encourage people, not just within our business but across the industry to consider new practical and 'hands-on' strategies to address workplace harassment and attract more women to join our industry in all roles and at all levels.

In summary, it has been an exciting and transformational period for us by any measure, and I would like to sincerely thank the entire Pilbara Minerals' team, the Board of Directors, and our contractors for their hard work, dedication and commitment.

To our shareholders, I believe the extraordinary growth we have seen over the past 12 months is just the beginning. Backed by the exceptional quality of the Pilgangoora Project, Pilbara Minerals is truly at the forefront of the global shift to green energy...and momentum is building.

I am looking forward to the year ahead with great anticipation!

Ken Brinsden

Managing Director & CEO

Company & Project Overview

Pilbara Minerals Limited (Pilbara Minerals or the Company), is the largest, independent hard rock lithium mining company in the world. With a market capitalisation over $6B, the Company ranks within the top-200 companies on the Australian Securities Exchange (ASX: PLS).

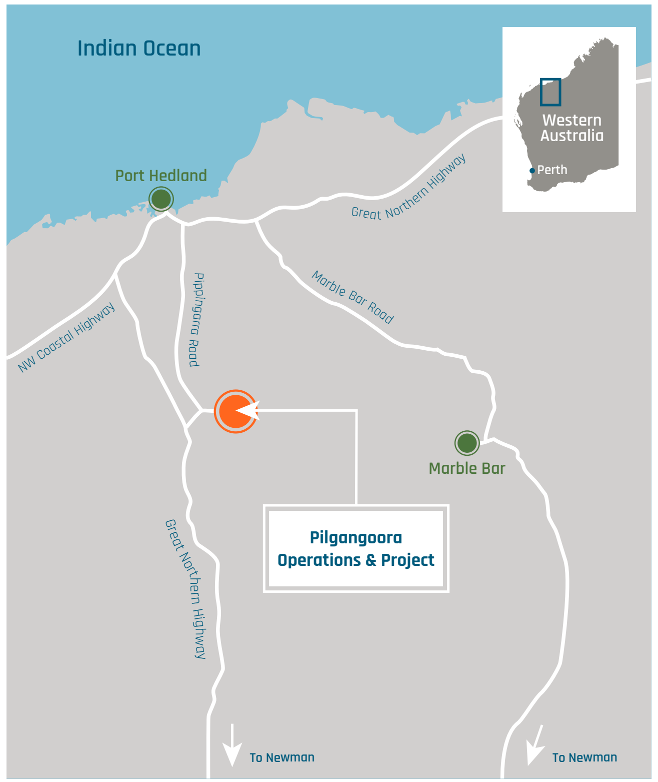
Its 100% owned, Pilgangoora Project and Operation is located in Western Australia's Pilbara region, approximately 120km from Port Hedland and close to key infrastructure such as road and port. The operation consists of a series of open mine pits and two processing plants, the Pilgan and Ngungaju Plant, to produce a high quality, spodumene concentrate. Pilbara Minerals also produces a tantalite concentrate as a by-product from its Pilgan Plant.

The Pilgangoora Project hosts one of the world's largest hard rock lithium-tantalum deposits and is recognised as being within the most important sources of lithium raw materials globally. This has enabled it to attract a consortium of high quality global offtake partners including Ganfeng Lithium, General Lithium, Great Wall Motor Company, POSCO and Yibin Tianyi. In addition, Contemporary Amperex Technology (Hong Kong) Limited (CATL) China's largest battery manufacturer for electric vehicles is now one of Pilbara Minerals' largest shareholders.

Through its "operate, expand and diversify" strategy, the Company is emerging as a major player in the world's rapidly growing lithium raw material and downstream chemical supply chain. Execution of its strategy will see it operating at full capacity of 560,000 to 580,000 dmt of spodumene concentrate from its two processing plants and then growing this production up to 1 Mtpa of spodumene concentrate through a series of expansions in the coming years[1]. In addition, the Company plans to extend mine life, through further exploration success regionally and locally along the tenement boundary adjoining the two processing plants.

Pilbara Minerals is working to diversify its product offering through the development of value-added products such as a more environmentally friendly lithium salt product at its Pilgangoora Operations with Calix Limited and the production of lithium hydroxide in South Korea through its proposed joint venture with POSCO. If successful, production of the "green" lithium salt product will deliver a lower carbon product to market which, when used in lithium battery production, will reduce the overall environmental impact of the lithium battery throughout its life cycle.

Recognising the opportunity for spot sales of spodumene concentrate, the Company has developed a new sales platform, the Battery Material Exchange (BMX). The innovative, digital auction platform enables the Company to sell unallocated spodumene concentrate product on the open market to realise more of the available margin between the value of spodumene concentrate and lithium hydroxide in this buoyant market



The 2021 Financial Year (FY2021) saw an incredible rebound in the lithium market underpinned by the demand for electric vehicles and energy storage technologies. This demand is only going to grow in coming years as companies and governments around the world pursue net zero emissions targets to combat the impacts of climate change. Pilbara Minerals is pursuing a net zero emissions (Scope 1 and 2) pathway in the decade commencing 2040, to support this imperative, as well as its aim to be a responsible and ethical producer, play its part in global decarbonisation and secure its business for the future.

Company Objectives

Operate

- produce and sell high quality spodumene and tantalite concentrate products from the conduct of safe, responsible mining and processing activities

Grow

- expand the production capacity of the Pilgangoora Operation
- increase the existing JORC resource and reserve through further exploration and development activities

Diversify

- leverage the Pilgangoora Project's size and quality to diversify into downstream chemical processing opportunities and identify innovations in value added mid-stream products

A diversified product suite

Positioning to capture value throughout the entire lithium raw material and chemical supply chain

Upstream	Mid-stream	Downstream
Spodumene Concentrate 6% Li_2O	**Lithium Salts >35% Li_2O**	**Lithium Fine Chemicals**
Pilgangoora Operation	Scoping study with Calix	Potential JV with POSCO
Offtake / Spot sales	Sales / Downstream	

[1]This assumes the Pilgan Plant production capacity increases to 380,000 dmtpa following implementation of improvement projects. Refer to March Quarterly Report released to ASX dated 21 April 2021.

Pilbara Purpose

Making the world a better place, by enabling the global energy transformation

Through conversations with our people, the Pilbara Purpose was born. Our purpose is the reason we do what we do. It is the foundation of our being and what drives and inspires us in our work every day.

Our purpose is underpinned by 'what we stand for', six commitments that are the heart of our culture and how we work together to achieve our purpose.

Great people	We are a proud team of talented and grounded people who value diversity and have each other's back.
Think, do, achieve	We are innovative and resourceful when solving problems and we go the extra mile to get the job done.
Safety matters	We take responsibility for maintaining a safe and healthy workplace so that everyone comes to work and goes home safely every day.
Valuing our partners	We know great things happen when we engage our broader team of contracting partners, customers and community.
Quality products	We produce and deliver a globally competitive, high quality product to our customers.
Making a difference in the world	We are passionate about our contribution and strive to make a positive impact in our work and the communities we share.

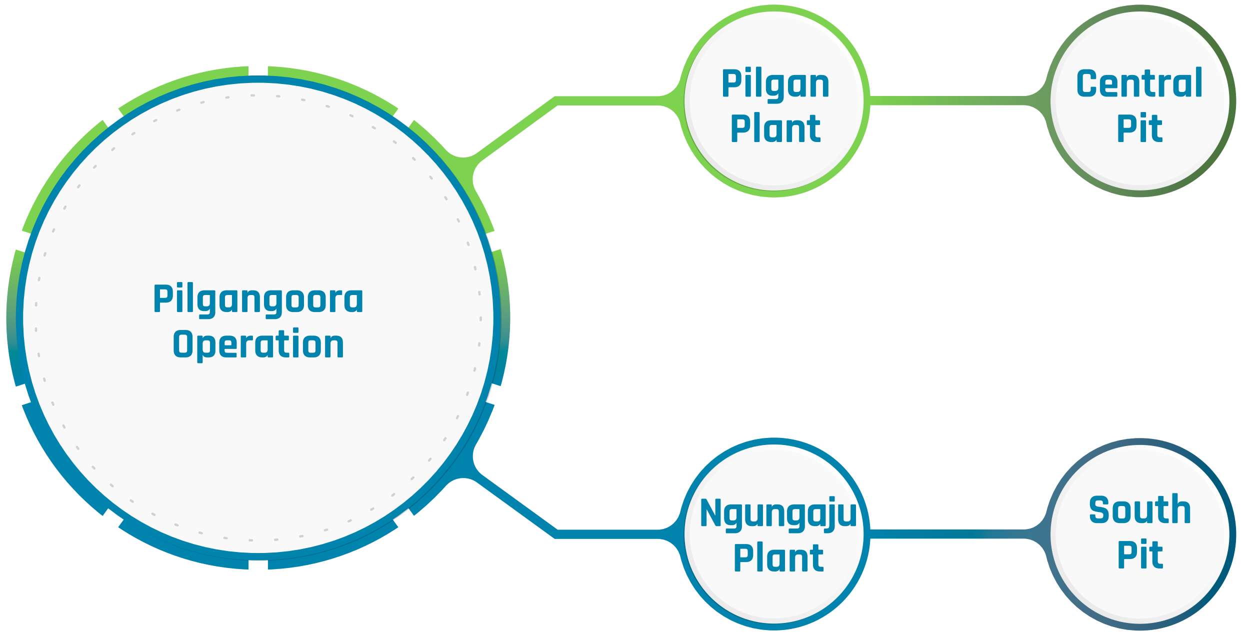
Naming Our Facilities

Pilbara Minerals wishes to thank traditional owners, the Njamal People for their assistance and for continuing to share the constructive relationship during FY2021. The opportunity to honour Njamal culture and language by allocating Njamal names for each of the two processing plants at Pilgangoora is a privilege and supports Pilbara Minerals' commitments under 'What We Stand For'. Plant 1 is now known as the 'Pilgan Plant' and Plant 2 as the 'Ngungaju Plant' (pronounced nuh-ga-ju), with the overarching operation to be known as the 'Pilgangoora Operation'. The mine pit located at Ngungaju has been named 'South Pit'.

Ngungaju means 'place of water' – as the area is highly prospective for water with the landscape containing many creeks and spring beds.

Pilgan pays homage to the original Pilgangoora Plant, with 'Pilgangoora' being the Njamal name for the entire area. There will be no changes to the naming of the Central Pit, located in the Pilgan Operating area.

Njamal elder, Doris Eaton and her family visit the old camp located at Ngungaju



Pilgangoora Project

Located 120km from Port Hedland in Western Australia's Pilbara region, Pilbara Minerals' 100%-owned Pilgangoora Project and Operation is positioned in close proximity to infrastructure and export markets. The high quality, outstanding scalability and expansion potential has laid the foundation for a long-life, low-cost operation.

Exploration & Geology

The Pilgangoora Project is located within an area known as the Pilbara Mineral Field in Western Australia's Pilbara region (Figure 1). The Pilbara Mineral Field is one of the world's major lithium-tantalum provinces with significant lithium-caesium-tantalum bearing pegmatites located at Pilgangoora, Mount Francisco, Wodgina, Tabba-Tabba and Strelley.

Following the acquisition and integration of the neighbouring operation (now the Ngungaju Plant) during FY2021, the Pilgangoora Project now comprises 34 granted tenements (excluding miscellaneous licences) covering an area of 1086.42km^2.

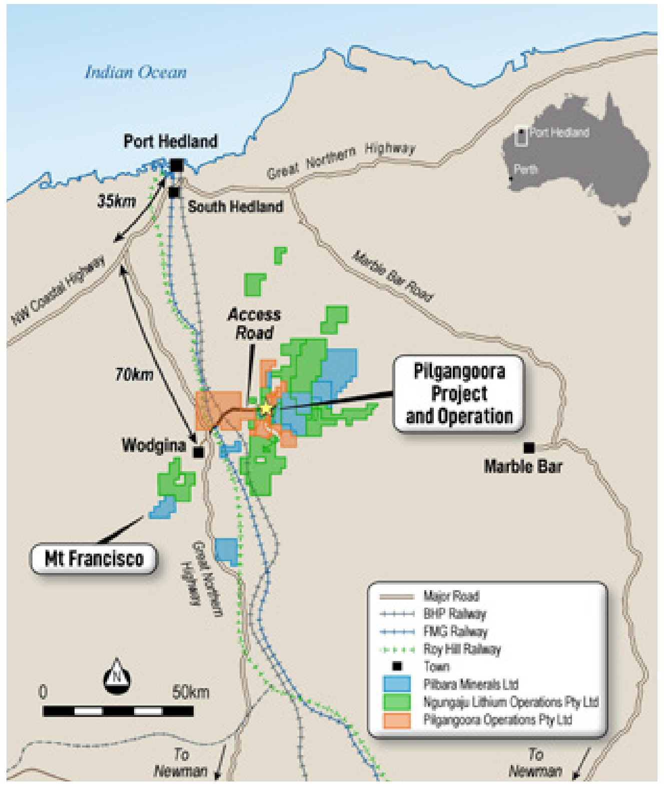


Figure 1: Pilgangoora Project and Operation

Geology

The Pilgangoora pegmatite deposit is one of the largest hard rock lithium deposits in the world. The prospective Pilgangoora pegmatites are located within the East Strelley greenstone belt, approximately 30km east of Wodgina.

The pegmatites strike sub-parallel to the dominant north-northwest trending fabric of the greenstone belt (Figure 2). Three principal pegmatite groups or domains are identified in the centre of the project area: Eastern, Central and South. Two outlying pegmatite groups, Monster and Southern, are also identified, which have strike lengths of up to 350m and 500m respectively. Pegmatites of the principal domains have a strike length of up to 1.4km, and mostly range in thickness from 1-30m, although pegmatites in the Central domain may be up to 70m thick. The pegmatite domains have variable dips ranging from shallow to sub-vertical to the east.

The pegmatite domains at Pilgangoora are composites of several intrusive phases emplaced sequentially over the duration of the late-stage Turner River orogeny. Lithium grade in the pegmatite domains is subject to two main influences, one primary and the other secondary. The primary ore types comprise mainly coarse spodumene, K-feldspar and quartz, and the abundance of spodumene relative to the other two gangue phases is likely the main control on grade variations in zones grading better than 2% Li_2O.

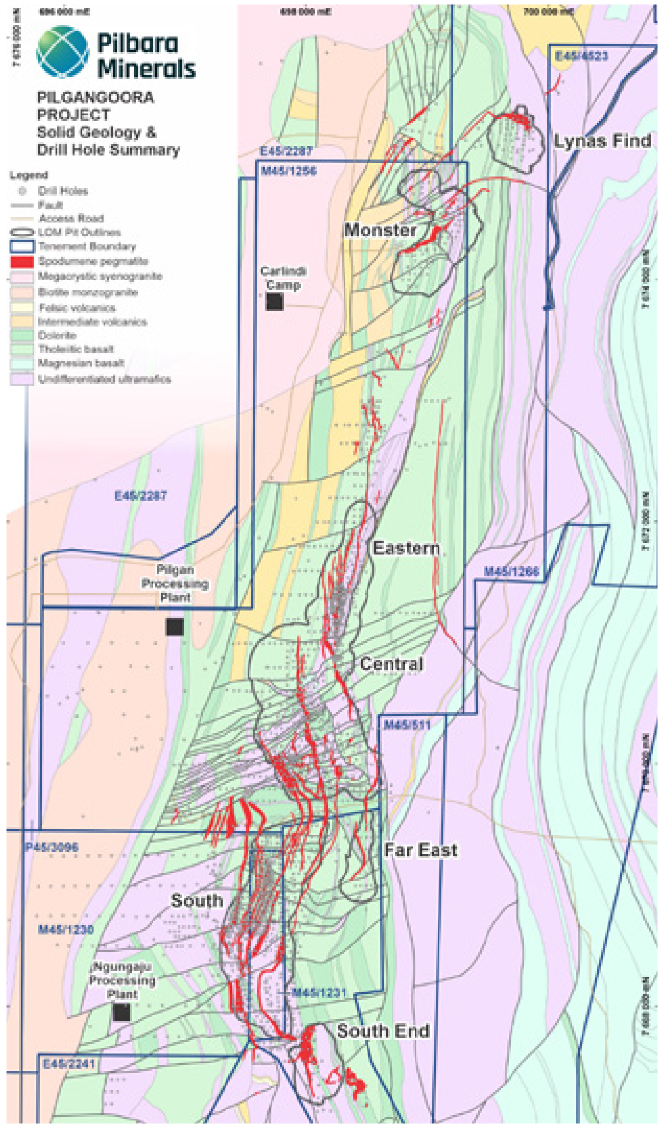
Exploration

During the first half of FY2021, exploration activities were limited to geo-metallurgical studies and grade control drilling in support of the Company's strategy to preserve cash in its moderated production environment.

The geo-metallurgical studies undertaken enabled Pilbara Minerals to gain a further understanding of the various ore types present by providing geochemically based modelling criteria. Being able to discriminate different pegmatite ore types will ultimately assist in alternate ore blending strategies to further optimise lithia yield.

The acquisition of the Ngungaju Plant, located on the adjoining tenement package, opened up immense exploration potential in the area. Being part of the same mineralised system it provides the opportunity for Pilbara Minerals to potentially increase the Pilgangoora Project Mineral Resource and Reserve inventory.

Figure 2: Geological map with mining pit locations



Following the completion of the acquisition, Pilbara Minerals commenced a strategic exploration and resource development drilling program adjacent to the historical Altura tenement boundary. The program was designed to upgrade and expand the mineral resource inventory, primarily along the northern half of the tenement boundary. In addition, drilling targeted the previously under-explored Southern Ridge prospect area.

A total 55 reverse circulation (RC) holes for 10,158m were completed during FY2021. Results from the program have identified zones of near surface high-grade pegmatite mineralisation adjacent to the tenement boundary and future South Pit expansion area which is outside of the previously identified Mineral Resource.

Full details of the drill hole locations and exploration results were provided in the Company's ASX Announcements dated 10 May 2021 and 23 June 2021.

Results from this drill program have been incorporated into an updated combined Pilgangoora Project JORC Mineral Resource (including the compilation and integration of the former Altura Lithium Operations Pty Ltd Resource). This updated Mineral Resource can be found on page 20.

In addition to the resource development program, several RC grade control programs were undertaken, including a significant drilling program within the South Pit in advance of the Ngungaju Plant restart. A total of 177 holes for 5,548m had been drilled at financial year-end.

South Pit, Ngungaju Plant

Table 1: Selected Drill Hole Intercepts (0.5% Li_2O lower cut-off grade):

Hole ID	From (m)	To (m)	Thickness	Li_2O %	Ta_2O_5 (ppm)
PLS1315	142	157	15	2.35	100.67
PLS1316	125	147	22	1.27	86.64
PLS1319	168	186	18	2.01	74.94
PLS1320	150	168	18	1.81	80.39
PLS1321	174	194	20	1.55	89.45
PLS1328	28	48	20	1.83	35.60
PLS1330	5	17	12	1.84	66.83
PLS1337	25	46	21	1.28	61.86
PLS1337	159	191	32	1.44	79.28
PLS1341	146	190	44	1.49	76.11
PLS1346	42	52	10	2.14	94.80
PLS1356	127	155	28	2.01	93.82
PLS1357	70	87	17	1.56	553.71

Operations

Overview

At the commencement of FY2021, the prolonged softness in the lithium market saw Pilbara Minerals' moderated production strategy continue. The purpose of this strategy was twofold, to preserve the significant inherent value of the Pilgangoora Project, while managing operational costs so the Company could sustain the tough market conditions. During this time, the Company continued to undertake operational improvement and optimisation works, in preparation for the market rebound.

The deployment of this strategy was highly successful. The significant amount of work and operational discipline applied allowed the Company to sustain its operations and therefore respond immediately to the strong rebound in global lithium demand experienced during the second half of FY2021.

By ramping up mining and processing operations in a measured and safe manner, the Company emerged from moderated production in a strong position. Meeting growing customer and market demand swiftly, while continuing to maintain strong safety performance.

Its operational discipline, along with the successful execution of several financing initiatives, enabled Pilbara Minerals to maintain a strong fiscal position which provided the Company the opportunity to acquire the neighbouring operation and expand its asset base to what it is now, the largest independent, hard rock lithium operation in the world.

Mining and Processing

Mining activity was progressively scaled up during the second half of FY2021 in response to strengthening market conditions and increased customer demand.

Total production for FY2021 comprised 281,098 dry metric tonnes (dmt) of spodumene concentrate (FY2020: 90,768 dmt) and 131,866 lbs of tantalite concentrate (FY2020: 86,991 lbs).

Total material mined was 6,661,453 wet metric tonnes (wmt) from the Central Pit. Of this, a total of 2,095,677 wmt of ore as mined at 1.43% Li_2O.

Increased waste movements during the June Quarter supported mine development activities and provided access to additional ore. Waste movements will continue to be higher over approximately the next 12-24 months as the Company catches up on waste movements previously deferred and accesses more ore for production growth in the Central Pit Stage 2 and 3 development areas.

Following the completion of plant improvement initiatives, the Pilgan Plant's operational performance improved significantly over the year. This was reflected through increased plant feed, higher plant utilisation and improved lithia recoveries and processing plant runtimes. Plant throughput more than doubled from the previous year at 1,579,588 dmt of ore grading 1.48% Li_2O and an average plant recovery rate of 70%, reflecting the completion of a series of plant improvement projects aimed at enhancing operational performance and delivering a material improvement in lithia recovery.

The processing plant achieved 76% runtime for the reporting period delivering excellent throughput and combined product recovery rates.

Table 2: FY2021 total ore mined and processed

	Units	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	FY2021 TOTAL
Ore mined	wmt	372,468	466,121	585,068	672,020	**2,095,677**
Waste mined	wmt	338,461	612,147	1,639,128	1,976,039	**4,565,775**
Total material mined	wmt	710,930	1,078,268	2,224,196	2,648,059	**6,661,453**
Ore processed	dmt	360,227	381,973	415,277	422,111	**1,579,588**

Figure 3: FY2021 total quarterly spodumene concentrate production and shipments (dmt)

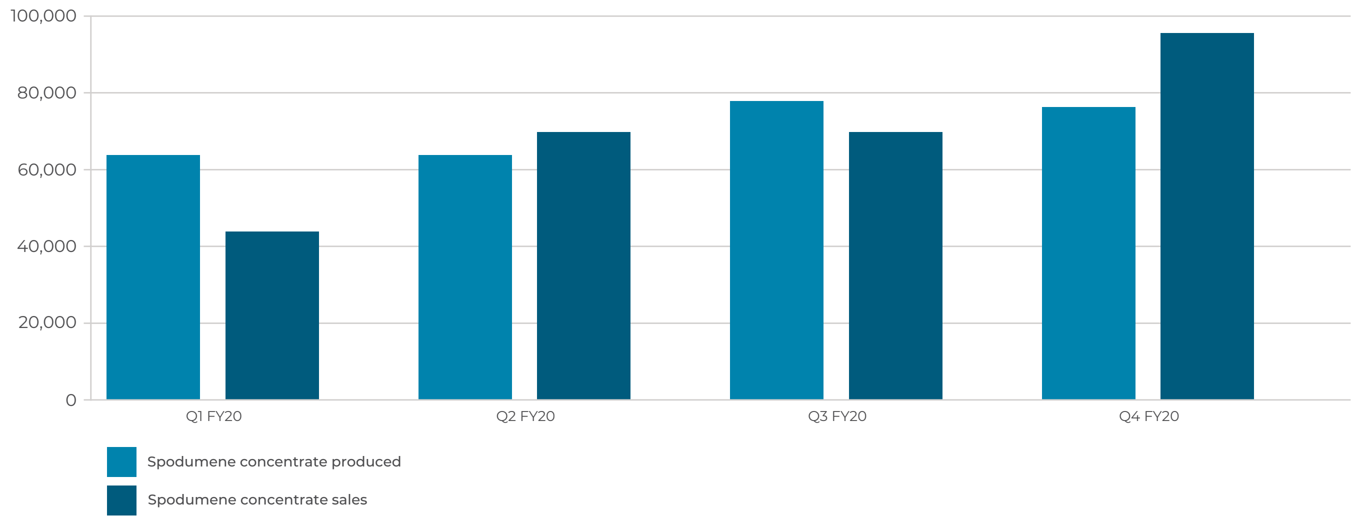


Table 3: FY2021 total production and shipments

	Units	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	FY2021 TOTAL
Spodumene concentrate produced	dmt	62,404	63,712	77,820	77,162	**281,098**
Spodumene concentrate shipped	dmt	43,630	70,609	71,229	95,972	**281,440**
Tantalite concentrate produced	lbs	32,881	28,456	36,481	34,048	**131,866**
Tantalite concentrate shipped	lbs	25,222	18,541	47,831	39,234[1]	**130,828**

[1]Shipping estimates pending final reconciliation and assays results.

The improvement in plant performance contributed to a lower unit operating cost[1] of $519/dmt CIF China (US$389/dmt) using an average AUD:USD exchange rate of 0.75 for FY2021.

Over the next 12-24 months, there will be a higher mining strip ratio to access sufficient ore to support increased plant throughput and as the Company emerges from the prior periods of moderated production. When combined with the impact of higher sea freight rates, higher unit costs associated with restarting and ramping up the Ngungaju Plant and the stronger AUD:USD exchange rate, this is likely to result in an increase in unit cash operating costs for the Financial Year 2022 (FY2022) as compared to FY2021.

The cash operating cost of the combined Pilgangoora Operation for FY2022 is expected to be in the range of $525-$575/dmt (CIF China) or approximately US$395-430/dmt at an AUD:USD exchange rate of 0.75.[1]

Beyond the 2022 financial year, costs are expected to trend lower with the realisation of expected synergies and improved economies of scale from the combined operations following the ramp up of the Ngungaju Plant, as well as strip ratios and freight costs returning to more normal levels.

Improvement Works

During the reporting period, Pilbara Minerals commenced a series of process plant improvement works on the Pilgan Plant to improve plant performance and increase production capacity. These improvement works are expected to unlock an additional 10-15% (~30-50,000 tpa) of production capacity, increasing the Pilgan Plant's annualised capacity to up to ~380,000 tpa.

The improvement works commenced in March 2021 under a $15M contract executed with a joint venture between SIMPEC and IronMerge (a Njamal family business, with Njamal being the determined native title holders of the land in which Pilgangoora is located on).

These improvement projects are expected to increase plant operating time and throughput, lower final product moisture and further manage product recovery performance, with commissioning expected late within the September Quarter 2021.

Pilbara Minerals expects these improvement works to cost approximately $22M, which will be largely funded by a US$15M (A$19.7M) unsecured prepayment received from one of Pilbara Minerals' existing offtake partners, Yibin Tianyi Lithium Industry Co Ltd (Yibin Tianyi). In exchange for the prepayment, Yibin Tianyi will receive additional product under its existing offtake agreement.

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

Resources & Reserves

Mineral Resource

Discovery of new pegmatite domains, together with integration of the Ngungaju Resource, lead to a substantial 39% increase in the JORC 2012 Mineral Resource for Pilbara Mineral's 100%-owned Pilgangoora Tantalum-Lithium Project. An annual review in FY2021 of the Mineral Resource was carried out by independent resource consultancy, Trepanier Pty Ltd. The June 2021 Mineral Resource statement (including stockpiled material) comprises a total of 308.9 million tonnes grading 1.14% Li2O (spodumene), 105ppm Ta_2O_5 and 0.59% Fe_2O_3, containing 3.5 million tonnes of Li_2O and 71.7 million pounds of Ta_2O_5 (Table 4).

Table 4: Pilgangoora Project – Mineral Resource Statement (June 2021) including stockpiled material

Mineral Resources as at 30 June 2021					Mineral Resources as at 30 June 2020			
Category	Tonnes M.dmt	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)	Tonnes M.dmt	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)
Measured	21.5	1.35	133	0.50	18.3	1.38	151	0.45
Indicated	188.7	1.15	100	0.56	113.8	1.29	119	0.58
Inferred	98.8	1.06	110	0.67	90.4	1.21	105	0.67
Total	**308.9**	**1.14**	**105**	**0.59**	**222.5**	**1.26**	**116**	**0.61**

Note: Totals may not add up due to rounding

Ore Reserves

The continued mining operations at the Pilgangoora Project and the increased Mineral Resources have resulted in a revised Ore Reserve estimate. Work undertaken to produce the updated Ore Reserves comprised pit optimisations, economic evaluation, pit design and operational depletion of the June 2020 Ore Reserve. The resultant Ore Reserves as at 30 June 2021, was 161.9 Mt at 1.18% Li_2O, 100 ppm Ta_2O_5 and 1.03% Fe_2O_3 (Table 5).

Table 5: Pilgangoora Project Ore Reserve Statement (30 June 2021) including stockpiled material

Ore Reserves as at 30 June 2021					Ore Reserves as at 30 June 2020			
Category	Tonnes M.dmt	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)	Tonnes M.dmt	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)
Proved	20.3	1.29	120	1.11	18.1	1.31	140	1.15
Probable	141.6	1.17	97	1.02	86.5	1.24	116	1.18
Total	**161.9**	**1.18**	**100**	**1.03**	**104.6**	**1.26**	**120**	**1.17**

Notes:

1. Totals may not add up due to rounding
2. All Open-pit Ore Tonnes north of the Pilgangoora Creek is defined using Li_2O and Ta_2O_5. All ore south of the Pilgangoora Creek is defined using Li_2O only. Ta_2O_5 grades for south of the creek have been added to the weight average grades in the table but will not be recovered in the processing plant.
3. Ore Reserves are based on an expected value calculation to report tonnages above a zero $/t net expected value, excluding mining cost. The cut-off to define ore is therefore variable in metal grades but equates to an approximate cut-off grade range of 0.30 - 0.38 % Li_2O equivalent, taking the contributing tantalum grades into account north of the Pilgangoora Creek.
4. The Ngungaju Process Plant has an average recovery of 67.7%. The Pilgan Process Plant has average recoveries of 74.6% for Li_2O and 50% for Ta_2O_5. Only the Pilgan Plant will utilise an ore sorting circuit to process pegmatite ore contaminated with basalt, comprising approximately 15% of the Ore Reserve.
5. Ore Reserves were estimated using projected concentrate prices of US$700 /dmt (FOB price) for 6% Li_2O concentrate and US$39.50 /lb 30% Ta_2O_5 concentrate.
6. The Ore Reserve is the economically mineable part of the Measured and Indicated Resource. It includes allowance for ore losses and dilution during mining extraction and incorporates a 5% mine call factor.
7. Pilbara Minerals ensures that the Mineral Resource and Ore Reserve estimates quoted are subject to governance arrangements and internal controls at both a site level and at the corporate level. Mineral Resources and Ore Reserves are reported in compliance with the JORC Code 2012, using industry standard techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. The Mineral Resources and Ore Reserve statements included in the Annual Report were reviewed by the Competent Persons prior to inclusion.
8. The life-of-mine strip ratio is estimated to be 5.1 to 1 (t:t).

Project Expansion

Pilgan Plant Expansion

In readiness for future expansion, Pilbara Minerals continued to progress studies during the year to support the next phase of incremental expansion for the Pilgan Plant.

Previous studies contemplated a phased and incremental expansion of the Pilgan Plant to ultimately increase total production to 5 Mtpa of ore feed or 800,000-850,000 tpa of spodumene concentrate production (refer ASX Announcement 27 August 2019). This total expansion, when combined with production from the Ngungaju Plant (180,000-200,000 tpa) would increase total spodumene concentrate production capacity to more than 1 Mtpa.

Current studies are targeting the first phase of the incremental expansion, providing approximately 100,000 dmt of additional spodumene concentrate production. This study is expected to be completed late in the December Quarter 2021.

This first phase of the expansion capacity is expected to be capable of being delivered in a timeframe of 9-12 months, following a Final Investment Decision (FID). Any FID will be considered closer to the time of study completion and will take into consideration market conditions, demand from customers and funding requirements at that time.

Ngungaju Plant

Acquisition

A pivotal development during FY2021 was Pilbara Minerals' strategic acquisition of the Altura Lithium Project - a hard-rock lithium operation sharing a common tenement boundary (to the south and west) with the Company's original Pilgangoora Lithium-Tantalum Project.

The fully-integrated open-pit mine and processing plant began production in 2018 and reached commercial production in early 2019, delivering 181,000t (wet) of lithium concentrate in FY2020. Following its acquisition, Pilbara Minerals renamed the Altura Lithium Project, the Ngungaju Plant.

The acquisition represented a unique opportunity for Pilbara Minerals to realise tangible operational synergies by consolidating the neighbouring project into a single integrated operation. It also provides Pilbara Minerals maximum operating flexibility through the ownership of two processing plants, one of which is unencumbered by offtake agreements.

Of particular benefit is the opportunity to potentially unlock additional mining inventory along the common tenement boundary between the two projects. The removal of the common tenement boundary delivers access to previously inaccessible ore and enables mine pit optimisation across the common orebody, potentially liberating further mineralisation.

Integration Studies

Further details of the acquisition are provided in the Corporate Section of this report.

Following the successful acquisition (completed on 20 January 2021), Pilbara Minerals commenced an evaluation of the combined mining and processing operations, including how to maximise the tangible synergies and achieve the best pathway to recommence operations at the Ngungaju Plant.

Work progressed included integrated mining studies, engineering design for process improvement, stocktake, ancillary services review and the development of a plant maintenance requirements catalogue.

In addition, a trial parcel of broken ore stocks from the open South Pit (at the Ngungaju Plant) was processed through the Pilgan Plant to better understand its processing characteristics, including lithia recoveries.

Results from this trial parcel exceeded expectations, delivering strong recoveries largely consistent with that achieved from Monster and Central Pit ore and well within the Pilgan Plant's design envelope. This provided a strong indication that the flotation regime at the Pilgan Plant can be successfully applied at the Ngungaju Plant (amongst other modifications), which is consistent with Pilbara Minerals' view at the time of acquisition.

In addition, civil (including roads) and engineering works were conducted to facilitate the integration of the two operations.

Restart of Operations

Following the completion of initial integration studies and in response to continued strong demand from the Company's customer base, Pilbara Minerals' Board gave its approval for a staged restart of the Ngungaju Plant late in FY2021.

It is expected that operations will recommence during the December Quarter 2021, with annual production to be ramped up to approximately 180,000 to 200,000 dmt by mid calendar year 2022. This will see the combined annual production capacity of the Pilgangoora Operation increase to 560,000 to 580,000 dmt.

The restart will expand production capacity, increase the scale of operations and provide production flexibility as Pilbara Minerals looks to satisfy rapidly growing market demand. The integration of the two processing facilities (Pilgan and Ngungaju) and enlarged resource and pit inventories should provide significant operational synergies, enabling the Company to realise cost efficiencies across the operation over time.

The estimated restart cost of $39M (inclusive of plant modifications and operational readiness activities) is consistent with Pilbara Minerals' original valuation at the time of acquisition and are proposed to be incurred over approximately the next 12 months.

Capital development expenditure is largely focused on Ngungaju Plant modifications that support the adoption of Pilbara Minerals' Pilgan Plant flotation regime. The Pilgan Plant now has a well-established track record of recovery performance through the combination of grind optimisation, process controls, free-iron removal, high intensity conditioning pre-flotation and optimised flotation reagent adoption.

Many of these optimisations and process learnings will now be deployed on the Ngungaju Plant to materially rerate its overall lithia recovery performance as compared to its prior operation.

Elsewhere, further investment will be applied to improve the crushing and materials handling aspects of the operation.

[2] This assumes the Pilgan Plant production capacity increases to 380,000 dmtpa following implementation of improvement projects. Refer to March Quarterly Report released to ASX dated 21 April 2021.

MOU for Production of 'Mid-Stream' Lithium Chemicals

During the year, Pilbara Minerals announced its intention to pursue the development of a new refining process to produce a value-added, green lithium salt product at its Pilgangoora Operation. This product is being developed in partnership with Sydney-based technology company, Calix Limited (Calix). Using Calix's unique calcination technology, the companies are aiming to produce a concentrated lithium salt to feed into the downstream lithium raw material demand providing a new avenue for product sales.

Following the completion of successful initial test work, including calcination test work at Calix's pilot scale BATMn reactor which confirmed high conversion rates for fine flotation spodumene concentrate, the companies entered into a Memorandum of Understanding (MOU). Under the MOU, Pilbara Minerals and Calix have agreed to complete a Scoping Study on the joint development of a demonstration plant at Pilgangoora, with a view to negotiating and entering a joint venture to build and operate the demonstration plant and further commercialise the technology developed.

The proposed demonstration plant will likely utilise fine particle, lower-grade spodumene concentrate from the Pilgangoora Operation with further processing on site (with electricity generation using renewable energy) to produce a low-carbon, concentrated lithium salt which could be further refined into lithium battery materials.

This Scoping Study work was ongoing at the end of the reporting period and is on track for completion by the end of 2021 calendar year.

Market Update

Following several years of market softness, lithium raw material demand and pricing rebounded strongly during FY2021.

After starting the reporting period in the range of US$390-405/dmt, the spodumene concentrate price strengthened significantly over the course of the year, with price reporting agencies (including Platts, FastMarkets and Asian Metals) citing prices varying between US$700 and US$975/dmt (SC6.0, normalised CIF China basis) at the end of the reporting period.

This wide variance is likely explained by either the speed with which the market is developing and/or the effect of either contract delivery or spot pricing basis being reported.

The strengthening in lithium demand was attributable largely to a major expansion in global lithium-ion battery manufacturing in response to the implementation of green energy-related economic stimulus measures, particularly in China and Europe.

This was reflected by the announcement from Pilbara Minerals' major shareholder, Contemporary Amperex Technology (CATL), China's largest automotive lithium-ion battery maker, that in response to continued strong growth in China's electric vehicle (EV) industry, it would invest up to RMB 39 billion (US$6B) in lithium-ion battery production projects in China to meet the expected increase in demand.

In addition, the European Green Deal outlines an action plan to boost the efficient use of resources by moving to a clean, circular economy and to restore biodiversity and cut pollution.

A core element of this plan has been the introduction of subsidies for electric vehicles (EV), which saw Europe become a bigger EV market than China over the past 12 months.

The European EV market is dominated by high-nickel cathode batteries, which over time is expected to drive strong demand for lithium hydroxide and therefore spodumene raw material supply.

With limited domestic battery raw material supply in Europe, Pilbara Minerals remains of the view that value-added chemicals required to support the European battery supply chain will likely be sourced from North Asia (and especially China) in the short to medium term (whether the cathode materials or batteries are manufactured in Europe or North Asia).

This means the European supply chain for lithium raw materials will need to rely on China, which is positive for spodumene demand growth, particularly in support of lithium hydroxide production. Pilbara Minerals is expected to benefit from this increased raw material demand as a result of its offtake agreements with leading Chinese companies, Ganfeng Lithium, General Lithium, Great Wall Motor Company and Yibin Tianyi, all of which are integral parts of this supply chain.

The increasing acceleration of the global adoption of EVs is further supported by news that automotive OEM Volkswagen Group's (VW) new EV – the ID.3 – and its EV platform could be fully cost-competitive with traditional Internal Combustion Engine cars by 2025.

Global investment bank UBS stated that this makes it "more confident than ever in a steep EV penetration curve", with UBS predicting EVs will have 20% market share by 2025, 50% by 2030 (previously 40%), with a chance of 100% by 2040 (previously 80%).

In April, Macquarie Bank materially upgraded its outlook for spodumene prices, forecasting that prices will rise between 7 and 30% between calendar year 2021 and CY2025 due to a lack of independent supply for third parties.

Other investment banks have supported this view, with Credit Suisse recently saying that the lithium supply glut has ended with the market now "tightening as the EV revolution accelerates".

In a recent report (7 July 2021), Deutsche Bank said that it sees the lithium market deficit widening in upcoming years driven by robust China EV demand and supply facing emerging risks on ESG scrutiny. Deutsche Bank has raised both its medium and long-term lithium demand forecast by ~9% to reach 1.1Mt LCE (lithium carbonate equivalent) by 2025 and 1.95Mt by 2030. At the same time, the bank has reduced its supply numbers by 1% and now anticipates 2025 supply of 947,000 t.

Customers & Sales

Offtake Agreements

Pilgan Plant Stage 1

The Pilgan Plant's 2 Mtpa processing plant capacity for Stage 1 currently produces ~330,000 tpa of 6% spodumene concentrate. Following completion of improvement works, an additional 10%-15% (30,000 to 50,000 tpa) of production capacity is expected to be derived increasing annual production capacity up to 380,000 tpa. This production is allocated under long-term offtake agreements with tier one customers including:

- Ganfeng Lithium – China's largest fully integrated lithium chemical converter and cathode maker
- General Lithium – major producer of battery grade lithium chemicals
- Great Wall Motor Company – one of China's largest car and EV manufacturers
- Yibin Tianyi – an emerging lithium hydroxide producer in China with CATL as its major shareholder

The improvement works are expected to cost approximately $22M, which will be largely funded by a US$15M (A$19.7M) unsecured prepayment received from one of the Company's existing offtake partners, Yibin Tianyi Lithium Industry Co Ltd. In exchange for the prepayment, Yibin Tianyi will receive additional product under its existing offtake agreement commencing late in the 2021 calendar year from the expected ~30-50,000 tpa of additional production capacity.

Pilgan Plant Incremental Expansions

The designed plant capacity for the proposed expansion of the Pilgan Plant will deliver ~800-850,000 tpa of 6% spodumene concentrate. It is envisaged that the incremental production from the expansion will be allocated under future offtake agreements including with Great Wall Motor Company, Ganfeng Lithium and POSCO.

Ngungaju Plant

The annual production of approximately 180,000 to 200,000 dmt of spodumene concentrate is unencumbered by historical offtake agreements, meaning the product can be freely traded by Pilbara Minerals on the open market. It is likely that the initial production from the restart of this processing plant will be auctioned via Pilbara Minerals' Battery Material Exchange given the strong results delivered.

Battery Material Exchange (BMX)

Pilbara Minerals has introduced a new digital trading and sales platform for its uncommitted spodumene concentrate production.

The BMX platform will provide Pilbara Minerals a further avenue for sales growth, offering interested parties access to current and future unallocated spodumene concentrate product from the Pilgangoora Operations, including from the recently acquired Ngungaju Plant.

The digital trading platform is a first of its kind in the battery raw material market as it enables discreet (spot) sales of spodumene concentrate product by either auction (screen trading), tender process or bilateral sales agreement, rather than historical offtake agreements. The platform provides anonymity to all users ensuring secure customer relationships, with the information security management system being certified to ISO 27001, which is regarded as best practice in relation to information security.

The selling platform defines a timeframe for sale of each cargo and utilises Pilbara Minerals' existing sales terms and conditions, inclusive of a letter of credit. In the case of a sale by auction, the platform provides a channel for multiple potential buyers to anonymously bid on that cargo.

The successful bidder will then have the cargo loaded on a vessel in accordance with the defined terms and conditions for that sale, including the final auction price.

Notwithstanding the emergence of new buyers in the market, Pilbara Minerals acknowledges the importance of its offtake customers and their significance as key supporters of the Pilgangoora Project. As such the new trading platform operates in conjunction with Pilbara Minerals' existing and new or future offtake agreements. BMX will initially be used to sell unallocated or available spodumene concentrate that sits outside existing offtake terms.

The inaugural spodumene concentrate auction on the BMX was held on 29 July 2021. Strong interest in the auction was received, with 17 bidders participating. During the three-hour auction window, parties placed a total of 62 online bids ranging from US$700/dmt to US$1,250/dmt FOB Port Hedland, for a 'spot' 10,000dmt cargo (SC 5.5%) of spodumene concentrate from the Pilgangoora Operation.

The auction was highly successful, with Pilbara Minerals accepting the highest bid of US$1,250/dmt FOB Port Hedland plus shipping costs at the auction close. A further auction was held on 14 August 2021 (refer ASX announcement 14 August 2021). As with the inaugural auction, there was strong interest in both BMX platform participation and bidding within the auction. Based on customer feedback, results of the BMX online auctions and other market enquiries the Company expects strong demand conditions will continue into FY2022.

Downstream

Throughout FY2021, Pilbara Minerals and POSCO continued to progress discussions in relation to a potential downstream joint venture (JV) opportunity.

POSCO undertook extensive technical evaluations during the reporting period and in April 2021 POSCO's Board approved the development of the proposed 43,000 tpa LCE (lithium carbonate equivalent) chemical conversion facility in Gwangyang South Korea, focusing on lithium hydroxide production from spodumene concentrate. These facilities are part of POSCO's objective to continue to expand its participation in battery materials.

Pilbara Minerals is continuing its assessment of the proposed lithium chemicals facility based on updated information and a final business plan recently provided by POSCO (on a confidential basis). This assessment will then inform Pilbara Minerals' decision in respect of its proposed joint participation in the downstream chemical facilities with POSCO. The initial interest in the downstream JV is expected to be largely funded from the previously announced $79.6M convertible bond agreement with POSCO.

The parties are now working to complete final documentation, with Board approvals to follow shortly thereafter.

Inaugural BMX Auction Complete

First online auction of spodumene concentrate delivers outstanding success.

10,000dmt Spodumene concentrate (SC5.5%) cargo

62 online bids from 17 independent buyers during three-hour auction window

5 indivdual groups bid >US$1,100/dmt FOB

Winning bid = US$1,250/dmt FOB

Highest bidder now entered into sales contract and to provide Letter of Credit

Sales & Shipping

Spodumene Concentrate

In total, spodumene concentrate product shipped for FY2021 totalled 281,440 dmt (previous year: 116,256 dmt) with production and sales progressively ramped up across the reporting period in line with customer demand requirements. Reflecting the significantly improved market conditions experienced in the second half of FY2021, shipments for the June Quarter set a record for the Company with 95,972 dmt of spodumene concentrate shipped.

For FY2021, Pilbara Minerals shipped a total of 27 cargoes over 18 vessels realising sales of $175.8M.

China was the primary destination market for the spodumene concentrate sold.

Three of these cargoes were delivered to South Korea to support the operation of POSCO's PosLX downstream demonstration processing facility.

Tantalite Concentrate

In FY2021, Pilbara Minerals shipped 130,828 lbs (pending assay results and final reconciliation) of primary tantalite concentrate to Global Advanced Metals Greenbushes Pty Ltd, a wholly-owned subsidiary of Global Advanced Metals Pty Ltd and a vertically integrated provider of tantalum metallurgical products and tantalum powders for high-performance capacitors, with a total sales value of $6.0M.

Corporate

Financing

In FY2021, Pilbara Minerals reached financial close for its US$110M senior secured debt facility (Finance Facility) with leading international bank BNP Paribas (US$73.3M) and Australia's specialist clean energy investor, the Clean Energy Finance Corporation (US$36.7M). This facility has funded the early redemption of the existing US$100M Nordic Bond, along with the early redemption premium payable and related transaction costs.

This low-cost facility was one of the key outcomes of Pilbara Minerals' strategy to reduce costs during soft lithium market conditions, with key terms of the Finance Facility including a five-year tenor at an average interest cost of ~5%, quarterly interest only payments for the first two years, quarterly amortisation over years' three to five and a bullet repayment of US$36M on maturity. In the June Quarter, BNP Paribas transferred a portion of their holding to SociétéGénérale (US$20M) and Industrial and Commercial Bank of China Ltd (US$10M).

As part of the refinancing, the US$15M Working Capital Facility was renewed by BNP Paribas which remains undrawn at 30 June 2021.

In addition, as outlined above, Pilbara Minerals entered into a Share Sale Agreement during FY2021 with the Receivers and Managers of Altura Mining Limited for the acquisition of all of the shares in Altura Lithium Operations Pty Ltd (ALO), the entity which owns 100% of the Altura Lithium Project, for US$175M.

To fund the acquisition of ALO, Pilbara Minerals completed a successful $240M equity raising, which was fully underwritten by AustralianSuper Pty Ltd in its capacity as trustee for AustralianSuper and Resource Capital Fund VII L.P (RCF) (refer to ASX Announcement 28 October 2020).

The $240M equity raising comprised a private placement of $119M to AustralianSuper and RCF and an institutional and retail entitlements issue for the balance, the last of which was successfully completed by 14 January 2021 (refer ASX Announcement 14 and 20 January 2021).

The acquisition of ALO was completed on 20 January 2021 following a cash payment of US$155M. As previously advised to the market in its ASX release dated 1 December 2020, a further amount of deferred consideration representing approximately 68.8M Pilbara Minerals' shares (or its cash equivalent) remained payable to the loan note holders within 12 months after completion. After the year end, it was agreed that this deferred consideration be settled via the issue of shares including a ~5% discount to the 68.8M shares originally agreed, meaning 65.34M shares will be issued during FY2022. The first tranche of 32.67M shares were issued on 17 August 2021 and the second tranche is subject to shareholder approval, a process that is still underway (refer ASX Announcement 17 August 2021).

FY2021 concluded with a strong cash balance of $115.7M, inclusive of $16.0M of irrevocable bank letters of credit for shipments completed prior to the end of the reporting period.

Sustainability Report

Sustainability Mission

Contribute to a sustainable future through responsible operations and ethical business practices, that deliver economic returns to our shareholders and create shared value in our communities.

Introduction

Pilbara Minerals recognises the important role that the business plays in supporting the global transformation towards embracing clean energy and achieving a sustainable future. At the heart of this role is the inherent responsibility to sustainably manage the extraction and processing of the lithium raw materials that we produce, which are an essential element in the push to decarbonise the global economy. The Sustainability Policy and Strategy underpins how this is done.

By managing the environmental and social impacts, looking after stakeholders and being responsible and ethical Pilbara Minerals strives to improve the operations year on year. Pilbara Minerals is committed to voluntary and transparent reporting as an important tool for investors and stakeholders to assess performance based on environmental, social and governance (ESG) practices. By disclosing this information, it supports not only Pilbara Minerals' social licence to operate, but also the ability to attract investors by communicating ESG risk management and performance.

FY2021 represented a volatile year in lithium raw materials. Towards the end of 2020, the lithium market began to rebound which resulted in production at the Pilgangoora Operation ramping up to nameplate capacity for the bulk of the second half of the year.

The biggest change to the business was the acquisition of the Ngungaju Plant in December/January 2021. This operation remained in care and maintenance for the duration of FY2021, with operations expected to recommence during the December Quarter FY2022. The process of integrating the Ngungaju Plant into operations has begun, with the two operations to be reported as one from FY2022 onwards.

Message from the Sustainability Chair

The Pilbara Minerals 2021 Sustainability Report encapsulates our purpose, which is to make the world a better place by enabling the global energy transformation. The work completed to date demonstrates our commitment to ensuring our operations make a positive impact on the communities we share, both locally and globally. This commitment underpins our focus to continuously improve the sustainability outcomes throughout our mining and processing operations.

As the Chair of the Sustainability Committee, I am pleased and excited to present this report and share the work we have been doing over the past year. In particular, our commitment to ensuring our own operations are continually improving materially and aligning with internationally accepted frameworks such as that defined by the Sustainability Accounting Standards Board (SASB).

During FY2021, the Sustainability Committee and Working Group worked together to reset the strategic direction and plan to accelerate our activities and sustainability performance. By involving our people in the process, we are confident that key risk areas are appropriately and thoroughly identified, and management measures are being implemented to ensure tangible deliverables are realised.

The Pilbara Minerals 2021 Sustainability Report includes the disclosure of metrics included in our sustainability reporting plan and outlines the substantial progress we have made in fulfilling our commitments across all three pillars of our sustainability strategy. FY2021 presented significant opportunities as well as challenges mainly triggered by the global COVID-19 pandemic and lithium market, which today is being well managed in a market that has improved considerably.

I am pleased to report that we successfully harnessed some opportunities and rose to the challenges while retaining our focus on safety, culture, innovation, and building resilience in our business. Of particular importance, is the work we have undertaken to reduce our greenhouse gas footprint and address the potential financial impact of climate change on our business. This work saw us investigate several pathways to achieving our net zero emissions objective and understand the risks and opportunities to our business, in alignment with the Taskforce on Climate-related financial disclosure. All of which we will continue to progress in FY2022.

Building on the disclosure of metrics in this report, performance targets are being set in FY2022, which will be another busy year as Pilbara Minerals expands mining, accelerates production, and continues to grow, whilst constantly looking at ways to abate adverse effects on the environment and community.

Thanks to the leadership team and all Pilbara Minerals' employees and contractors for their contributions to achieving our sustainability deliverables this past year and their commitment to identifying and integrating sustainability initiatives into our plans for FY2022.

Nick Cernotta

Chair

In Practice

Sustainability Governance

Overall responsibility for sustainability lies with the Board and is overseen by a Sustainability Committee. The Sustainability Committee assists both the Board and business in respect of developing sustainability policy, assessing strategy and ensuring the delivery and maintenance of the sustainability plan. This includes monitoring progress against sustainability commitments, setting and measuring performance targets for senior executives and identifying sustainability risks and opportunities. In FY2021, the Sustainability Committee met three times.

The Sustainability Committee Charter and Sustainability Policy can be found in the Corporate Governance section on the Company website: pilbaraminerals.com.au

At an operational level, Pilbara Minerals has established an internal Sustainability Working Group which reports to the Managing Director.

Sustainability Committee Members

Nick Cernotta (Chair) – Non-Independent Director

Sally-Anne Layman – Non-Executive Director

Steve Scudamore – Non-Executive Director

Strategy and Timeline

In FY2021, the Sustainability Committee requested acceleration of work on the sustainability strategy, plan, and performance to strengthen Pilbara Minerals' position as an ethical and responsible company and undertake more fulsome disclosure.

In response to this, the Sustainability Working Group reviewed the current strategy and the five-year plan. The key outcomes of this review were the prioritisation of several activities and the identification and disclosure of metrics a year earlier than previously indicated.

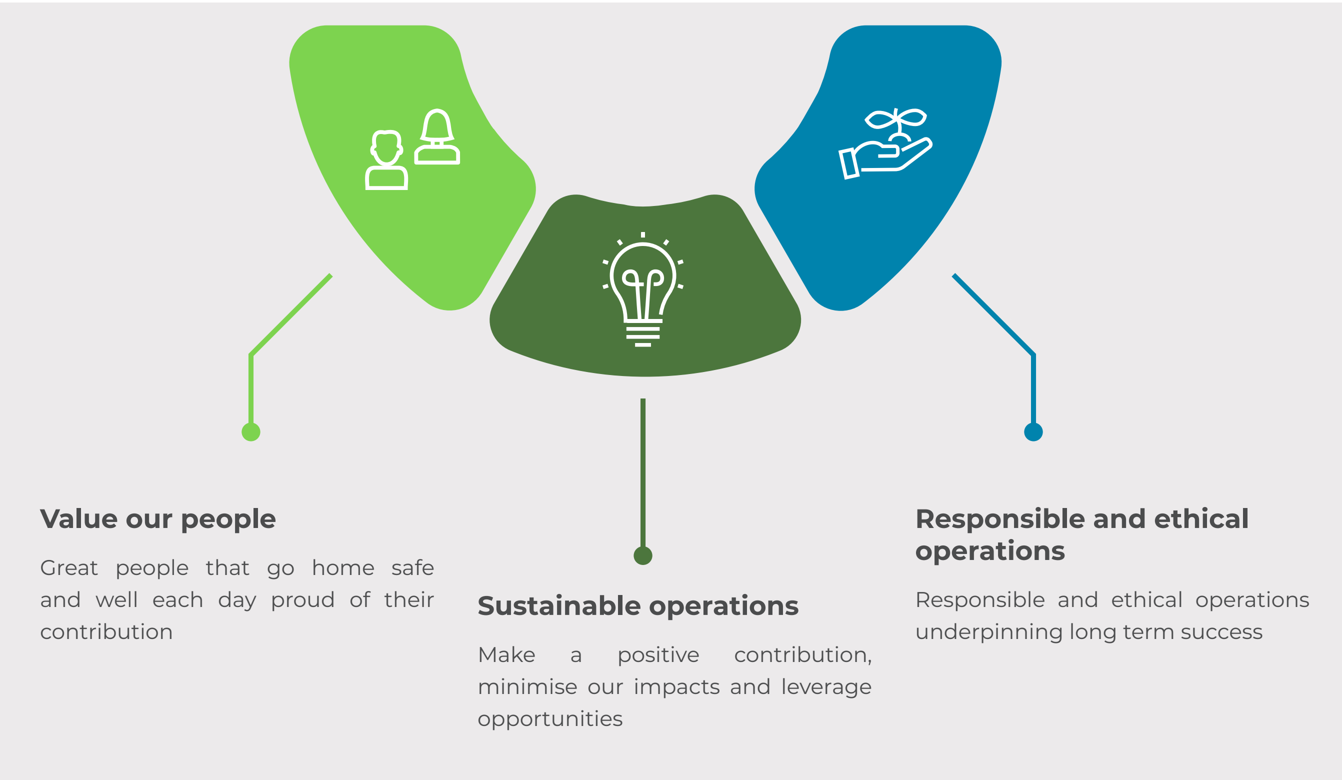
In terms of metrics and data, the Sustainability Working Group and Committee considered several external frameworks. It was considered that the Sustainability Accounting Standards Board (SASB) was the most appropriately aligned framework, given its industry-specific standards. As a result, sustainability disclosure in accordance with the SASB was expanded.

An assessment was undertaken during FY2021 to map each of the materiality issues to the SASB materiality framework for the mining and metals industry. While the SASB considers the most relevant materiality issues for the sector, it does not consider all the material issues identified by stakeholders in FY2019. Where this is the case, the materiality issue has still been included within the commentary of the report.

Full disclosure against the SASB, under Extractives and Minerals Processing, Metals and Mining Industry category can be found in **Appendix A**.

Consideration to expanding to other frameworks will be given over time.

Figure 4: Pilbara Minerals' sustainability pillars



Frameworks

Within this report disclosures are aligned to the following external frameworks: Sustainability Accounting Standards Board (SASB)[1], Taskforce on Climate-related Financial Disclosures (TCFD)[2] and the United Nations Sustainable Development Goals (UNSDG)[3].

Plan

Following the internal review, the sustainability reporting plan was accelerated to bring forward the disclosure of metrics to FY2021 (Figure 5). Following the disclosure of these metrics, we intend to set performance targets in FY2022. An updated material assessment will be undertaken in FY2022 to coincide with the integration of the Ngungaju Plant into the business.

Figure 5: Sustainability reporting plan

[1] https://www.sasb.org/about/governance/standards-board/
[2]https://www.fsb-tcfd.org/
[3]https://sdgs.un.org/goals

Materiality Issues

The continued moderated production environment and the acquisition of the Ngungaju Plant in FY2021 resulted in the decision to postpone the materiality refresh from FY2021 to FY2022. The postponement of this work allowed Pilbara Minerals and its stakeholders time to consider any further ESG issues associated with the additional operation and when operating in a normal operating environment (non-moderated).

Therefore, the Company continued with the materiality issues identified by its stakeholders in FY2019. These material issues have been aligned to the UNSDGs which demonstrates the role of the business in supporting economic growth and sustainable development (Table 6).

Table 6: Materiality issues

Material Issue	UNSDGs	Page Number
Responsible and ethical actions		
Economic performance	8, 16	38
Regulatory compliance	16	39
Anti-bribery and corruption	16	40
Human rights in supply chains	8, 12, 16	42
Value our people		
Employee attraction/retention	8	44
Workplace culture/conditions	8	44
Diversity and inclusion	10, 5	46
Employee development	4	46
Worker health, safety and wellbeing	3, 8	47
Sustainable operations		
Global energy transition	7	54
Land and resource use	12, 13, 15	57
Climate change management	7, 12, 13, 15	58
Regional economic impacts	1, 9, 17	62
Indigenous relations and opportunities	3, 4, 16	63

Area surrounding the Pilgangoora operations

Stakeholder Table

Engaging regularly and openly with key stakeholders (Table 7) is a key part of maintaining a social licence to operate and meeting continuous and periodic disclosure requirements. In FY2021, no stakeholder grievances were lodged via the Stakeholder Grievance Mechanism.

Table 7: Stakeholders, interests, and engagement activities

Stakeholder group	Interest	Engagement activities
Employees	Company performance and financial stability, job security, remuneration, professional development, career advancement, safety, culture, working conditions	Internal communications strategy: • meetings • engagement activities – two way and face to face • social events • correspondence • newsletters • intranet
Traditional Owners • Njamal People • Kariyarra People	Agreement compliance, cultural heritage and land access management, environmental impact, jobs, training, social and economic contribution, safety	Quarterly Implementation Committee Meetings, Aboriginal Liaison Officer, meetings, calls, site and community visits, correspondence, website, cultural awareness training, Nyamal Aboriginal Corporation board meeting presentation
• Shareholders • Retail • Institutional • Customers • Strategic	Share price, economic, operational, sustainability and corporate governance performance, corporate strategy, risk management	ASX announcements, annual report, sustainability report, financial reporting, shareholder meetings, investor calls, roadshows, phone calls, website, meetings, media and correspondence
Offtake customers • Ganfeng Lithium • General Lithium • POSCO • Great Wall • Yibin Tianyi • GAM	Product supply and quality, sales/ offtake contracts, security of supply, shipping, payments, financial position, sustainability performance	Meetings, phone calls, correspondence, site and facility visits
Local and regional communities • Local individuals and groups residing in proximity or are impacted by operations	Employment and business opportunities, environmental, cultural heritage and land access management, economic and social contribution, contractor performance, safety, financial performance, corporate governance, risk management	Meetings, phone calls, correspondence, site and community visits, ASX announcements, events, website, media
Government and regulatory agencies • State, Federal and Local	Regulatory compliance, social and economic impacts, employment and training, project investment, environmental and land management, corporate governance, financial performance, community engagement, downstream processing, risk management, regulatory reform	Meetings, phone calls, correspondence, site visits and inspections, ASX announcements, events, website, media, compliance reporting

Site visits are a key part of stakeholder engagement - Curtin University STEM students visited Pilgangoora

Table 7: Stakeholders, interests, and engagement activities continued

Stakeholder Group	Interest	Engagement Activities
Financial institutions • Bond holders • Clean Energy Finance Corporation • BNP Paribas • Bankers	Share price, economic, operational, sustainability and corporate governance performance, corporate strategy, risk management, financial facilities	Meetings, phone calls, correspondence, site visits, website, media
Suppliers	Supply contracts, financial performance, bill payments, supply and purchasing	Meetings, phone calls, correspondence, site visits
Contracting partners	Company performance and financial stability, contract security, safety, culture, operational performance, working conditions	Meetings, forums, engagement, correspondence, phone calls, website, ASX announcements
Media • Local, state, international – radio, print, social, TV	Current news and results, operational and financial performance, thought leadership	ASX announcements, events, meetings, phone calls, site visits
Industry • Associations • Industry groups	Membership, industry positioning, regulatory reform, government engagement and support, operational performance, industry engagement	Meetings, events, working groups, committees, correspondence, ASX announcements, phone calls, media, websites
Institutions • Training and education	Training programs, research and development, clean energy technologies, funding and program support, technical expertise and information	Meetings, calls, events and information sharing

COVID-19 Response

During FY2021, Pilbara Minerals continued its COVID-19 management response to mitigate risks to key stakeholders, especially employees, lead contractors and nearest neighbours of the operation. Pilbara Minerals did not experience any material impact to the business in FY2021 due to COVID-19.

Where appropriate, management measures continued to be implemented in accordance with advice from the State Government. In addition, working from home arrangements were implemented, scheduled site shift changeovers were adjusted, and charters were arranged to facilitate roster changeover following lockdowns. Video links and other virtual meeting platforms were made available for meetings including the Annual General Meeting.

Responsible & Ethical Actions

A responsible and ethical operation underpinning long term success

Economical and Financial

The principal activities during FY2021 involved exploration, development, and operation of the Pilgangoora Project. Pilbara Minerals responded to increased market demand during FY2021 by expanding from moderated to full production during the December 2020 quarter for the remainder of the financial year.

During FY2021 the Company acquired Ngungaju Plant (previously known as Altura Lithium Operations) funded by a $240.2M equity raising and a deferred consideration component to be settled up to 12 months after completion (issue of 68.8 million shares in Pilbara Minerals or cash equivalent). In addition, the Company re-financed its senior secured debt with a low-cost finance facility with BNP Paribas and the Clean Energy Finance Corporation (CEFC). Pilbara Minerals attracted the CEFC as a financier and other ethical investors such as AusSuper, Australian Ethical Investment Ltd due to the nature of the core business being lithium production as an essential raw material for many renewable energy developments.

FY2021 concluded with a strong cash balance of $115.7M, inclusive of $16.0M of irrevocable bank letters of credit for shipments completed prior to the end of the reporting period.

Key Financial Outcomes for FY2021

Equity raising -

$240.2M

Royalties paid - (Government and Native Title parties)

$4.8M

Receipts from customers -

$158.4M

(spodumene concentrate)

Cash balance inclusive of LoCs -

$115.7M

(30 June 2021 cash balance of $99.7M plus $16M of LoCs)

Taxes paid (state and federal) -

$1.4M

Working capital inclusive of LoCs -

$123.4M

(30 June 2021 working capital balance of $107.4M plus $16M of LoCs)

Salaries paid -

$22.9M

Payment for goods and services (operating and capital) -

$131.2M

(excludes salaries, royalties and taxes and net of tantalite receipts)

Corporate Governance

Pilbara Minerals' record of strong corporate governance continued in FY2021, with no material breaches of relevant policies and maintaining regular compliance with legal and regulatory obligations.

Charters and Policies that support Pilbara Minerals Corporate Governance Framework to achieve this include, but are not limited to the following areas:

- Code of Conduct
- Board and Committee Charters
- Continuous Disclosure
- Securities Trading
- Shareholder Communication Compliance Policies and Framework
- Anti-Bribery and Corruption Policies
- Confidentiality and Conflict of Interest Protocols
- Inclusion and Diversity
- Renumeration Policies and Framework
- Risk Management Policies and Framework
- Whistleblower, and
- Investor Relations.

All policies and practices are reviewed on a regular basis and updated to ensure they are supportive of the current business environment and reflect any changes to relevant ASX listing rules and other regulations. As a result, in FY2021 these were reviewed and updated in line with the 4th edition of the ASX Corporate Governance Principles and Recommendations.

Key policy review during FY2021 included the following:

- Whistleblower Policy, which was reviewed and updated in May 2021. The updates included references to a new reporting tool "Whispli", which is an external independent whistleblowing service. Prior to its formal roll out, which occurred during the latter part of the year, Whispli was adjusted to suit the needs of Pilbara Minerals' employees and other stakeholders
- The Sustainability Policy, established in September 2019, was reviewed in accordance with the scheduled policy review
- The Minimum Holding Policy was established and implemented
- The Information Security Policy was reviewed following an initial Cyber Security review undertaken by a third-party subject matter expert. Several recommendations were made and were fed into a cyber security improvement road map for implementation in FY2022. Implementation and communication are planned during FY2022

A full version of current Corporate Governance Charters and Policies as well as the corporate Governance Statement for FY2021 can be viewed in the Corporate Governance section of the Company website at: pilbaraminerals.com.au.

The Sustainability Committee commenced stand-alone meetings on 30 March 2021. The Sustainability Committee Charter, which was initially established on 27 August 2020, was reviewed and updated on 26 May 2021.

FY2021 Commitments	
Roll out of Whistleblower reporting tool	· Achieved
Commencement of stand-alone Sustainability Committee meetings	· Achieved
Implementation of the Minimum Holding Policy for the Company's securities for Non-executive Directors and executives	· Achieved

Looking Ahead to 2022

- Ongoing communication and training of the Whistleblower Policy
- Implementation and communication of an updated Information Security Policy following the Cyber Security review, will occur during FY2022
- Review of the Company's Diversity & Inclusion Policy obligations with specific reference to female participation, and ensure the Company continues to improve on its current results
- Review of the Minimum Holding Condition Policy as it relates to the three-year program whereby Directors and Key Management Personnel of the Company are expected to meet the minimum holding condition

Risk and Compliance

During FY2021, Pilbara Minerals further built upon the compliance and risk frameworks and associated obligations with a focus on continuous improvement.

The ongoing identification and management of business risk is supported by the Risk Management Policy, Risk Management Framework and Risk Appetite Framework. Pilbara Minerals takes a proactive approach to identifying, assessing, evaluating and treating risks through structured and formal risk reviews and in alignment with AS/NZ ISO 31000:2018.

Pilbara Minerals' Board is responsible for overseeing risk and assigns accountabilities and responsibilities for risk management to the Audit and Risk Committee (ARC), the Managing Director and executive management. The Risk Management Framework provides the basis for implementing and managing industry standard risk management practices, as well as integrating risk management into corporate governance and business management processes. Internally risk and controls are managed through quarterly reviews, risk audits, mandatory job-specific training and an online risk management system.

The internal Risk Appetite Framework developed to align with Pilbara Minerals' strategic, business and operational plans and risk management philosophy sets out a common vision of how different risks are viewed in pursuit of strategic objectives and serves as a key business decision-making tool. The following broad risk categories are used:

- Strategic
- Environmental
- Operational
- Financial

The annual review of the Company Risk Framework led to incorporating the following improvements:

- Clarifying and addressing the category of High Impact – Low Likelihood (HILL) risks
- Defining control effectiveness when measuring management measures used across the Company
- Further clarifying financial risk impacts and justifications

Policy development, review and updates during the year included the following:

- Anti-Bribery and Corruption
- Code of Conduct
- Community and Stakeholder Relations
- Compliance
- Employee Relations
- Environmental
- External Communications
- Health and Safety
- Inclusion and Diversity
- Modern Slavery
- Risk Management
- Securities Trading
- Sustainability
- Whistleblower
- Information Security
- Cyber Security

The Company continued to investigate emerging risks during FY2021, with several climate related risk workshops conducted in preparation for the reporting in accordance with TCFD reporting and the climate change and decarbonisation initiatives.

In FY2021, Pilbara Minerals continued to put in place strategies to effectively manage key risks. The top nine business risks in FY2021 and the Company's response is provided in Table 8.

Table 8: Key risks and mitigation strategies

Risks	Mitigation Strategy	Results
COVID-19	• Management plans, health and safety processes • Industry and Government engagement and guidance • Business Continuity Planning	• Management and communications plans developed and implemented • Health and safety processes updated to include COVID-19 management measures • Business continuity plan revised
Commodity prices	• High quality offtake partners with solid pricing structures • Ability to adjust plant production • Spot market sales	• Maintained offtake partner relationships • Increasing market demand driven by renewable energy requirements • Spot sales online auction platform introduced
Foreign Exchange Rates	• Use of Australian dollar currency in operational expenditure • Monitoring through treasury function • Hedging contracts where applicable	• Currency movements appropriately managed with no material adverse movements affecting financial position

Table 8: Top risks and mitigation strategies continued

Risks	Mitigation Strategy	Results
Production Operating and Capital Costs	• Regular and efficient cost reporting and tracking inclusive of forecasting • Formalised finalized limits through Delegated Authority • Centralised Capital Projects & Contracts & Procurement functions	• Achievement of cost outcomes as expected for the FY21 period
Climate Change	• Assessment of transitional and physical risks for various climate scenarios and climate-related impacts in consideration of the TCFD • Development of net zero emissions pathways (in the decade commencing 2040) under different scenarios	• Developed action plan to mitigate recommended risks and capture opportunities identified • Assessing net zero emissions pathways
Ore Reserves	• Use of technically competent resources in reserve calculations • Robust mining processes inclusive of grade control and reconciliation • Additional exploration drilling success	• Robust JORC compliant Reserve utilising parameters to a relative accuracy and confidence consistent with a minimum PFS level of assessment, and a higher level of assessment in most areas. • High level of confidence in geological model resultant from continued RC grade control and mature mining practices • Material increase in ore reserves subsequent to integration of South pit (Ngungaju) and additional resources defined from exploration drilling along historical tenement boundary
Restart of Ngungaju Operation	• Pre-start technical investigations • Dedicated implementation and commissioning teams	• Project on schedule for commencement in October 2021 • Marketing and resourcing issues well understood and management measures developed
Licenses, Permits and Approvals	• Appropriately resourced land access team • License obligations and conditions and tenure management tracked via automated software • Regular auditing and inspection	• No material issues identified during the year
Cyber Security	• Gap assessments conducted by reputable consulting firm • Training and awareness • Security enhancements and improvements • Policy improvements	• Improvements road map developed including training and awareness requirements; • Security enhancements prioritized and progressively implemented based on Consultant feedback

Regulatory compliance activities undertaken included:

- Internal compliance auditing
- Maintaining relationships with government agency representatives and continued industry group participation
- Further integrating compliance framework within operating activities and as an important sub-element of the Company's culture

The annual review of the compliance framework led to incorporating the following improvements:

- Performance metrics updates with a focus on event closure timing and training
- Improved wording on investigation quality and, where applicable, the formal processes required
  - » Performance metrics updates with a focus on event closure timing and training; and
  - » Improved wording on investigation quality and, where applicable, the formal processes required

FY2021 Commitments	
Introduce and formalise an internal audit framework and establish a structured plan	• Achieved
Develop and implement cyber-security policy and information security	• In progress

Looking Ahead to 2022

- Continue initiatives as per the endorsed Cyber Security improvement road map, including a crisis management scenario training
- Develop and implement a rolling three-year annual internal audit strategy across key subject areas
- Progress Climate Change Strategy and implement agreed actions as per Sustainable Operations section

Human Rights in the Supply Chain

Many people across the globe (including Australia) are subjected to modern slavery and face varying degrees of labour rights abuses, some of which are extreme. Pilbara Minerals recognises it has a role to play in exposing and eliminating these modern slavery practices, which include slavery, servitude, human trafficking and forced or compulsory labour.

For Pilbara Minerals, procuring goods ethically is not only a socially responsible business practice, but also a regulatory requirement under the Commonwealth Modern Slavery Act 2018 (Act). This Act requires Australian companies with annual consolidated revenue of $100M or more to submit a modern slavery statement to the Australian Government from FY2020 onwards.

With the Company's annual consolidated revenue below this threshold, Pilbara Minerals was not required to submit a statement for FY2020 but opted to voluntarily do so in March 2021. This voluntary disclosure supported Pilbara Minerals' commitment to identify and act upon the potential occurrence of modern slavery within its supply chain and the associated risk of this practice when procuring goods and services.

As a follow up to the initial survey, the suppliers identified as potentially high-risk formed part of a second round of enquiry in FY2021. In addition, further work to obtain disclosures from the remaining 26 suppliers occurred.

In FY2021, Pilbara Minerals established a new sales approach for its uncommitted spodumene concentrate, an on-line auction process using the Battery Material Exchange (BMX) platform. As part of the pre-qualification process for bidders being able to access this auction platform, Pilbara Minerals used the Dow Jones Risk & Compliance tool. This tool provides consideration of modern slavery aspects.

FY2021 Commitments	
Develop and roll out a Modern Slavery Policy	• Achieved
Deliver Modern Slavery awareness training across organisation	• In progress
Further analysis of those suppliers that are sourcing goods in higher prevalence areas	• Completed with no material issues noted from declarations received
Voluntarily submit modern slavery statement	• Achieved

Looking Ahead to 2022

- Complete Mandatory Modern Slavery Statement for FY2021 activities
- Complete Modern Slavery training for key areas of the organisation, in particular in the Contracts & Procurement area where initial risk assessments were undertaken

Value Our People

Great people that go home safe and well each day proud of their contribution

Great People and Company Culture

Workplace Culture and Conditions

During FY2021, Pilbara Minerals continued to review employment conditions and practices to help ensure they are aligned with sector best practice.

This included a market-based remuneration adjustment in January 2021 and introducing the Performance Incentive Scheme (PIS) for permanent employees in April 2021 to enhance attraction and retention of employees in a very competitive resources labour market. The PIS helped drive an "owner's mindset" with the ability for employees to elect to take 50% of bonus payment in Performance Rights, with the Company contributing the same number of shares.

In August 2020, the Company introduced a Working From Home (WFH) protocol allowing Perth based employees to work from home one day per week. Approximately 40% of employees, across all levels, have taken this up. Feedback from participants is that this initiative has allowed an improved "home/rest-of-life" balance.

Employee Engagement

Ensuring Pilbara Minerals' people are well informed, and where possible involved in business decisions, is of the utmost importance to the Company's Leadership team. In September 2020, group sessions with all employees were held with the Executive Leadership Team presenting the revised Pilbara Purpose and What We Stand For statements.

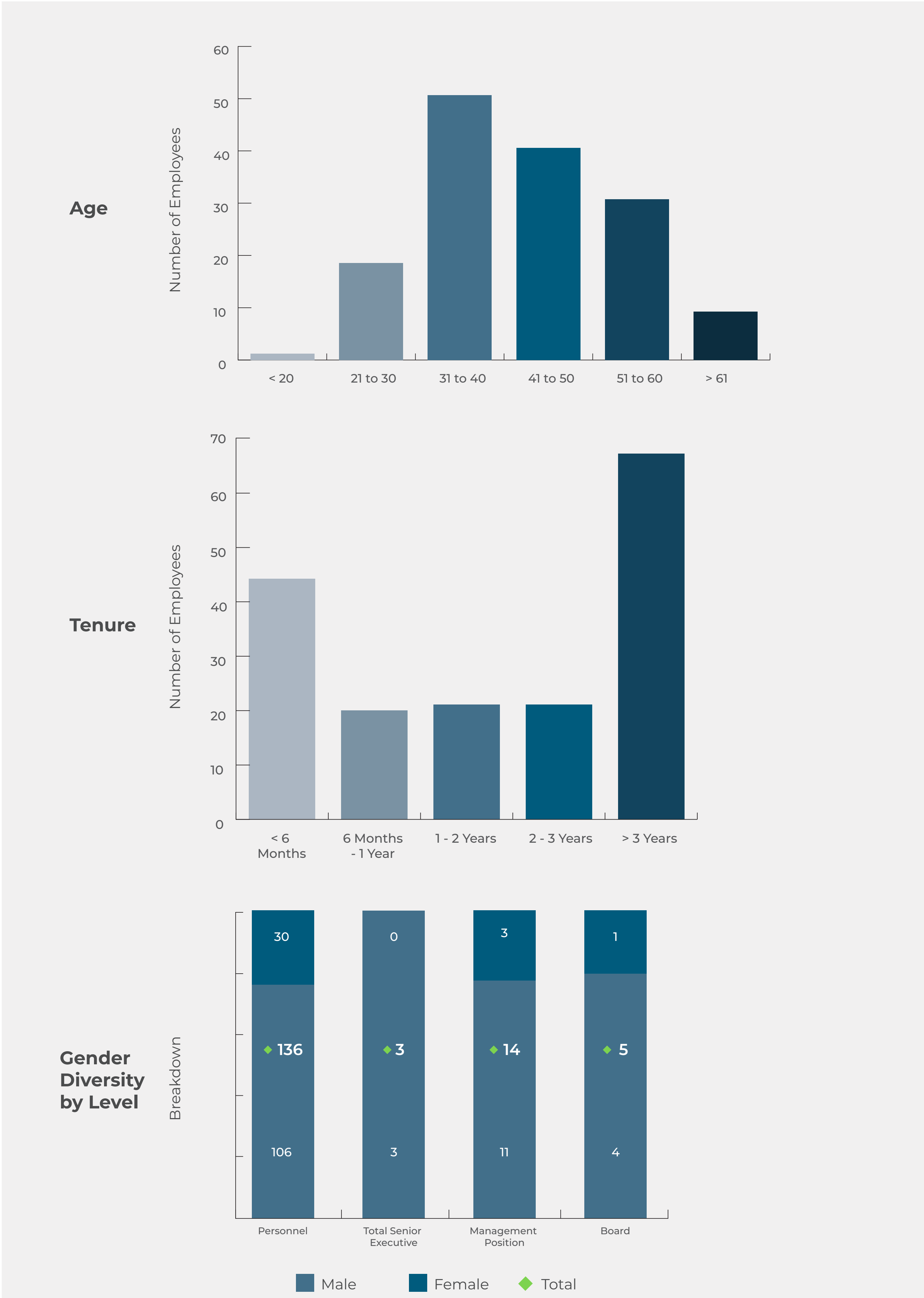
These sessions were attended by the majority of the workforce and were very well received. They provided context around the challenges the Company had successfully navigated and helped galvanise the entire workforce as full production resumed.

As a result of these engagement sessions, the topic of Diversity and Inclusion was highlighted as a growing challenge for the sector. Pilbara Minerals engaged with the workforce to reinforce its values around diversity and inclusion, especially the expectations about how everyone should be treated with respect. The deployment of the "Stand Up – If You See Disrespect, Unmute Yourself" campaign was based on the Company's zero tolerance approach towards disrespectful or inappropriate behaviour. This campaign proved to be a segue into supporting the broader industry response to stamping out sexual harassment.

Steps involved with developing the campaign involved:

- Written communications and on-site engagement sessions between senior leadership members and employees
- Senior leadership discussions with senior leaders of contracting partners
- "Table Talker" signage in common areas to help promote and reinforce the key messages and generated discussion amongst the team
- Integration of the key messages into ToolBox sessions and other communication tools
- Contractor engagement at all organisation levels (site and head office)

Figure 6: Pilbara Minerals monitors workforce composition as part of its overall workforce planning process



Workforce Turnover and Composition

Pilbara Minerals monitors workforce composition as part of its overall workforce planning process (Figure 6).

Employee Development

As part of the Company's commitment to continual improvement, and to its great people, Pilbara Minerals strives to provide employees with opportunities to develop new skill sets.

In this vein, in early FY2021, employees were invited to volunteer to become Mental Health First Aiders. The first cohort of Mental Health First Aiders involved 23 employees receiving training who then began helping to roll out the Mental Health Strategy.

Frontline Leadership Development Training, provided by the Australian Institute of Management, was provided to all frontline leaders in October and November 2020.

Diversity and Inclusion

During FY2021, Pilbara Minerals made the following progress with regards to diversity and inclusion:

- Revised the Diversity and Inclusion Policy. Improved indigenous participation from 2.5%
- Introduced Working from Home arrangements for Perth office employees
- Allowed access to Company-paid Primary Carer's (Parental) Leave for male employees in the first twelve months following childbirth
- Introduced "shortlisting commitments" in the Recruitment and Selection Procedure to promote female employment by encouraging a higher proportion of females in the shortlisting and interview phases of the selection process. The percentage of female representation across the total employee workforce increased by nearly 4% from 18.3% to 22%
- Introduced female employment targets in the Company's FY2022 Short Term Incentive (STI) scheme applicable to executive, senior management, and senior operational professional positions. Positions that are under-represented were identified and longer-term succession plans have been established for selected positions

FY2021 Commitments	
Development of Domestic and Family Violence Policy	• In progress
Streamline employee onboarding and induction process and system	• Achieved
Implementation of front-line leadership development program	• Achieved

Looking Ahead to 2022

- Continue regular employee update sessions with the leadership team to continue fostering strong employee engagement
- Ongoing monitoring of employee perceptions of the Company's culture to continue its embedding and maturation, including the commencement of an annual Culture Measurement Survey in FY2022
- Recruiting to meet agreed Diversity and Inclusion targets
- Establishing a Domestic and Family Violence Procedure
- Continued implementation of the Company's Mental Health Strategy

Health and Safety

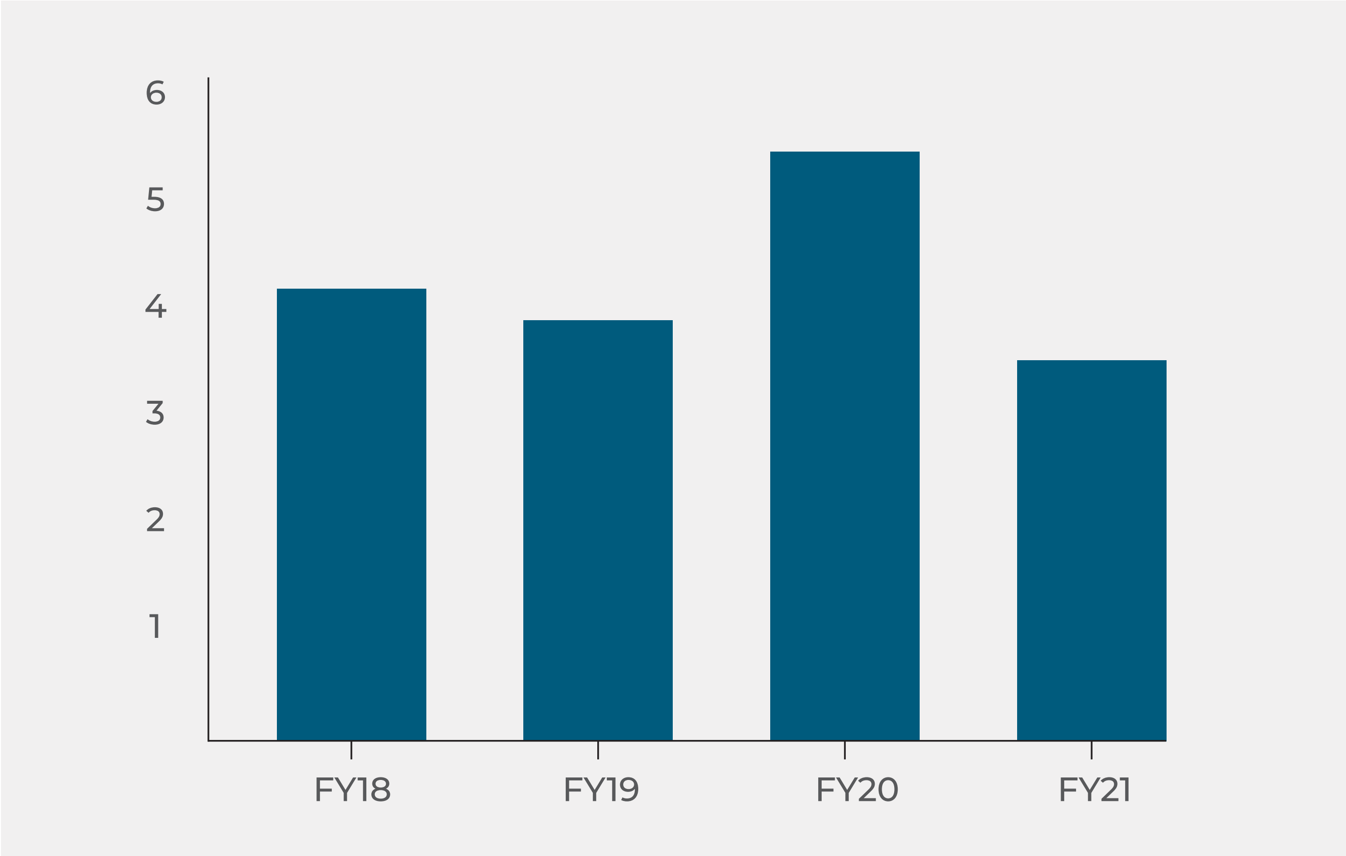
Pilbara Minerals continued to improve safety performance across the Operations during FY2021. The results (broadly) demonstrate a major improvement across the board. This is credit to the Company's culture of disciplined work and focus in this area across the business, including contracting business partners.

Pilbara Minerals' approach to safety is central to everything the Company does. Nothing is more important than ensuring everyone connected to the business is able to head home to their families and loved ones each night or swing. This is why "Safety Matters" is central to "What We Stand For".

Three recordable injuries occurred during the year. The number of personnel and hours worked was significantly higher in FY2021 than FY2020 (837,353 hrs v 582,891 hrs), which had the same total number of recordable injuries.

The FY2021 Total Recordable Injury Frequency Rate (TRIFR) was 3.58, which is a significant improvement from FY2020 of 5.15 (Figure 7). The FY2021 TRIFR of 3.58 is lower than the Department of Mines, Industry Regulation and Safety (DMIRS) reported mining sector frequency rate of between 5 and 6.

Figure 7: Total Reportable Injury Frequency Rate FY2021



The Pilbara Minerals incident investigation process results in identification of lessons learned and improvement opportunities. The FY2021 TRIFIR result represents solid improvement from the prior year.

Safety Management Framework

Pilbara Minerals' Safety Management Framework provides the structure for implementing health and safety controls throughout the business. It is under continual review and update including guidelines and procedures that support the framework. During FY2021, no significant changes were made. A full review is planned for FY2022 reflecting the growth and integration of the Ngungaju Plant.

Safety Culture

To further promote the discussion of safety hazards and controls in the workplace, Pilbara Minerals set a target of two safety interactions per 1,000 hours worked during FY2021. This target was met, and exceeded, with average of 2.5 interactions/1,000 hrs over the year.

Following the rollout and promotion of safety interactions within the business, and the successful achievement of the target frequency rate, the focus for FY2022 will be to improve and report on the quality of the completed interaction.

Safety Performance

Pilbara Minerals introduced an online training platform, Learning Management System (LMS) during FY2021 that hosts Safety Inductions. All Safety Inductions can now be completed prior to employees mobilising to the work environment.

The LMS is linked to the training records and travel databases already in place within Pilbara Minerals, resulting in a seamless embedded training environment.

The focus during FY2022 will be on expanding training available on the LMS.

Following a review of chemical storages at Pilgangoora Operations, Pilbara Minerals completed significant upgrades to chemical handing management. These included a full review of the Chemalert database, and updating Safe Working Instructions for chemical handling and storage.

Independent Audit

Pilbara Minerals continued the independent annual safety audit at Pilgangoora Operations in FY2021, which is the third consecutive year of the audit. The audit did not identify any significant issues. The audit included 15 recommendations for further improvement, which was half the amount of recommendations made in FY2020 and further evidence of continued improvement in safety performance.

To ensure consistent audit methodology and comparable results, Pilbara Minerals utilises the WorkSafe Plan Information and Workbook provided by the lead regulator, DMIRS.

Pilbara Minerals achieved a 10.6% improvement from 79.6% in FY2020 to 90.2% in FY2021. This result demonstrates continued development, implementation, and maintenance of Pilbara Minerals' safety systems.

Annual Internal System Compliance Audits

During FY2021 Pilbara Minerals introduced a Manager Safety Inspection regime at its Pilgangoora Operation as part of the overall internal compliance management process.

This new regime requires each manager to undertake a documented safety inspection of a work area for which they do not have line responsibility, with participation by the area line manager. Each manager is required to undertake at least one inspection per month on a rolling calendar schedule. Since the launch of the inspection program, managers undertook approximately 14 safety inspections each month. The findings were reported at the daily management meetings and have provided a range of topics sparking discussion.

Quarterly Contractor Verification Audits

During FY2021 Pilbara Minerals commenced a process to internally verify the effectiveness of key safety controls for hazards identified during Contractor Health and Safety Management Plan (HSMP) risk assessments. One contractor is selected each quarter.

The process helped verify whether the key controls outlined in the HSMP were implemented, effective and reviewed as necessary to ensure that the risk profile for that hazard was reduced to As Low As Reasonably Practicable (ALARP).

Contractor verification audits completed in FY2021 included Civeo, MACA and Crushing Mining Services (CSI) covering camp management as well as mining and crushing services. The contractors were found to be compliant with the HSMP and readily adopted any recommendations for improvement.

Review and Update of Health, Safety and Environment Documents

In preparation for the integration of the Ngungaju Plant, Pilbara Minerals undertook review and update of all Health, Safety and Environmental Procedures and Plans to ensure that they were compatible with the new operating requirements.

FY2020 Safety Audit Implementation of Recommendations

As part of the annual independent audit process, recommendations for improvement of systems and processes were provided. Consistent with its commitment to continual improvement, Pilbara Minerals has committed to adopt all the recommendations, wherever practicable.

As a result of the FY2020 Health and Safety audit, a total of 35 recommendations had been provided. Prior to commencing the FY2021 audit, Pilbara Minerals had successfully implemented 33 of the 35 recommendations. The two outstanding recommendations related to administrative processes within the Human Resources function, and are planned for implementation in FY2022.

Pilbara Minerals maintained a fully equipped and resourced Emergency Response Team (ERT) at the Pilgangoora Operation with training conducted each week for ERT members.

Risks and Hazards

As part of Pilbara Minerals' commitment to continual improvement, each year the Board conducts a review of implementation of controls for identified high risk activities.

During FY2021 the Board reviewed the following risk items:

- Major accident driving between site and Port Hedland
- Engulfment within confined space
- Uncontrolled release of stored energy
- Major outbreak of infectious disease across site

Recommendations from the Board FY2021 review were consolidated into the Pilbara Minerals Risk Register and are being tracked to completion with reporting to the Audit & Risk Committee.

Emergency Response Training

Emergency Response Training during FY2021 was provided to approximately 85 participants. Topics included Fire FIghting, Medical Rescue, First Aid, Ambulance Familiarisation, Vertical Rescue and Wildfire.

Embracing a Mentally Healthy Workplace

Camp and Facility Survey

Pilbara Minerals is committed to creating a mentally healthy workplace and a culture where Safety Matters encompasses both physical and mental wellbeing. The aim is to build a resilient workforce, and a safe, inclusive workplace that fosters positive mental health and wellbeing outcomes for our great people.

For this reason, the Company undertook the first Camp and Facility Survey and participated in events that raise awareness of physical and mental health, such as Movember and sponsoring a regional visit from mental health ambassador, Soa.

The Survey

The Camp and Facility Survey was carried out as part of the company's wider Mental Health Strategy, to assess critical controls and to gain an understanding of the effectiveness of controls; in this case the suitability of the physical environment for FIFO employees and contractors.

Survey questions were structured to understand if employees' physical environment was adequate to provide a place to rest, recuperate and recharge in preparation for the next day, and was supportive of personnel's overall mental health.

Participants were asked a range of questions about camp facilities, such as the wet and dry mess, recreational spaces, laundries, wi-fi, noise, food quality, shop hours and camp layout and signage, room cleanliness and many other aspects of camp life.

Feedback on the camp and its facilities were generally positive, especially regarding the people, food, accommodation, and the wet and dry messes.

The survey also highlighted opportunities for improvement, which is being fed back to the workforce, along with a detailed action plan about how each issue will be addressed.

Looking Ahead

Pilbara Minerals will continue to identify opportunities to reduce risk and improve business practices in consideration of employee mental health outcomes.

In FY2022 steps are being taken to address each of the issues raised in the survey and several initiatives will be carried out to improve Camp Carlindi.

Additional laundries, a joint review of the camp with CIVEO, the camp service provider, and wi-fi connectivity are just some of the issues being addressed.

The Camp and Facility survey will be conducted annually to ensure Carlindi continues to be a place that is conducive to positive mental health and overall wellbeing.

Movember Fundraiser

As part of Pilbara Minerals' ongoing commitment to raising awareness of mental health, the Company and its contracting partners participated in Movember in FY2021. Movember is an annual. fundraising event raising awareness of men's health issues that the Company has participated in since 2019.

A key part of this initiative was raising awareness of and reducing the stigma of mental health amongst the Pilbara Minerals' workforce and local community.

To assist with this, a trip to the Pilbara was sponsored featuring Soa 'the Hulk' Palelei, an ex-UFC champion and now mental health ambassador. This involved presentations on how people can look after mental health and seek support when needed. Soa's visit covered Hedland High School, Yandeyarra Aboriginal Community School, the Youth Involvement Council and across the Pilgangoora Operation.

Recognising the significant positive impact physical exercise can have on mental health, Soa took willing participants on site through a physical workout session.

Over the course of the month 'Movember' the team raised over $22,000 in support of the Movember Foundation.

Mental Health and Wellbeing

Pilbara Minerals engaged FIFO Focus, a specialised psychological services firm based in Perth, to support its commitment towards developing a mentally healthy workplace. As the Company's mental health and wellbeing partner, FIFO Focus supported the Company during FY2021 in the following areas:

- Revision of the Mental Health Strategy to ensure it aligns with Department of Mines, Industry Regulation and Safety (DMIRS) documents, Mentally Healthy Workplace for FIFO workers Code of Practice and Psychosocial Hazards Audit Technical Guide
- Trained the first cohort of Mental Health First Aiders
- Established the Mental Health First Aider Working Group to energise mental health conversations
- Conducted an employee survey on COVID-19 response as a wellbeing pulse check
- Conducted a camp survey to assess the effectiveness of primary controls in relation to facilities on site
- Supported the review and improvements to the onboarding program to enhance the culture of support and role clarity

FY2021 Commitments	
Complete the roll out of the Mental Health Strategy implementation plan	• Significantly progressed
Continue to drive continuous safety improvement	• Achieved

Looking Ahead to 2022

Pilbara Minerals is experiencing a challenging period of growth leading to increased activities across the business and in particular at the Pilgangoora Operation. These activities include: construction works, commissioning and increased operating activities (mining, processing, haulage and shipping). This presents an environment where the strength of safety culture and discipline with safety systems matters now more than ever.

Health and Safety

- Reducing the FY2022 TRIFR target to 2.9 (reduced from 3.6 FY2021) – this is a significant reduction
- Enhancing the quality of field safety interactions
- Progressing development and delivery of training
- Constructing and commissioning new emergency response facilities at the Pilgan Plant

Mental Health

FIFO Focus psychologists are scheduled to deliver the following training during FY2022:

- General Mental Health Awareness training on site for FIFO workers
- Stress and Resilience training on site
- Mental Health and Wellbeing training on site for managers and supervisors covering psychosocial hazards
- Ad hoc webinar or face-to-face training in Perth on various health and wellbeing topics for FIFO families

As part of Pilbara Minerals' people strategy, FIFO Focus will also work with culture partners, Blue Provident, to integrate culture assessments with psychosocial assessments to minimise duplication of effort when engaging the workforce on culture and the degree to which the Company is maintaining its goal of providing a mentally healthy workplace and a great place to work.

Sustainable Operations

Make a positive contribution, minimise impacts and leverage opportunities

Global Energy Transition

Pilbara Minerals enables the global transition towards a clean energy future by mining and processing hard-rock lithium to produce lithium raw materials (spodumene concentrate). These materials are essential for lithium batteries, which power applications such as electric vehicles and energy storage systems and therefore aid in reducing the world's reliance on fossil fuels.

Pilbara Minerals' mining and processing activities are governed by a robust regulatory environment and comprehensive internal processes that focus on resource efficiency (including water and land), regulatory compliance, stakeholder consultation and continuous improvement to minimise impacts.

The impact of climate change has continued to lead to an unprecedented global push to reduce emissions and build climate resilience across the world. Acknowledging it is a shared global challenge, with emissions in one country impacting on others, international action is required to combat climate change and adapt to its effects.

The Pilgangoora Project is playing an important role in the global effort to address the issue of climate change through reducing emissions. Lithium raw material supply is crucial to manufacture batteries for today's clean energy technologies, which are key to meeting the commitments many nations have made to support the objectives of the Paris Agreement, to keep the global temperature rise this century well below two degrees Celsius above pre-industrial levels.

With transportation contributing to 24% of direct CO^2 emissions from fuel combustion, and power generation accounting for 41% of energy-related CO^2, the increased adoption of electric vehicles and energy storage (attached to renewable power generation) is critical in assisting countries deliver on these commitments. In support of this, government policy changes across the globe, to influence consumer take up of electric vehicles, have continued to accelerate this year. A summary of policy responses is provided for reference (Figure 8).

Figure 8: Global climate change policy updates during FY2021

Global Markets

- EU: Announced a carbon border adjustment tariff (CBAT) for high-emissions intensity materials
- USA: Announced executive orders to re-join the Paris Agreement and address climate change more broadly

China

- Committed to net-zero emissions by 2060
- Has committed targets regarding new-energy vehicles, non-fossil fuel primary energy
- Invested $US191.2B in renewables in 2018

South Korea

- Committed to net-zero emissions by 2050, with an interim reduction target of 40% by 2030
- Analysis indicates renewables must increase seven-fold by 2030 and twenty-fold by 2050 to meet South Korea's net zero goal

Australia

- $3.5B Climate Solutions Package to deliver on 2030 Paris Agreement commitments, signalling a technology-driven approach to combatting climate change
- No net-zero emissions target

In support of Pilbara Minerals' role in renewable energy development globally, Pilbara Minerals developed a climate strategy with four key pillars:

- **Raw Material Production**
  Sustainable and ethical lithium extraction and processing. Initiatives underway include:
  - Ore sorting
  - Low emissions transport assessment
- **Decarbonisation**
  Pathway to net zero emissions (Scope 1 and 2) in the decade commencing 2040. Initiatives underway include:
  - 6MW solar PV power solution
  - Wind power survey
- **Innovation**
  Developing tomorrow's solutions to address today's challenges. Initiatives underway include:
  - Mid-stream product development
  - Build resilience
- **A climate change resilient business. Initiatives underway include:**
  - Assessment of climate risks under TCFD framework including scenario planning
  - Life cycle assessment (scope 3 emissions)

Environmental Management

Environmental targets and objectives

Objective	Target	Results
Environmental impacts are managed to legislative requirements, licences, approval conditions and community expectations	• No environmental events occur which result in regulatory penalties, fines or prosecutions	• Achieved - No environmental events occurred resulting in regulatory penalties, fines or prosecutions
Transparent reporting and management of all environmental impacts, hazards, near hits and complaints	• An environmental reporting ratio greater than the corporate target	• Achieved - Maintained an open dialogue with regulators on any environmental incidents
Minimise the generation of waste production and promote recycling and the use of recycled products	• Identify additional waste streams for recycling and continue reporting of waste generated and products produced	• Achieved - Continued reporting of waste generated and products produced • Ongoing discussions with Perth office building personnel to implement segregation and recycling at head office
Implement renewable energy technologies	• Reduce Scope 1 emissions and diesel usage	• Planning and approvals for the Pilgangoora Operation solar farm progressed

Land Use

Pilbara Minerals sponsored a Curtin University undergraduate to develop a land rehabilitation research project for company use. The third year Advanced Environmental Science student conducted research, including restoration ecology case studies, and then developed a company specific rehabilitation guideline reflecting International Standards for the Practice of Ecological Restoration, developed by the Society for Ecological Restoration (SER). This project is particularly relevant to operations in the Pilbara, which is home to a wealth of biodiversity and a wide range of endemic species.

Through the use of SER principles, the company guidelines outline a framework for developing site specific rehabilitation plans, to ensure they are appropriate, effectively integrated into mine site planning, progressively implemented and help achieve completion criteria as approved by regulators.

The guideline also offers some recommendations regarding innovative and efficient ways to satisfy rehabilitation objectives and helping a leader of sustainable mine site restoration practices in line with social licence to operate and the Company's purpose of "powering a sustainable energy future". For example, it notes the opportunity for a native seed farm to be set up by Traditional Owners.

Water Use

During FY2021, Pilbara Minerals installed water recovery infrastructure, drains and sediment ponds, for recovery and supply of processing water to the Pilgan Plant. This improves water use efficiencies and also will assist to reduce water abstraction volumes from subsurface aquifers.

Waste Management

The Pilgan Tailings Storage Facility (TSF) embankments were constructed using 100% of the Pilgan waste rock. This eliminated the use of borrow pits for material and deferred the construction of new Waste Rock Dumps on site.

Operational employees collected and recycled cans and glass at a recycling facility in Port Hedland raising ~$5,000 from the recycled materials. The money raised was donated to the MACA Cancer 200 Ride, an annual fundraising bike ride event benefitting the Harry Perkins Institute of Medical Research.

FY2021 Recycled Materials

Waste Oil

127,000L

Batteries (Vehicles)

14 Pallets

Scrap Metal

~17,220T

Plastic Drums (20L)

6 Pallets

Drill rods continued to be donated locally for pastoralists to reuse in cattle yards

As part of the area beautification process, trees native to the area were planted by the workforce and students from the nearby Yandeyarra Remote Aboriginal Community School around the site to improve environmental awareness and aesthetics. In addition, studies show that trees aid better overall health.

Renewable Energy

During the course of FY2021, Pilbara Minerals progressed the design and evaluation for the installation of a 6 MW solar farm.

In preparation for contract award early ground clearing and civil works were completed on site. Award of the solar farm is targeted for December quarter of FY2022.

FY2021 Commitments	
Implement renewable energy technologies	· Planning phase completed for solar farm
Improve compliance through internal independent auditing	· Achieved and ongoing
Finalise development of ISO 14001 based Environmental Management System (EMS)	· Progressed

Looking Ahead to 2022

- Identify and implement additional water reduction and efficiency initiatives across the site including wastewater treatment plant operations
- Commence construction of the solar farm at Pilgangoora
- Integrate Management Systems and finalise the EMS Manual following completion of the Ngungaju integration

Climate Change

Climate change continues to present challenges and opportunities for Pilbara Minerals. FY2021 may prove to be a pivotal moment in the fight against climate change, with many businesses and governments committing to net-zero emissions. At the time of writing, more than half of the capitalisation of the ASX200 is covered by a net zero commitment, with the number of companies in the ASX200 committing to net-zero tripling in the year to March 2021[5].

In FY2021, Pilbara Minerals continued on its journey to becoming a climate-resilient business through its support of the Paris Agreement long-term temperature goal and climate risk analysis in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

In FY2021, Pilbara Minerals' estimated total carbon emissions (Scope 1 and 2) were 60,066 CO_2-e tonnes. These emissions reflect the return to normal production levels during FY2021 and the mining fleet being reactivated following moderated production as a result of subdued market conditions.

Responding to Climate Change

Key Drivers

Pilbara Minerals identified five drivers for corporate action in response to climate change:

Financial Markets

Financial markets are increasing the valuations of climate and climate-resilient businesses. Deloitte Australia's CleanTech (DACT) Index, based on the market capitalisation weighted share price performance of listed companies that operate across a number of defined sub-sectors in the clean technology space, has outperformed the ASX200 in the 12 months to March 2021 by 92%[6].

Investors

Investors are actively moving towards greening portfolios, with investment houses implementing sustainability-focused investing criteria.

Supply Chains

Customers' expectations are increasing around low or zero carbon products. Vehicle manufacturers are continuing to commit to increasing EV manufacturing and reducing emissions in parallel.

Policy

Carbon pricing mechanisms are increasing in prevalence across the world, with the idea of carbon border adjustment mechanisms (a carbon price on imported products) being investigated by governments.

Technology

Technology that enables decarbonisation is being developed at a rapid pace. An increasing share of renewable energy generation is becoming cheaper than the fossil fuel equivalents, with renewable energy storage anticipated to follow this cost reduction pathway.

[5] https://www.afr.com/policy/energy-and-climate/asx200-companies-committed-to-net-zero-targets-treble-in-a-year-20210820-p58kkp
[6] https://www2.deloitte.com/au/en/pages/energy-and-resources/articles/cleantech-index.html

Case Study | Sustainable Financing

Pilbara Minerals has engaged with the Clean Energy Finance Corporation (CEFC) to receive up to US$36.7 million to help the Company through its next critical phase as the Pilgangoora Project gears up to meet growing demand for lithium.

As part of the CEFC investment commitment, Pilbara Minerals will implement additional sustainability targets at Pilgangoora to set important new low emissions benchmarks in the mining sector.

Case Study | Technology

Pilbara Minerals is currently investigating the potential for technology partners in the Lithium sector. One such technology partner is Calix, who we are working with to develop a superior novel calcination process for lithium fines products. Some of the key benefits to this technology are the modular components of the technology, and the electric-fired calcination process making the technology amenable to renewable energy sources.

International Influences

Intergovernmental Panel on Climate Change (IPCC) – 6th Assessment Report (AR6)

In August 2021, the Intergovernmental Panel on Climate Change (IPCC) released its 6th Assessment Report (AR6) titled Climate Change 2021: The Physical Science Basis. The key finding from AR6 is the overwhelming evidence that human influence has warmed the atmosphere, ocean, and land.

AR6 also outlines the updated carbon budget (allowable emissions remaining) estimate for limiting warming to 1.5°C and 2°C. Remaining global carbon budgets (starting from 1 January 2020) for limiting warming to 1.5°C, 1.7°C, and 2.0°C are estimated at 500 $GtCO_2$, 850 $GtCO_2$ and 1350 $GtCO_2$, respectively.

Pilbara Minerals is committing to remain aligned with the Paris Agreement's long-term temperature goals. To support the Company on its decarbonisation journey, we are investigating short and medium-term targets to provide clear pathways to inform investment and strategic decisions.

Taskforce for Climate-Related Financial Disclosures (TCFD)

During FY2021, Pilbara Minerals accelerated its planning and analysis to support global decarbonisation efforts.

Workstream	Governance	Strategy	Risk Management	Metrics and Targets
Strategy and capability				
Decarbonisation pathways				
Climate-related risk analysis				
Progress indicator to short-term goals	On Track	On Track	On Track	On Track

Strategy and Capability

In FY2021, Pilbara Minerals identified the capabilities needed to deliver on its climate strategy. Four key climate capabilities were identified to support the business to deliver on its commitments:

- GHG emissions tracking and reporting, which has been ongoing since 2019
- GHG emissions reduction
- Climate-related risk management
- Energy management

These capabilities were designed with six capability principles in mind: mission, insight, process, technology, talent, and integration.

Pilbara Minerals' focus in FY2022 will be on implementing the recommendations from this work. Besides sourcing the required capabilities to deliver on the purpose, the Company will continue to provide strong governance around issues such as climate, provide training and learning opportunities for employees and build climate into performance management.

Decarbonisation pathway

To decarbonise, is to future proof. The objective of this workstream was to develop potential pathways targeting net zero emissions during the decade commencing 2040, including assessing emissions, identifying abatement options at a high-level, and undertaking analysis of pathways to net zero operational emissions.

Emissions Assessment

To assess Pilbara Minerals' forward-looking emissions, the potential future energy demand for both the Pilgan and Ngungaju Plants for both a reasonable-likelihood and potential-maximum scenario were analysed.

Pathways to Net Zero

There are four criteria that are essential to formulate an emissions reduction target, and have been analysed as part of setting the emissions pathway:

- Baseline period
- Target metric
- Target year
- Target ambition

Pilbara Minerals is currently finalising short and medium term targets, and these will be published in due course.

Abatement Options

A comprehensive process was undertaken to identify, screen and assess emissions reduction opportunities and the suitability to the Company:

- Opportunities were identified through several channels, including cross-functional workshops and external providers
- Screening was undertaken to understand the potential impact, cost, ease of implementation (amongst other) considerations prior to advancing key opportunities
- Opportunities were assessed utilising a proven framework to assess the technical, commercial and decarbonisation merits of selected opportunities

Roadmap to Net Zero

An effective, achievable emissions reduction strategy requires deep thought about the key pillars of decarbonisation:

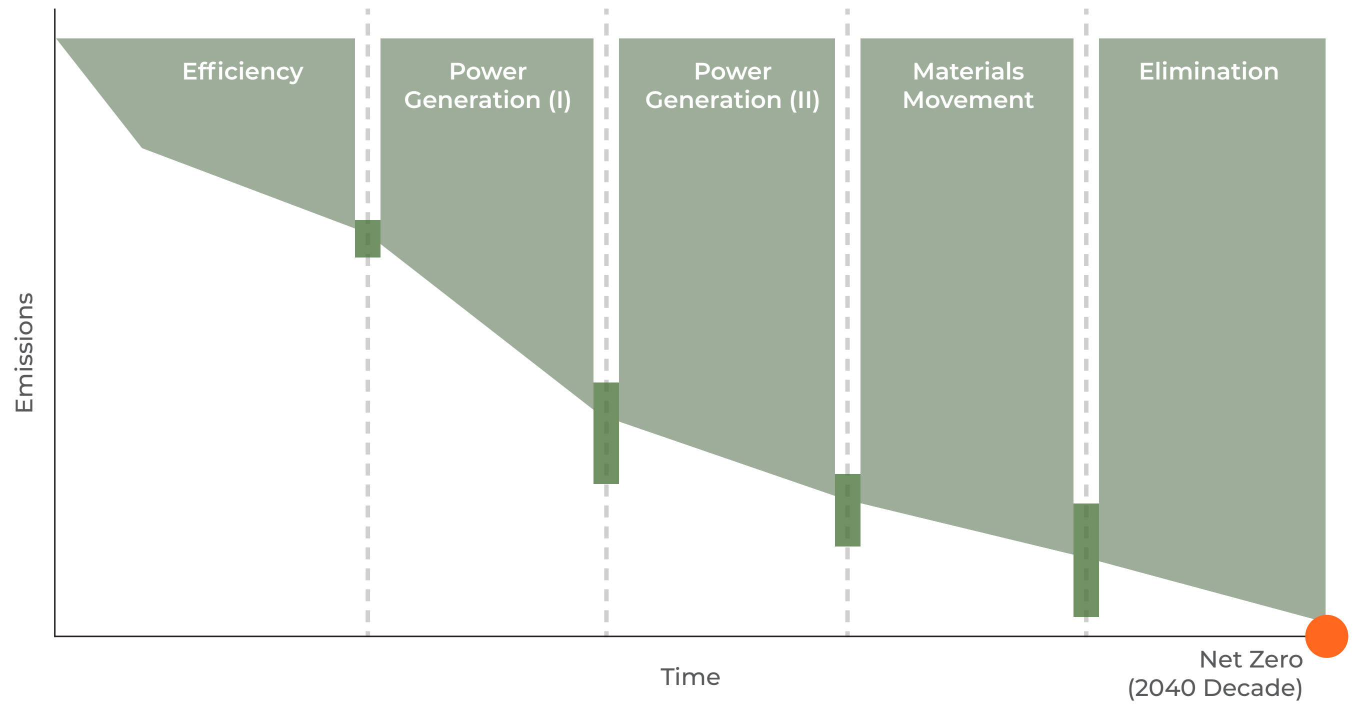
- Technology (readiness, cost, learning rates)
- Commerciality (availability, applicability, development required)
- ESG (adaptation, community benefits, impact on water / pollution / ecosystems)

Pilbara Minerals' decarbonisation story is outlined in Figure 9. Initial efforts will be focused on efficiency, then power systems decarbonisation, and eventually displacing diesel where commercially and technologically suitable from material movement activities. There may be residual, hard-to-abate emissions remaining will be managed on a bespoke basis.

Case Study | Renewable Energy

Pilbara Minerals is currently designing a 6MW solar photovoltaic (PV) power solution to support decarbonisation.

Figure 9: Pilbara Minerals' high-level pathway to target net zero



Climate-Related Risk Analysis

Pilbara Minerals is facing both transitional and physical risks from climate change, which are expected to accelerate over the next decade. The objective of this workstream was to identify the areas of Pilbara Minerals at greatest risk as a result of the impact of physical or transitional climate change. The assessment was performed for various climate scenarios and selected climate-related impacts. Four hypotheses were identified and assessed for this workstream.

Climate Scenario Analysis	Hypothesis
Chronic Climate Change	• Reduced precipitation and prolonged temperature increase in the Pilbara region will impact the resilience of Pilbara Minerals' infrastructure to long-term climatic changes
Climate Extremes	• Key assets will experience increased frequency and severity of extreme temperatures, drought, and wet extremes; impacting Pilbara Minerals' production capabilities and contributing to worsening working conditions
Market Transition	• Increased electrification of the global energy storage market and shifts in global policy and regulatory landscape will drive increased demand for lithium ore and compounds
Carbon Pricing	• Increased exposure to domestic/international carbon pricing mechanisms will increase costs of production and impact the export price of Pilbara Minerals' end products

Results

Pilbara Minerals is currently integrating the findings from this workstream into its risk management process.

Scenario-Driven Analysis

Both the decarbonisation pathway and climate risk analysis workstreams utilised a scenario-driven approach to provide a structured way of thinking through, and making, strategic choices despite the uncertainty related to climate risk and decarbonisation.

Approach

Scenarios are rich, data-driven stories about tomorrow that can help organisations make better decisions today. They are not predictions about the future, but rather hypotheses that describe a range of possibilities for the future. In order to be a scenario, they need to be plausible, distinctly different, and internally consistent. Scenarios must be believable and reasonable, describing a future clearly separable from each other, with conditions present within the scenario not mutually exclusive, but able to occur in unison.

Refer to **Appendix B** for further detail on the scenarios used in the climate risk analysis.

FY2021 Commitments	
Finalise gap analysis against TCFD framework (governance, strategy, risk management, metrics, and targets) and timeline to deliver	· Achieved
Undertake scenario analysis to understand strategic impacts of climate related risks	· Achieved
Commence work on the development of a net zero (Scope 1 and 2) emissions pathway	· Achieved

Looking Ahead to 2022

2022 promises to be another important year in Pilbara Minerals' journey to becoming a climate-resilient business, with more initiatives planned for the forthcoming year, including:

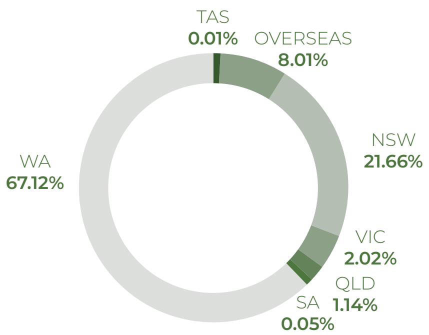
- Finalising the decarbonisation pathway and interim emissions reduction targets
- Product lifecycle assessment (including scope 3 emissions)
- Collaboration opportunities with Original Equipment Manufacturers (OEMs) to research technology that reduces transport emissions.

Community and Indigenous Relations

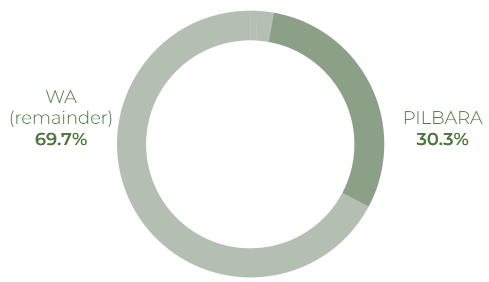
Pilbara Minerals values the communities in which it operates, especially the regional communities. From its operations, the Company's strives to ensure both direct and indirect benefits are provided to the local communities. For example, as part of its supply and procurement process, contract and supply location are used to estimate expenditure by region. Local suppliers are engaged whenever practicable.

Figure 10: Estimated expenditure by location

L021 - FY2021 receipted spend by location - $190M



L021 - FY2021 receipted WA spend by location - $127M



Pilbara Minerals acknowledges and respects Aboriginal people, their culture, language, traditions and connection to country, and actively works to create mutual understanding and strengthen engagement across its operation. Initiatives that support this include community, business and cultural heritage aspects.

Symbolic of Pilbara Minerals' engagement approach, following the acquisition of the Ngungaju Plant, traditional names of the main mine site locations were selected with the assistance of the Traditional Owners by allocating Njamal names to each of the two processing plants at Pilgangoora. The existing plant was named the 'Pilgan Plant' and the newly acquired plant as 'Ngungaju Plant' (pronounced nuh-ga-juh). Pilgan being short for Pilgangoora meaning place of hills specific to that area and Ngangaju meaning Spring Country or Water place. Other examples of honouring and working with the Njamal People are provided below.

Community

During FY2021, students at the local remote Aboriginal Community School, Yandeyarra Remote Community School, started taking part in the Pilbara Minerals "Area Beautification Program". The students were given large boards to use for creating artwork. The artwork will be placed around Carlindi Camp, bringing an artistic flair to the Pilgangoora on-site accommodation.

In addition, Yandeyarra Remote Community School took part in planning a new Work Experience Program at the Pilgangoora Project site. Each quarter, selected Year 12 students will be invited to work on-site for one week to experience work relating to the full range of exploration, mining and processing operations including administration and camp hospitality aspects.

Feedback from participating students shows they are excited about the work experience helping them to identify potential areas of study, training and work. The school is committed to seeing the program progress.

In FY2021, Pilbara Minerals continued its support for the Books in Schools program at the Yandeyarra Remote Community School, which had began in term three of 2020. This program, which runs over four terms, provides books for children to read each term and is supported by learning activities to build literacy skills. Approximately 22 children, ranging from Year One to Year Twelve, participated in the program.

Pilbara Minerals personnel supported and attended a local NAIDOC activity annual event, the Port Hedland NAIDOC Ball, organised by Njamal representatives. The Company purchased a full table (10 seats) and joined in a night of celebration, music and dancing.

Part of Pilbara Minerals' broader commitment to share the opportunities provided by its activites involves direct investments into its host communities. During FY2021, the Company updated its Community Investment Strategy, which outlines the Company's approach to ensure any investment in community programs, events and projects aligns with the Company's values, identified impacts of the Project, and Pilbara Minerals' aspirations for responsible corporate citizenship. It forms a key component of the Company's approach to two of its six corporate commitments - 'valuing our partners' and 'making a difference in the world'. Implementation of the updated strategy is planned during FY2022.

Indigenous Relations and Opportunities

Pilbara Minerals routinely invites registered Njamal business entities to work on the Pilgangoora Project. Prior to releasing any contracting or tender opportunities to the general market, they were provided to Nyamal Aboriginal Corporation (NAC) for distribution to registered Njamal business entities. As a result, numerous contracts have been awarded to various Njamal businesses totalling ~$13.5 M in FY2021. A recent example of this is a significant Stage 1 improvement contract (Major Tier 1 SMPE&I contract) awarded to Simpec/Ironmerge a Njamal Joint Venture.

Similarly, Pilbara Minerals' employment and training practices ensured Njamal members received early notification of all opportunities. All forecasted vacant positions including traineeships were distributed to NAC for distribution to Njamal members prior to general advertising.

Cultural Heritage

Cross Cultural Awareness

Pilbara Minerals provided a comprehensive Cross Cultural Awareness Training session, delivered by Njamal Elders, to all employees and contractors, which is in addition to the employee induction process.

In addition, non-Njamal Indigenous employees receive a Welcome to Country by Njamal members, which is a culturally appropriate way to introduce Indigenous people from other areas to work on Njamal Country.

As an extension, secondary Cross-Cultural Awareness training has been planned with Traditional Owner Elders hosting employees at an overnight camp. Participants will experience ancient storytelling, traditional foods/cooking and participating in food gathering activities.

Grinding Patches Preservation

Pilbara Minerals continued to focus managing its commitments to preserve cultural heritage areas identified by Traditional Owner, Njamal peoples.

The central Pilgangoora mine pit is adjacent to numerous grinding patches, which are rock surfaces used by Aboriginal people for grinding food substances or ochre as well as ngamma (water) holes. Mapping of the Pilgangoora ore resource showed that it extends below the area of the grinding patches, estimated to be 60,000 years old. The areas are not registered Aboriginal heritage sites although they are protected by state Aboriginal heritage legislation.

In recognition of the cultural importance of the traditional grinding patches, Pilbara Minerals voluntarily extended its commitment to ensuring that the area was not impacted by mining activities. Instead of mining the ore underlying the patches, the Company adjusted its mine plan and operational practices, including blasting techniques, to preserve and protect the area.

The process involved mine personnel engaging with Njamal members who walked the area to identify the grinding patches. Mining personnel then prepared mine plans so the pit development avoided the grinding patches, provided a buffer zone for long-term structural integrity and also minimised impact from any fly rock during pit blasts.

In addition, blasting practices were modified to direct fly rock into the pit and protective matting is routinely placed over the grinding patches to provide further protection from any potential impact.

Monitoring of the areas by Njamal members, who actively manage the sites, shows the management measures are working well and the grinding patches have not been affected.

This approach helps show how effective engagement can allow mining to successfully coexist with Aboriginal heritage preservation and protection while fostering greater cross-cultural awareness and strengthening relationships.

Pilbara Strike Camp Restoration

A culturally significant site, a Pilbara Strike camp (1946), is located on the Pilgangoora Project mining lease. The Pilbara Strike, which in 1946, was a landmark strike by Indigenous pastoral workers in the Pilbara for human rights recognition, payment of fair wages and working conditions. It lasted until 1949 during which time, camps were established throughout the Pilbara, including near the Pilgangoora Project.

The strike camp site is badly degraded and offers an opportunity to integrate cultural areas into restoration plans as a Healing of Country initiative. Pilbara Minerals is in the early stages of working with Njamal peoples to plan the campsite restoration so it can be returned for ongoing use by the Indigenous community.

Culturally Valuable Flora and Fauna

As part of routine operational practices, following Heritage Surveys, Njamal representatives were invited to monitor any vegetation clearing work undertaken. This provided the opportunity for Njamal peoples to protect or harvest culturally valuable plants as well as fauna.

FY2021 Commitments	
Finalisation of community investment strategy	• Underway

Looking Ahead to 2022

- Finalise and implement the Pilbara Minerals Community Investment Strategy
- Continue engagement activities with Yandeyarra Remote Community School students by installing artworks, hosting work experience students and sponsoring the Books In Schools program
- Host secondary Cross-Cultural Awareness training with Traditional Owner Elders hosting staff at overnight camp
- Progress Pilbara Strike Camp Restoration project
- Continue seeking out opportunities to work with registered Njamal business entities and employing Njamal peoples

Statements, Abbreviations and Definitions

Competent Persons' Statement

The information in this report that relates to Exploration Results and Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr John Holmes (full-time Exploration and Geology Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Holmes is a member of the Australasian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Holmes consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to Mineral Resources (including the Mineral Resources Statement) is based on and fairly represents information and supporting documentation prepared by Mr Lauritz Barnes (Consultant with Trepanier Pty Ltd) and Mr John Holmes (full-time Exploration and Geology Manager of Pilbara Minerals Limited). The Mineral Resource Statement as a whole has been approved by Mr Barnes and Mr Holmes. Mr Holmes is a shareholder of Pilbara Minerals. Mr Barnes is a member of the Australasian Institute of Mining and Metallurgy and Mr Holmes is a member of the Australasian Institute of Geoscientists and both have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barnes and Mr Holmes consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

The information in this report that relates to Ore Reserves (including the Ore Reserves Statement) is based on and fairly represents information and supporting documentation prepared by Mr John Paul Colliton (full-time Strategic Planning Engineer of Pilbara Minerals Limited). The Ore Reserve Statement as a whole has been approved by Mr Colliton. Mr Colliton is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.. Mr Colliton consents to the inclusion in this report of the matters based on their information in the form and context in which they appear.

No New Information Statement

Information that relates to exploration results, production targets and forecast information derived from the production targets (including information relating to the proposed expansions of the Pilgangoora Project) is extracted from the ASX announcement dated 3 August 2018 entitled "Outstanding DFS Results Support Pilgangoora Expansion", the ASX announcement dated 26 March 2019 "Stage 3 Scoping Study Outcomes", the ASX announcement dated 27 August 2019 entitled "Update on Partnering Process and Revised Stage 2", the ASX announcement dated 30 January 2020 entitled "December 2019 Quarterly Activities Report" and the ASX announcement dated 28 April 2020 entitled "March 2020 Quarterly Activities Report".

Pilbara Minerals confirms that it is not aware of any new information or data that materially affects the information included in these announcements and that all material assumptions and technical parameters underpinning the exploration results, production targets and forecast financial information derived from the production targets in the announcements continue to apply and have not materially changed. Pilbara Minerals confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

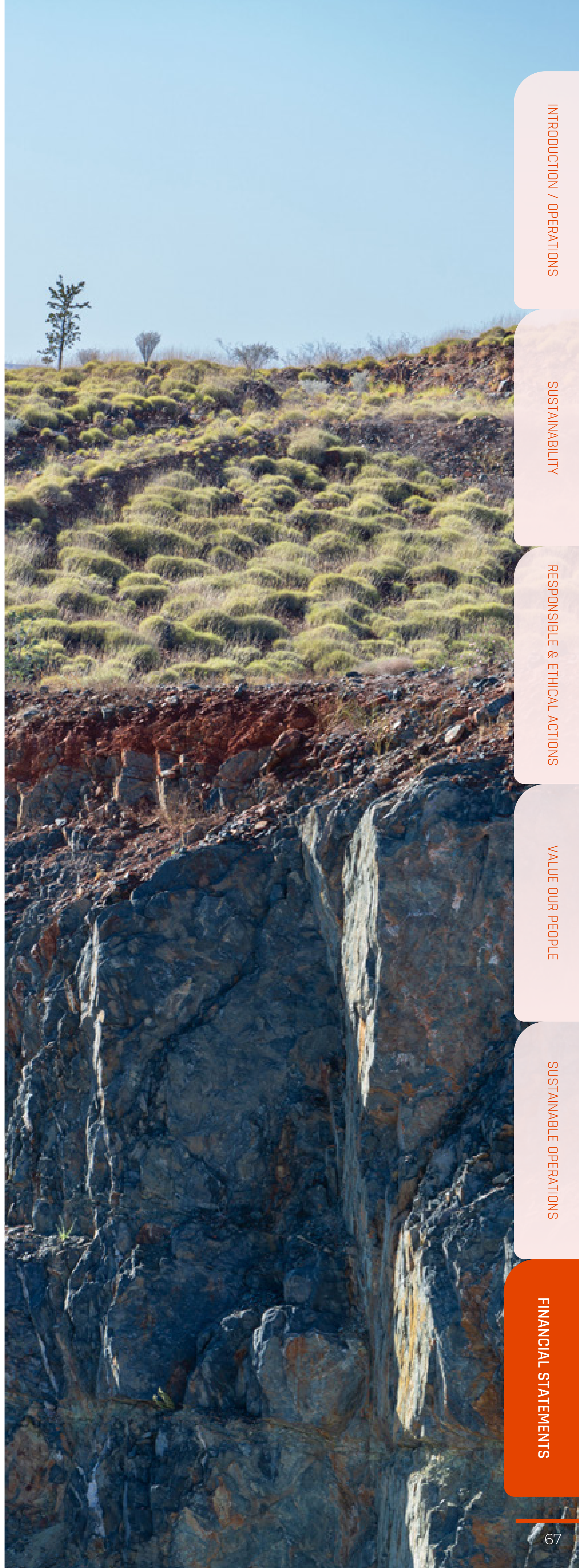
The scoping and other technical studies referred to in this report in respect of the revised Stage 2 expansion and the Stage 3 expansion have been undertaken to determine the potential viability of those expansions and to reach a decision to proceed with more definitive studies. Each scoping study has been prepared to an accuracy level of ±30%. Each scoping and technical study is based on low-level technical and economic assessments and is insufficient to provide assurance of an economic development case at this stage or provide certainty that the conclusions of the studies will be realised. The results of the scoping and technical studies should not be considered a profit forecast or production forecast.

Forward Looking Statement

This Annual 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. Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.

ASX Release Authorisation

The release of this Annual Report has been authorised by Ken Brinsden, Pilbara Minerals Limited's Managing Director. All references to dollars ($) and cents in this report are to Australian currency, unless otherwise stated.



Abbreviations

ALARP	As Low As Reasonably Practicable
B	Billion
BMX	Battery Material Exchange
CEFC	Chief Clean Energy Finance Corporation
CEO	Chief Executive Officer
CIF	Cost plus insurance and freight
CO_2	Carbon dioxide
CO_2-e	Carbon dioxide equivalent
dmt	Dry metric tonnes
DMIRS	Department of Mines, Industry Regulation and Safety
EPC	Engineering/design, procurement and construction
ERT	Emergency Response Team
ESG	Environment, social and governance
EV	Electric vehicle
Fe_2O_3	Iron oxide
FID	Final Investment Decision
FIFO	Fly in, fly out
FOB	Free on board
FY	Financial Year
GHG	Greenhouse gas
GL	Gigalitres
HSMP	Health and Safety Management Plan
JORC	Joint Ore Reserves Committee
JV	Joint venture
KL	Kilolitre
km	Kilometres
kt	Kilo tonnes
lbs	Pounds
lbspa	Pounds per annum
LCE	Lithium carbonate equivalent
Li_2O	Lithium oxide
LIMS	Low intensity magnetic separation
LMS	Learning Management System
LTIFR	Lost time injury frequency rate
m	Metres
M	Million
MD	Managing Director
ML	Megalitre
Mlbs	Million pounds
Mt	Million tonnes
Mtpa	Million tonnes per annum
MW	Megawatt
MWh	Megawatt per hour
NAC	Nyamal Aboriginal Corporation (NAC)
NGERS	National Greenhouse and Energy Reporting Scheme
NPI	National Pollutant Inventory
OEMs	Original equipment manufacturer
ppm	Parts per million
RC	Reverse circulation
ROM	Run-of-mine
SASB	Sustainability Accounting Standards Board
t	Tonnes
Ta_2O_5	Tantalite
TFCD	Taskforce on Climate-related Financial Disclosure
tpa	Tonnes per annum
TRIFR	Total recordable injury frequency rate
UNSDG	United Nations Sustainable Development Goals
US$/USD	United States dollars
WHIMS	Wet high intensity magnetic separation
wmt	Wet metric tonnes

Definitions

Mineral Resources

Is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form, quantity or quality that there are no reasonable prospects for eventual economic extraction. The location, quality, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

Ore Reserves

Is the economically mineable part of a Measured and/or Indicated Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out that demonstrate at the time of reporting that extraction could be reasonably justified.

Appendix A: SASB materiality assessment

Pilbara Minerals' assessment of the SASB Metals & Mining Sustainability Accounting Standard

Disclosure Topic	Accounting Metric	Category	Unit of Measure	PLS Assessment	Notes
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t)	60,031	Reported annually as per NGERS requirements
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussions and Analysis	n/a	Climate Change page 58	In support of Pilbara Minerals' role in renewable energy development globally, Pilbara Minerals developed a climate strategy
Air Quality	Air emissions of the following pollutants: (1) CO, (2) NOx (excluding N2O), (3) SOx, (4) particulate matter (PM10), (5) mercury (Hg), (6) lead (Pb), and (7) volatile organic compounds (VOCs)	Quantitative	Metric tons (t)	1) 363,465 2) 619,802 3) 355 4) 1,341,878 5) 0.120 6) 32.3 7) 28,856	Collected and reported in accordance with the NPI NEPM.
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	1) 1,080,813 GJ 2) 0.017% from grid. 3) 0%	PLS is developing solar energy solutions at the mine site to reduce reliance on diesel power generation
Water Management	Total fresh water withdrawn - Percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m³)	N/A	
Water Management Continued	Total fresh water consumed - Percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m³),	N/A	
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Quantitative	Thousand cubic meters (m³),	Nil	
Waste & Hazardous Materials Management	Total weight of tailings waste, percentage recycled	Quantitative	Metric tons (t)	1,225,772	
	Total weight of mineral processing waste, percentage recycled	Quantitative	Percentage (%)	N/A	
	Number of tailings impoundments, broken down by MSHA hazard potential	Quantitative	Number	1 (High) 1 (Medium)	
Biodiversity Impacts	Description of environmental management policies and practices for active sites	Discussions and Analysis	N/A	Risk and Compliance page 40	PLS has developed and maintained environmental policies, standards, and procedures to ensure compliance requirements and ensure a high standard of performance at its operations
	Percentage of mine sites where acid rock drainage is: (1) predicted to occur, (2) actively mitigated, and (3) under treatment or remediation	Quantitative	Percentage (%)	(1) 100% (2) 100% (3) No treatment or remediation is required as no ARD material has been encountered	PLS has developed an Acid and Metalliferous Drainage Plan for management of potentially acid forming material when encountered

Disclosure Topic	Accounting Metric	Category	Unit of Measure	PLS Assessment	Notes
Biodiversity Impacts Continued	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	Quantitative	Percentage (%)	<1%	
Security, Human Rights and Rights of Indigenous People	Percentage of (1) proved and (2) probable reserves in or near areas of conflict	Quantitative	Percentage (%)	0	Native Title Agreement and Pastoral Lease cover the permit area
	Percentage of (1) proved and (2) probable reserves in or near indigenous land	Quantitative	Percentage (%)	Nil	
	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	Discussions and Analysis	N/A	Responsible and Ethical Actions page 38	No areas of conflict Native Title Agreement Heritage Agreement Modern Slavery Policy
Community Relations	Discussion of process to manage risks and opportunities associated with community rights and interests	Discussions and Analysis	N/A	Risk and compliance page 40	In accordance with its Community and Stakeholder Relations, PLS maintains proactive engagement with all key stakeholders, including those in the regional community, especially Traditional Owners. Agreements are in place with both Pastoral Lease holders
	Number and duration of non-technical delays	Quantitative	Number, Days	0	
Labour Relations	Percentage of active workforce covered under collective bargaining agreements, broken down by U.S. and foreign employees	Quantitative	Percentage (%)	0	The PLS workforce is covered by Common Law contracts

Disclosure Topic	Accounting Metric	Category	Unit of Measure	PLS Assessment	Notes
Labour Relations Continued	Number and duration of strikes and lockouts	Quantitative	Number, Days	0	
Workforce Health & Safety	MSHA all-incidence rate	Quantitative	Rate	Not available	PLS does not report in accordance with the US MSHA all-incidence rate. PLS reports TRIFR to its regulators, 3.58 (TRIFR)
	Fatality rate	Quantitative	Rate	0	
	Near miss frequency rate (NMFR)	Quantitative	Rate	Not available	PLS does not report in accordance with the US NMFR rate. 64.48 All Injury Frequency Rate (AIFR)
	Average hours of health, safety, and emergency response training for (a) full-time employees and (b) contract employees	Quantitative	Rate	Not available	ERT members receive ERT training on a weekly basis PLS provides health and safety training for all employees
Business Ethics & Transparency	Description of the management system for prevention of corruption and bribery throughout the value chain	Discussion and Analysis	N/A	Corporate Governance page 39	Pilbara Minerals' record of strong corporate governance continued in FY2021, with no reported breaches of relevant policies and maintaining full compliance with legal and regulatory obligations

Disclosure Topic	Accounting Metric	Category	Unit of Measure	PLS Assessment	Notes
Business Ethics & Transparency Continued	Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Quantitative	Metric tons (t) saleable	0 (t)	Operations are only in the Pilbara region of Western Australia
	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or other related financial industry laws or regulations	Quantitative	Dollars (AUD)	$0	

Appendix B: Scenarios used in Climate Risk Analysis

Representative Concentration Pathways

Representative Concentration Pathways (RCPs) are greenhouse gas concentration trajectories adopted by the Intergovernmental Panel on Climate Change (IPCC). The pathways describe different plausible climate futures. RCPs are climate scenarios that are simulated by four-dimensional physical global climate models; these models, in turn, project how the physical climate may change under different levels of radiative forcing driven by greenhouse gas concentrations. Three RCP scenarios were selected to address hypotheses 1, 2 and 3:

RCP2.6

RCP2.6 is an 'aggressive mitigation' pathway that is likely to keep global temperature rise below 2°C by 2100 and align with the Paris Agreement targets. RCP2.6 requires that carbon emissions start declining by 2020 and go to zero by 2100.

RCP4.5

RCP4.5 is an intermediate scenario, were emissions peak around 2040 and then decline. RCP4.5 is more likely than not to result in global temperature rise between 2°C and 3°C by 2100.

RCP8.5

In RCP8.5 emissions continue to rise throughout the 21st century. This pathway is generally taken as the basis for worst-case climate change scenarios and is assumes no climate actions. It would result in global temperature rise above 4°C.

Network for Greening the Financial System Climate Scenarios

The Network for Greening the Financial System (NGFS) and its member central banks have developed scenarios that are derived from the IPCC pathways and scenarios from the Potsdam Institute for Climate Impact Research and the International Institute for Applied System Analysis (IIASA). The NGFS climate scenarios deliver a set of harmonised transition pathways, chronic climate impacts and indicative economic impacts for each of the NGFS climate scenarios. Unlike other climate models, it includes metrics on environmental damages, which is key to understanding the prolonged and chronic impacts of climate change on regions and GDP. Three NGFS climate scenarios were selected to address Hypothesis 4:

Orderly Scenario

This scenario assumes climate policies are introduced early and become gradually more stringent. Net zero carbon emissions are achieved before 2070 (with assistance from carbon dioxide removal), giving a 67% chance of limiting global warming to below 2°C. Physical and transition risks are both relatively low.

Disorderly Scenario

Disorderly scenario assumes climate policies are not introduced until 2030. Since actions are taken relatively late and limited by available technologies (including limited assistance of carbon dioxide recovery), emissions reductions need to be sharper than in the Orderly scenario to limit warming to the same target. The result is higher transition risk.

Hot House World

Hot house world assumes that only currently implemented policies are preserved. Nationally Determined Contributions are not met. Emissions grow until 2080 leading to 3°C+ of warming and severe physical risks. This includes irreversible changes like higher sea level rise.

Financial Statements Contents

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Pilbara Minerals Limited ("**Pilbara Minerals or the Company**") and its subsidiaries for the financial year ended 30 June 2021 and the auditor's report thereon. The Directors' report and consolidated financial statements are presented in Australian dollars, except where otherwise indicated.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Anthony Kiernan AM, LLB **Chair and Independent Non-Executive Director** Appointed 1 July 2016	Mr Kiernan is a former solicitor with extensive experience gained over 35 years in the management and operation of listed public companies. As both a lawyer and general consultant, he has practiced and advised extensively in the fields of resources and business generally. Mr Kiernan was a member of the People and Culture Committee to 30 June 2021. Mr Kiernan is also Chair of the Fiona Wood Foundation which focuses on research into burns injuries. **Other current ASX directorships:** Northern Star Resources Ltd (since February 2021) and Redbank Copper Ltd (since April 2021). **Former ASX directorships in the last three years:** Saracen Mineral Holdings Limited (2018 to February 2021), Venturex Resources Limited (2010 to March 2021) and Chalice Gold Mines Limited (2007 to September 2018).
Mr Ken Brinsden B. Eng (Mining), MAusIMM, MAICD **Chief Executive Officer and Managing Director** Appointed Managing Director 4 May 2016	Mr Brinsden is a mining engineer with over 25 years' experience in surface and underground mining operations, including roles in mine management, production, and brown-fields and green-fields development roles across a range of commodities. Mr Brinsden was appointed as Chief Executive Officer of the Company in January 2016. Mr Brinsden led the development of the Pilgangoora Lithium-Tantalum project, which was progressed from first drill hole to production in under four years. This exponential growth has resulted in Pilbara Minerals now being one of the world's leading lithium raw materials suppliers with a portfolio of growth options to execute as battery raw material demand increases. **Former ASX directorships in the last three years:** None.
Mr Steve Scudamore FCA BA (Hons), MA (Oxon), FAICD, SF Fin, HonDUniv (Curtin) **Independent Non-Executive Director** Appointed 18 July 2016	Mr Scudamore is an experienced Australian company director. His distinguished career includes more than three decades with KPMG, including senior roles in Australia, London and PNG including Chair of Partners WA, Head of Corporate Finance in WA and National Head of Valuations, KPMG Australia. Mr Scudamore is Chair of the Audit and Risk Committee, a member of the People and Culture Committee and a member of the Sustainability Committee. 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 founded in Perth in 1925. 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. **Other current ASX directorships:** Regis Resources Ltd (since May 2019) and Australis Oil & Gas Limited (since November 2016). **Former ASX directorships in the last three years:** None
Mr Nicholas Cernotta B. Eng (Mining) **Independent Non-Executive Director** Appointed 6 February 2017	Mr Cernotta has more than 30 years' experience in the mining industry, spanning various commodities and operations in Australia, Africa, South East and Central Asia, Saudi Arabia and Papua New Guinea. He holds a Bachelor of Mining Engineering and has held senior executive roles with extensive operational experience in both the public and private sectors of the mineral resources industry. Previous roles held include Director of Operations at Fortescue Metals Group Ltd, Chief Operating Officer at MacMahon Contracting and Director of Operation at Barrick Gold Corporation. Mr Cernotta is a member of the Audit and Risk Committee and is Chair of the People and Culture Committee and Chair of the Sustainability Committee. **Other current ASX directorships**: Panoramic Resources Limited (since May 2018), New Century Resources Ltd (since March 2019) and Northern Star Resources Ltd (since July 2019). **Former ASX directorships in the last three years:** None

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Ms Sally-Anne Layman B. Eng (Mining) Hon, B.Com, CPA, MAICD **Independent Non-Executive Director** Appointed 20 April 2018	Ms Layman is a mining professional, corporate financier and advisor with over 25 years of international and cross-commodity experience. Previously, Ms Layman held a range of senior positions with Macquarie Bank, including as Division Director and Joint Head of the Perth office of the Metals, Mining & Agriculture Division. More recently, Ms Layman has worked as a consultant providing financial consulting services to miners and explorers, including strategy and business development. Ms Layman is a member of the Audit and Risk Committee, a member of the Sustainability Committee and a member of the People and Culture Committee, effective from 1 July 2021. **Other current ASX directorships**: IMDEX Limited (since February 2017), Beach Energy Limited (since February 2019) and Newcrest Mining Limited (since October 2020). **Former ASX directorships in the last three years:** Gascoyne Resources Limited (2017 to May 2019) and Perseus Mining Limited (2017 to September 2020).

COMPANY SECRETARY

Mr Alex Eastwood, B. Economics; LLB, AICD
Mr Eastwood was appointed Company Secretary on 1 September 2016 and has more than 25 years' experience as a corporate and commercial lawyer, company secretary and corporate finance executive. Mr Eastwood has previously held partnerships with two international law firms, Deacons (now Norton Rose) and K&L Gates in its Energy, Infrastructure and Resources division. He has extensive experience in the corporate finance area including as a director of Blackswan Equities and New Holland Capital and has held a number of senior positions including as General Counsel and Company Secretary for ASX listed companies in the mining and mining services sectors.

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

DIRECTORS MEETINGS

The number of board and committee meetings attended by each Director of the Company during the financial year are:

No. of Meetings	Board Meetings		Audit and Risk Committee		People and Culture Committee		Sustainability Committee	
	15		4		3		3	
Director	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Anthony Kiernan	15	15	-	-	2	3	-	-
Ken Brinsden	15	15	-	-	-	-	-	-
Steve Scudamore	15	15	4	4	3	3	3	3
Nicholas Cernotta	15	15	4	4	3	3	3	3
Sally-Anne Layman	15	15	4	4	-	-	3	3

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration, development and operation of the Pilgangoora Project and Operations ("**Pilgangoora Project**"). The Pilgangoora Project includes the newly acquired neighbouring assets of Ngungaju Lithium Operations (previously known as Altura Lithium Operations).

Following the acquisition of Ngungaju Lithium Operations, the culture and language of the Nyamal People was honoured with the assistance of the Traditional Owners by allocating Nyamal names to each of the two processing plants at Pilgangoora. The existing plant was named the **'Pilgan Plant'** and the newly acquired plant as **'Ngungaju Plant'** (pronounced nuh-ga-juh). The mine pit located at Ngungaju has been named **'South Pit'** and the **'Central Pit'** located next to the Pilgan Plant name remained unchanged.

Objectives

The Group's objectives are:

- to produce and sell high quality spodumene and tantalite concentrate products from the conduct of safe mining and processing activities at the 100% owned Pilgangoora Project located in the Pilbara region of Western Australia;
- to expand 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.

In order to meet these objectives, the following targets have been set for the 2022 financial year and beyond:

- Increase the operation of the Pilgan Plant to a 2.3 million ore tonnes per annum ("Mtpa") operation and achieve targeted production of spodumene concentrate that meets customers quality specifications.
- Restart the recently acquired Ngungaju Plant targeting annual full production capacity of 180,000 to 200,000 dry metric tonnes (dmt) of spodumene concentrate that meets customers' quality specifications once the full ramp-up of operations is completed.
- Subject to market conditions and the demand requirements of the Company's offtake customers, continue to develop the Pilgan Plant by way of an incremental expansion of the operation from 2.3 million to up to 5 million ore tonnes per annum, to ultimately produce between approximately 800,000 to 850,000 (dmt) per annum of spodumene concentrate that meets customers' quality specifications.
- Safety:
  - continued improvement in the Company's safety performance as measured by leading and lagging indicators.
- Sustainability:
  - continued improvement in sustainability practices and performance including the implementation of systems to support target setting and reporting.

- development of a pathway to net zero emissions (Scope 1 and 2) in the decade commencing 2040.
- further evaluation of risks and subsequent planning to manage exposure in consideration of the Taskforce of Climate-related Financial Disclosure.
- Diversification and value added products:
  - subject to a final decision by the Board of each party, establish a joint venture between POSCO and Pilbara Minerals for the development and operation of a 40,000tpa downstream lithium chemical conversion facility in South Korea supported by a 315,000tpa spodumene concentrate offtake agreement from existing and/or future expanded production capacity at the Pilgangoora Operations.
  - develop mid-stream opportunities that may contribute value added products that further enhance the current spodumene concentrate supply chain, such as those contemplated in the Calix MOU for the potential future production of value-added lithium salts/chemicals.

REVIEW OF OPERATIONS

Pilgangoora Operation

Commencing in the September 2020 quarter, market conditions improved resulting in growing demand and a strengthening in the pricing of spodumene concentrate, particularly in the 2HY21. In response to better market demand the Company expanded operations during the December 2020 quarter from moderated to full production for the remainder of the year.

Mining and production activities increased progressively during the year to meet the growing demand and shipments to customers also increased over the same period.

Table 1: Total ore mined and processed

	Units	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Total
Ore mined	*wmt*	372,468	466,121	585,068	672,020	2,095,677
Waste mined	*wmt*	338,461	612,147	1,639,128	1,976,039	4,565,775
Total material mined	*wmt*	710,930	1,078,268	2,224,196	2,648,059	6,661,453
Ore processed	*dmt*	360,227	381,973	415,277	422,111	1,579,588

Total material mined was 6.7 million wet metric tonnes (wmt) inclusive of additional waste movement during 2HY21 to support haul roads, construction works associated with lifting the wall of the tailing management facility and mine development required to access additional ore in FY2022 to support an increase in plant activity. Waste movement will continue to be elevated during FY2022 as additional ore mining areas are opened-up to support the higher plant throughput expected.

Table 2: Production and shipments

	Units	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Total
Spodumene concentrate produced	*dmt*	62,404	63,712	77,820	77,162	281,098
Spodumene concentrate shipped	*dmt*	43,630	70,609	71,229	95,972	281,440
Tantalite concentrate produced	*lb*	32,881	28,456	36,481	34,048	131,866
Tantalite concentrate shipped	*lb*	25,222	18,541	47,831	39,234[1]	130,828

1. Shipping estimates pending final reconciliation and assay results.

During the year, 1.58 kmt of ore was processed, more than doubling the prior year's production (previous year 0.64 kmt). Following the completion of certain plant improvement initiatives, the Pilgan Plant's operational performance improved significantly over the year. A more stable plant with controlled throughput meant increased plant feed, higher plant utilisation, and improved lithia recoveries and processing plant runtimes. For FY2021, 281,098 dmt of spodumene concentrate was produced (previous year: 90,768 dmt). The improvement in plant performance contributed to a lower unit operating cost[1] of A$519/dmt CIF China (US$388/dmt) for the full year. Additional Pilgan Plant improvement works (outlined below), scheduled for completion in the September 2021 quarter, are expected to unlock an additional 10-15% (~30-50ktpa) of production capacity from September 2021, increasing the plant's annualised production capacity to ~380,000tpa of spodumene concentrate.

Tonnes of spodumene concentrate shipped to customers during the year increased to 281,440 dmt (previous year: 116,256 dmt) reflecting significantly improved market conditions. Shipments for the June 2021 quarter set a new record for the Company with 95,972 dmt of spodumene concentrate shipped.

During the year the health and safety of employees and contractors remained a key priority for the Company during the ongoing COVID-19 pandemic. The Company followed Western Australian Government health advice in addition to engaging with government and industry during the year. Whilst the risk of community transmission remained low in Western Australia over the year, the Company had and continues to have a dedicated internal response group to respond quickly to changing conditions.

Late in FY2021 the Company introduced a new digital trading and sales platform, the Battery Material Exchange (BMX), to facilitate the sale of its uncommitted spodumene concentrate production. The inaugural BMX online auction for 10,000 dmt of 5.5% spodumene concentrate was conducted on 29 July 2021 and attracted strong bidder interest, with the Company accepting the highest bid of US$1,250/dmt FOB, demonstrating the suitability of this sales channel for future transactions.

Based on customer feedback, results of the BMX online auction and other market enquiries the Company expects strong demand conditions for spodumene concentrate will continue into FY2022. In response, the Company announced a staged restart at the Ngungaju Plant on 25 June 2021, which will target full annual production of 180,000 to 200,000 dmt commencing in FY2022.

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

Pilgan Plant Improvement Works

Plant improvement initiatives to increase production beyond nameplate capacity and improve plant operability commenced in the second half of the year. The improvements, which include a new filter press, are expected to unlock an additional 10-15% (~30-50ktpa) of production capacity taking production up to ~360-380ktpa. The project is expected to improve plant operating time and throughput, lower final product moisture and further manage product recovery performance, with commissioning expected late in the September 2021 quarter.

The cost of these improvement works will largely be funded by a US$15M unsecured offtake prepayment from the Company's customer Yibin Tianyi Lithium Industry Co. Ltd (Yibin Tianyi). In exchange for the prepayment Yibin Tianyi will receive additional spodumene concentrate under its existing offtake agreement from the increased annual tonnage generated from these plant improvement works.

Strategic Acquisition – Ngungaju Assets

Following a formal sales process in December 2020 the Company announced it had entered into a conditional Share Sale Agreement with Altura Mining Limited (Receivers and Managers Appointed) (Administrators Appointed) ("Altura") and Richard Tucker and John Bumbak in their capacity as joint and several receivers and managers of Altura ("Receivers") for the acquisition of the shares in Altura Lithium Operations Pty Ltd (ALO) for an upfront cash payment of US$155M and deferred consideration represented by 68.8 million new ordinary shares (or its cash equivalent) in Pilbara Minerals Limited.

In January 2021 the acquisition was completed, and the Company acquired 100% of the shares in ALO. The purchase consideration comprised an upfront cash payment US$155M (A$200.7M), a Deed of Company Arrangement (DOCA) contribution of A$6M, and a deferred consideration component represented by 68.8 million new ordinary shares in Pilbara Minerals Limited which is payable (at the Company's election) in either shares or their equivalent cash value anytime up to 12 months after completion.

The purchase of the neighbouring lithium operation represents a strategic acquisition for the Company with expected benefits including; enhanced scale of operations, operational synergies, spodumene concentrate offtake flexibility, and increased production to meet improving market demand conditions.

The acquisition was funded by a fully underwritten A$240.2M equity raising during the year. The raisings included a private placement (A$118.9M), an institutional entitlement offer (A$60.7M) and a retail entitlement offer (A$60.6M) which resulted in the issue of 667.1M ordinary shares at a share price of A$0.36.

In June 2021 the Board approved the staged restart of the Ngungaju Plant with operations expected to recommence during the December 2021 quarter and production to ramp up to approximately 180,000 to 200,000 dmt of spodumene concentrate by the end of FY2022. The Company will invest an estimated A$39M to restart the operations, inclusive of plant modifications and operational readiness. The restart is likely to be funded from existing cash although consideration will be given to accessing funding support through the existing secured syndicated debt facility provided favourable terms and conditions can be achieved.

Sustainability

During the year the Company undertook a review of its sustainability strategy and plan. The purpose of the review was to accelerate the sustainability program and provide more fulsome and measurable disclosure to strengthen its position as an ethical and responsible company. The outcome of this review was the prioritisation of several activities and the identification and disclosure of metrics, a year earlier than previously planned.

The Company's Sustainability Working Group and Committee, with regard to metrics and data, considered several external frameworks for Company reporting and it was determined that the Sustainability Accounting Standards Board (SASB) was the most appropriately aligned framework, given its industry-specific standards. As a result, the Company will be expanding its sustainability disclosure to be in accordance with the SASB within the FY2021 Annual and Sustainability Report.

Given the significant impact climate change will have on the global environment and economy the Company continued during the year, developing its climate change strategy. This work involved further alignment to the recommendations of the Taskforce on Climate-related Financial Disclosure, the development of pathways towards net zero emissions in the decade commencing 2040 and projects looking to improve sustainability for lithium extraction and processing. Further disclosure regarding these projects and others will be provided within the FY2021 Annual and Sustainability Report to be lodged later in the 2021 calendar year.

Memorandum of Understanding – Mid-Stream Lithium Chemicals

In May 2021, the Company announced its intention to evaluate a mid-stream opportunity with Calix for the potential future production of value-added lithium salts/chemicals which could further rationalise the current supply chain for part of the spodumene concentrate production and enable carbon reduction. The Company has executed a memorandum of understanding (MOU) to complete a Demonstration Plant Scoping study which is now underway. Subject to these results, a future joint venture for the development of the Demonstration Plant and commercialisation pathway will need to be agreed.

POSCO Joint Venture Opportunity (DSJV)

During the year the Company continued work on its due diligence and evaluation of the Downstream Joint Venture opportunity with POSCO. The DSJV project contemplates the formation of a joint venture with POSCO for the development and operation of a 40ktpa lithium hydroxide and carbonate downstream chemical conversion facility in South Korea. Significant progress was achieved during the year, with both parties committed to progressing the transaction to finalisation. Following the completion of formal documentation, both companies will seek Board approval ahead of a final investment decision.

Exploration

Following the purchase of ALO, the Company commenced an exploration and development drilling program along the tenement boundary with the intention of optimising and growing future pit inventory. Initial results have identified areas of high-grade pegmatite mineralisation adjacent to the tenement boundary and a future South Pit expansion area which is outside the previously identified Mineral Resource. The program paves the way for a new integrated resource which is expected to be announced in September 2021.

Corporate

The Company's year end cash balance was $115.7M, inclusive of $16.0M of irrevocable bank letters of credit for shipments that were completed to June 2021.

In September 2020, the Company completed the refinancing of the US$100M Nordic Bond senior debt facility with a low-cost secured senior US$110M finance facility with BNP Paribas (US$73.3M) and the Clean Energy Finance Corporation (US$36.7M). As part of the refinancing a US$15M Working Capital Facility was renewed by BNP Paribas under the facility which remains undrawn at 30 June 2021. During the June 2021 quarter, BNP Paribas transferred a portion of their holding to Société Générale (US$20M) and Industrial and Commercial Bank of China Ltd (US$10M).

Operating Result

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

	FY2021	FY2020
Revenue from contracts with customers	175,824	84,147
Operating cost of sales [1]	(129,644)	(96,314)
Cash gross margin/(loss) [2]	**46,180**	**(12,167)**
Depreciation and amortisation - lease assets	(17,799)	(11,594)
Depreciation and amortisation - other assets	(8,311)	(4,177)
Gross profit/(loss)	**20,070**	**(27,938)**
Expenses		
Corporate general and administration expense	(13,384)	(12,837)
Exploration and feasibility costs expensed	(6,645)	(6,535)
Depreciation and amortisation expense	(520)	(640)
Inventory write down	-	(21,325)
Share based payment expense	(4,869)	(2,341)
Operating loss before finance costs and acquisition expenses	**(5,348)**	**(71,616)**
Finance income	185	851
Other income	100	-
Finance costs - financial liabilities fair value movements	1,913	-
Finance costs - interest and loan costs	(12,193)	(23,708)
Amortised borrowing costs [3]	(3,454)	-
Call premium cost expensed [4]	(5,948)	-
Finance costs - foreign exchange gain/(loss)	3,016	(4,789)
Net financing costs before acquisition expenses	**(16,381)**	**(27,646)**
Loss before business combination expenses	**(21,729)**	**(99,262)**
Acquisition costs expensed	(17,120)	-
Finance costs - deferred consideration fair value movement	(12,599)	-
Expenses incurred - business combination [5]	**(29,719)**	**-**
Loss before income tax expense	**(51,448)**	**(99,262)**
Income tax expense	-	-
Net loss for the period	**(51,448)**	**(99,262)**

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 cash gross margin is a non-IFRS measure that in the opinion of the Company's directors provides useful information to assess the financial performance of the Company over the reporting period. This non-IFRS measures is unaudited.
3. Includes the residual Nordic Bond borrowing costs of $2.2M that were expensed following repayment of the bond in 1HY21.
4. The repayment of the Nordic Bond debt facility included an early redemption call premium payment of $5.9M in 1HY21.
5. Includes fair value movement in the deferred consideration (post completion), acquisition costs and stamp duty associated with the acquisition of Altura Lithium Operations Pty Ltd.

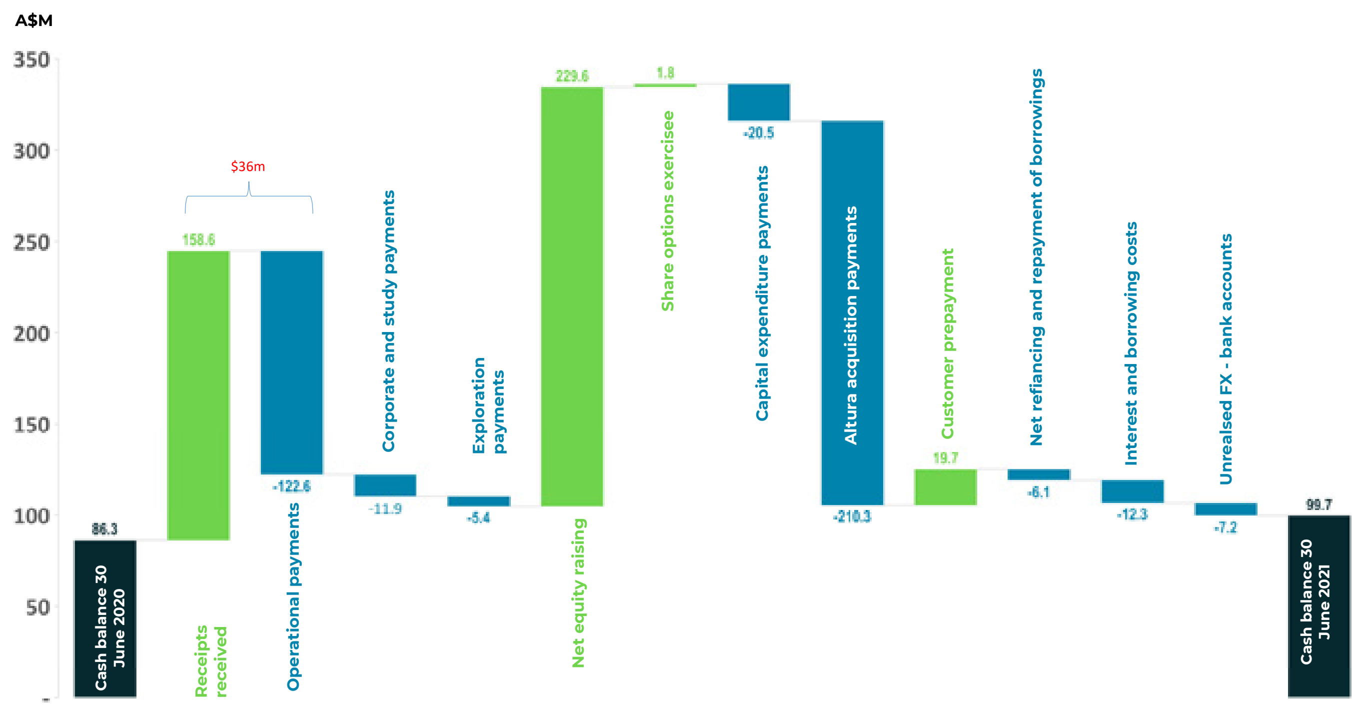
Liquidity

During the year the Company increased its cash balance by $13.4M to $99.7M at 30 June 2021 (30 June 2020: $86.3M). Significant cashflow movements are summarised in the graph below.

Major cash inflows and outflows during the year included:

- a net $36.0M inflow associated with operating activities (being receipts of $158.6M and costs paid to suppliers and employees of $122.6M);
- corporate expenses and feasibility study costs $11.9M;
- cash proceeds of $229.6M (net of costs) from the equity raising to fund the Altura project acquisition;
- Altura Lithium Project acquisition payments $210.3M;
- payments of $25.9M on capital expenditure and exploration activities;
- interest and borrowing costs (including leases) $12.3M;
- proceeds from share options exercised $1.8M;
- proceeds from the Yibin Tianyi customer prepayment $19.7M (US$15M);
- net refinance and lease repayments of $6.1M. The Nordic Bond facility was refinanced with a US$110M finance facility provided by BNP Paribas and CEFC; and
- foreign currency loss of $7.2M on US denominated cash reserves from the strengthening AUD:USD exchange rates. The AUD: USD spot rate at 30 June 2021 was 0.7518 (30 June 2020 0.6863)

Cash Flow Analysis – Year Ended 30 June 2021



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.

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 effect 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 existing US$110 million senior secured debt facility and US$15 million working capital facility (undrawn). Most of Pilbara Minerals' 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 mitigates some of its exposure to adverse foreign exchange movements via foreign currency hedging contracts.

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, materials and reagents, personnel costs, and energy costs. The main capital costs encompass development capital expenditure for the Pilgangoora Project, expenditure on the restart of the Ngungaju Operation and costs for any future expansions contemplated, including the Stage 2 expansion.

Operating costs are subject to external economic conditions which can impact the availability, cost and quality of procured items. Examples could include the availability of processing reagents, changes to diesel fuel or shipping prices, the availability of suitably qualified and experienced specialised labour 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, including 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 transitioning 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 on fossil fuels, with its contractor-based mining operation, power station, haulage and logistics all using diesel fuel.

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) 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 Reserves

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 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 future costs and future prices and, consequently, the value of actual ore reserves, and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations.

Restart of – Ngungaju Lithium Operations (previously Altura Lithium Operations)

Post the acquisition of the Ngungaju Lithium Operations, the Company announced the restart of operations for the Ngungaju plant, including the integration of the Pilgan and Ngungaju operations into one single Pilgangoora Operation. Whilst substantial work has been undertaken in preparation, there remains a risk that the integration may be more complex or costly than anticipated, that unexpected challenges or issues arise that impact the timeline affecting the delivery of expected benefits or synergies.

Licences, Permits and Approvals

To operate the mines the Company needs to comply with applicable environment, 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 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)
14-Dec-20	330,268,148	$0.36	118,897
22-Dec-20	168,598,138	$0.36	60,695
18-Jan-21	168,232,849	$0.36	60,564

Options Issued

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

Option	Grant date	Exercise price	Expiry date	Vested	Options unexercised at 30 June 2021
2,072,539	17-Nov-20	$0.234	31-Dec-24	- [a]	2,072,539
6,094,630	01-Dec-20	$0.234	31-Dec-24	- [a]	6,094,630

[a] The vesting conditions attached are:

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

Performance Rights Issued

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

Performance Rights	Grant date [1]	Expiry date	Vested
1,586,989	30-Apr-20	17-Sep-20	1,586,989 [a]
1,599,590	30-Apr-20	15-Dec-20	1,599,590 [a]
375,793	17-Jun-20	17-Nov-20	375,793 [a]
62,620	17-Jun-20	15-Dec-20	62,620 [a]
1,051,156	17-Nov-20	30-Jun-23	- [b]
3,091,090	01-Dec-20	30-Jun-23	- [b]
86,528	14-Dec-20	28-Feb-21	86,528 [c]
86,528	14-Dec-20	30-May-21	86,528 [c]
86,528	14-Dec-20	31-Aug-21	- [c]
86,526	14-Dec-20	30-Nov-21	- [c]
168,678	22-Apr-21	31-Mar-23	- [d]
253,017	22-Apr-21	31-Mar-24	- [d]

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

[a] These performance rights were issued under the 2020 Salary Sacrifice Offer instigated by the Company to preserve cash in response to the COVID-19 pandemic. The Offer allowed employees to sacrifice a component of their cash salary for performance rights that have no performance conditions attached to their vesting. Rights received by Mr Brinsden's were approved by shareholders at the AGM on 17 November 2020. These grants in FY2021 represent the conclusion of the 2020 Salary Sacrifice Offer.

[b] The performance vesting conditions are:

- 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
- 50% vest upon achievement global cost competitiveness relative to the Company's global peers.

[c] These performance rights were issued under the 2020 Non-Executive Director Fee Salary Sacrifice Offer which provides non-executive directors a mechanism to own shares assisting compliance with the minimum holding policy adopted by the Company on 24 August 2020. The Offer allows non-executive directors to sacrifice a component of their director fees for performance rights, with no performance conditions attached to their vesting.

[d.] 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.

DIVIDENDS

The Directors recommend that no dividend be declared or paid.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

On 13 August 2021 the Company agreed with the former Altura Loan Noteholders to settle the deferred consideration payable in respect of the acquisition of the Altura Lithium Operations Pty Ltd by way of new shares, including a ~5% discount to the 68.8 million shares originally agreed to be issued, meaning 65.34 million shares will be issued during FY2022 to settle the deferred consideration payable. These shares will be issued in two equal tranches, with the first tranche of 32.67 million shares issued on 17 August 2021, and the second tranche subject to shareholder approval at a general meeting to be held in due course.

Should shareholders not approve the second tranche of the deferred consideration shares, then the ~5% discount and reduced number of deferred consideration shares will not apply, and the balance of the deferred consideration will be payable to the Altura Loan Noteholders via the issue of shares (or their cash equivalent at the relevant time) in accordance with the original terms of the deferred consideration arrangements. In such circumstances, the Company will need to issue an additional ~1.75 million shares or pay an equivalent amount in cash to the Altura Loan Noteholders on or before the maturity date of 20 January 2022.

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

ENVIRONMENTAL REGULATION

The Group holds all approvals to undertake exploration, mining and construction and operation of the Pilgangoora Project and its associated activities. These approvals include conditions in relation to the protection of the environment through appropriate storage of dangerous substances, control of emissions, auditing and reporting obligations and the rehabilitation of disturbed land. The Group is committed to maintaining a high level of environmental performance and compliance with all regulations and obligations.

The Group reports emissions under the *National Greenhouse and Energy Reporting Act* and the *National Environmental Protection (National Pollutant Inventory) Measure*. The Group has developed data collection and management systems to support these reporting requirements. Water usage and efficiency is reported to State regulatory agencies, along with annual compliance reports for vegetation clearing, implementation of Mining Proposals and estimation of mine closure costs.

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

The Group actively monitors compliance with environmental approvals through the implementation of data management and compliance tracking databases which have been continuously developed and strengthened. Verification of compliance is independently assessed by external auditors on an annual basis. During the reporting period, the Group engaged with and submitted numerous reports and statements to the relevant regulatory authorities demonstrating compliance with all necessary licences and approval obligations. There have been no material breaches of the Group's licences during the reporting period and all mining, exploration and associated activities have been undertaken in accordance with the relevant environmental regulations.

DIRECTORS INTERESTS

The relevant interest of each Director in the shares, performance rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Pilbara Minerals Limited		
	Ordinary shares	Options over ordinary shares [a]	Performance Rights [a]
Anthony Kiernan	541,443	-	58,979
Steve Scudamore	200,449	-	38,801
Nicholas Cernotta	230,973	-	39,577
Sally-Anne Layman	135,955	-	35,697
Ken Brinsden	5,589,949	10,597,470	1,683,907

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

SHARE OPTIONS

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

Expiry date [a]	Exercise price	Number of options
31 December 2021	$0.833	1,954,553
31 December 2022	$0.363	15,324,099
1 May 2023	$0.324	17,775,324
31 December 2024	$0.234	8,167,169

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

PERFORMANCE RIGHTS

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

Date performance rights granted [a,b]	Vesting date *	Number of performance rights
28 November 2018	30 June 21	54,299
21 December 2018	30 June 21	137,193
1 October 2019	30 June 22	780,906
14 November 2019	30 June 22	894,011
21 November 2019	30 June 22	578,452
17 November 2020	30 June 23	1,051,156
1 December 2020	30 June 23	3,091,090
14 December 2020	31 August 21	86,528
14 December 2020	30 November 21	86,526
22 April 2021	31 March 23	168,678
22 April 2021	31 March 24	253,017

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

[b] Vesting conditions attached to these performance rights are set out in note 2.2.3 of the Financial Statements.

Unless stated there are no other vesting conditions on options or performance rights on issue.

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 provided non-audit services of $15,525 during the financial year ended 30 June 2021. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services did not compromise the auditor independence requirements of the *Corporations Act 2001* because none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 121 and forms part of the Directors' Report for the financial year ended 30 June 2021.

ROUNDING OF AMOUNTS

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

AUDITED REMUNERATION REPORT

Dear Shareholder

On behalf of the Directors of Pilbara Minerals Limited, I am pleased to present the Remuneration Report for the year ended 30 June 2021.

The 2021 financial year was characterised by the successful execution of three key strategies that positioned the Company for the anticipated strengthening global lithium market in the second half. The first was the continuation of a moderated production strategy to preserve wealth in response to continued challenging market conditions in the first quarter of the financial year, the second was the successful completion of debt refinancing in September 2020 that considerably strengthened the Company's financial position, and the third was the acquisition of Altura Lithium Operations Pty Ltd that was finalised in January 2021.

In light of the dynamic market conditions experienced in the 2021 financial year, including the continued risk and uncertainty posed by COVID-19, and the strong leadership shown by Key Management Personnel ('KMP') that delivered outstanding results and shareholder value, the Directors took a considered and balanced approach to remuneration matters during FY2021, which included:

- **No fixed remuneration increases for KMP.** Salary reviews were deferred until late in the 2021 financial year (effective 1 July 2021) once business conditions improved. This is the second year that fixed remuneration for KMP has had a wage freeze.
- **Vesting of deferred unit cost and safety short term incentive ("STI") target for FY2020**. As previously disclosed, in FY2020 the Board resolved to defer certain vesting determinations for FY2020 STI targets related to safety and unit costs that were curtailed as a result of the moderated production strategy for reasons outside of the control of management. The Deferred STI targets had a combined 20% weighting (reduced from the original 35% weighting) in respect of total fixed remuneration which were assessed by the People and Culture Committee and Board during FY2021 once market conditions improved and the Company was no longer impacted by moderated production. The unit cost target was ultimately achieved in 1HFY2021 and 100% of awards were vested, however the safety target was not achieved, and the awards were forfeited
- **Deferral of setting specific STI targets for FY2021.** The Board elected to defer setting any specific STI targets at the commencement of FY2021, choosing to, only initially, confirm the maximum amount of the STI opportunity and the key focus areas and weightings. Specific targets were defined at the commencement of H2 FY2021 when greater clarity in the market and a reliable production forecast allowed for meaningful performance measures to be set.
- **Rewarding strong performance for FY2021 STI's.** The Directors recognised the strong results delivered by the KMP when assessing the FY2021 STI performance targets that saw the Company successfully preserve its asset base, strengthen its balance sheet, and execute the acquisition of Altura on favourable terms. Specific FY2021 STI achievement levels were assessed as follows:
  - 100% vesting was achieved for sustainability, financial strength, and KMP individual/ role specific targets;
  - A combined 92.5% vesting was achieved for safety targets of total recordable injury frequency rate ("TRIFR") and audit of safety systems; and
  - 75% vesting was achieved for the unit cost target.
- **Vesting of Long-Term Incentives ("LTI's") in FY2021.** Vesting of the FY2019 LTI was assessed over a three year period from 1 July 2018 to 30 June 2021 against relative Total Shareholder Return (TSR) and two strategic measures aligned with the Company's long term objectives. The performance conditions for the FY2019 LTI were assessed and vested as follows:

- Relative TSR achieved 100% vesting based on ranking at the 85th percentile in comparison to our peer group, and 80% share price growth over the three years to 30 June 2021.
- The first strategic objective of sustainable production achieved 65.4% vesting, based on initiatives that will increase production capacity to approximately 550ktpa, subject to market demand.
- The second strategic objective was participation in a downstream processing opportunity at a level satisfactory to the Board. When assessing this target, the Board took account of the delay caused by adverse market conditions outside the control of management and considered the amount of work undertaken and the progress achieved towards this strategic objective and decided to defer its determination for the vesting of this target for a strict one-off period to November 2021.

The Company's FY2022 remuneration framework will continue to reflect our commitment to build a performance-based culture that supports the strategic objectives of the Company, and enable 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 FY2022 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 year ended 30 June 2021 outlines the remuneration arrangements for Directors and other KMP of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

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

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

Non-Executive Directors	Executive Directors	Other KMP
Anthony Kiernan	Ken Brinsden	Brian Lynn
Steve Scudamore		Alex Eastwood
Nicholas Cernotta		Dale Henderson
Sally-Anne Layman		

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

b. Governance and role of remuneration and nomination committee

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

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

The role of the Committee is to advise the Board on remuneration arrangements for Executive and Non-Executive Directors and Other KMP in accordance with the Group's Remuneration Policy approved by the Board. Each year the Committee makes recommendations to the Board on such remuneration arrangements, including fixed remuneration for KMP 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 Committee engages independent external remuneration consultants to provide market related advice. The Committee engaged BDO Advisory in March 2020 and March 2021 to conduct Board and Executive remuneration market benchmarking reviews for the setting of remuneration framework for FY2021 and FY2022. The total fees paid to BDO Advisory during the year to perform this work was $14,300 including GST. No remuneration recommendations were provided by such consultants for the purposes of the Corporations Act 2001.

Further information relating to the role of the Committee can be found in its Charter on the Company's website.

c. Executive remuneration policy and framework

The Directors are responsible for ensuring that the remuneration arrangements of its executives are effective for the purposes of retention and reward and aligned with the Company's overall business strategy and shareholder interests.

In FY2021, the Board continued to determine through the Executive Remuneration Framework that remuneration packages included an appropriate balance of fixed remuneration and performance based variable remuneration. The Board considers reward for strong performance is market competitive and it is appropriate to align executive reward with the achievement of short-term and long-term objectives to create and drive shareholder value.

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

- attract, retain and reward key executives at important stages of the Company's development and operations linked to strategy, performance and shareholder return;
- reward executives against pre-determined performance targets which are aligned with the Company's short term and long-term strategy for growth and creation of shareholder value;
- ensure effective benchmarking for total annual remuneration in accordance with market practices and a clearly defined peer group of similar companies to ensure remuneration is fair and competitive;
- align executive interests with those of the Company's shareholders; and
- comply with applicable legal requirements and appropriate standards of governance.

Elements of Executive Remuneration

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

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

	Fixed Remuneration	**Variable Remuneration** Performance-based remuneration	
		Short-term Incentives (STIs)	**Long term Incentives (LTIs)**
Includes:	Base salary (including salary sacrifice), and superannuation as a guaranteed fixed element of remuneration	Paid as cash bonuses or in shares (at Board discretion were 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 medium-long term vesting period subject to achievement of long term performance targets and/or service conditions.
Objective:	To attract and retain talent	Reward shorter term performance and conduct in relation to group performance measures as well as overall individual performance.	Reward longer term performance that drives long-term strategic growth of the Company and delivers shareholder return. Longer term retention of talent.
Purpose:	Provide competitive remuneration with benchmarking based on: • company size and industry • role complexity • individual responsibility • skills and experience	To reward and engage executives in achieving a set of pre-defined shorter term (12-month period) group and individual/role performance targets linked to short term Company objectives. Performance measures include both financial and non-financial measures aligned to safety, sustainability, production and unit cost as well as individual targets aligned to areas of business influence and critical deliverables. The STI is also a valuable tool to reward and re-position effort and performance annually (as required) to other shorter-term initiatives (supporting business agility) that may arise in volatile global economic markets.	Achievement of pre-defined longer-term performance targets linked to relative and/or absolute TSR and where considered appropriate strategic objectives or milestones aligned with the Company's sustainable development and growth.

Targeted remuneration mix
Market trends, strategic business objectives and shareholder interests as well as the experience, role and responsibilities of executives are considered each year by the Committee when determining and recommending the mix of maximum remuneration for executives and how each component would drive desired outcomes.

Based on these considerations, and the aforementioned remuneration benchmarking carried out by an independent external remuneration consultant, the target maximum remuneration components for executives have been reviewed and for FY2022 onwards the maximum STI for Other KMP, which has remained constant since 2019, has increased from 60% to 80% of fixed remuneration as outlined below:

Name	Fixed Remuneration	STI [1]	LTI [1]
Managing Director ("**MD**") and Chief Executive Officer ("**CEO**")	100%	100%	100%
Other KMP	100%	80%	60%

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

The remuneration framework for KMP was determined by the Committee with the objective of embedding a performance based culture within the Company's executive team. Fixed remuneration which had remained unchanged since being set in FY2019 was benchmarked to a comparative group of peer companies as part of the review in late FY2021 resulting in a fixed remuneration increase for the MD and Other KMP from 1 July 2021.

d. Executive remuneration for FY2021 and year ahead

Overview

When considering the remuneration framework for FY2021 including its vesting outcomes at the end of FY2021, the Committee and Board recognised that the executives delivered a high level of performance during FY2021, whilst operating in challenging and changing global markets.

KMP made significant overall contributions during the FY2021 year. These included:

- implementation of further improvements to the Company's safety management systems in line with ISO45001;
- acquisition of Altura Lithium Operations Pty Ltd, which owned the Altura Lithium Project, via the execution of a Share Sale Agreement, thereby expanding future annual spodumene concentrate production capacity by approximately 180kt – 200kt;
- successful A$240M equity raising to fund the acquisition of Altura Lithium Project;
- Memorandum of Understanding signed with Calix Limited to jointly complete a scoping study for a demonstration plant for the potential production of value-added lithium salts/chemicals;
- establishment of the Battery Material Exchange (BMX) to facilitate online auctioning of spot parcels of spodumene concentrate;
- refinance of US$100M Nordic Bond with low-cost US$110M senior secured debt facility executed with BNP Paribas and the Clean Energy Finance Corporation;
- Yibin Tianyi offtake agreement increased to a total of 115,000tpa, in exchange for a US$15M unsecured prepayment to fund the Stage 1 improvement works that should deliver a 50ktpa increase in spodumene concentrate production from the Pilgan Plant; and
- record quarterly spodumene concentrate shipments of 95,972 dmt for the June 2021 quarter.

In setting the FY2021 remuneration framework and determining its vesting outcomes, regard was had by the Committee and the Board to the ultimate objectives of the framework being:

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

When setting the framework for FY2021, the Committee and the Board endeavoured to remunerate executives for their fixed remuneration at or around the 50th percentile and their maximum total remuneration (inclusive of both fixed and variable performance-based remuneration) within the 50-75th percentile. The rationale for this was to continue to promote a strong performance-based culture with the executives. Fixed remuneration was reviewed and benchmarked towards the conclusion of FY2020. For FY2021 it was determined that there would be no increases to fixed remuneration for executives, nor their maximum entitlements to STIs and LTIs as a percentage of fixed remuneration.

For FY2021, the STI remuneration framework, which has a short term focus over a 12 month performance period, adopted performance measures which were based on group targets concerning safety, financial strength, sustainability, and unit cost outcomes. In addition, the executives had individual or role specific targets which were measured as part of the executives' overall annual performance evaluations. Vesting determinations were made in respect of those STI performance targets following the end of the FY2021 financial year which are detailed below.

The longer-term objectives and performance measures set for the LTI remuneration framework for FY2021 continued to focus on strategic goals aligned to customer diversification and global cost competitiveness, as well as relative and absolute shareholder return measured over a 3 year performance period. These LTIs will be measured over a 3 year vesting period ending 30 June 2023.

As already noted, vesting of the FY2019 LTI was assessed over a three year period from 1 July 2018 to 30 June 2021 against relative Total Shareholder Return (TSR) and two strategic measures aligned with the Company's long term objectives.

Further details of the remuneration framework and vesting outcomes for executives for FY2021 including fixed remuneration paid and awarded STIs and LTIs inclusive of performance targets and vesting conditions are set out as follows.

Fixed Remuneration

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

For the year ended 30 June 2021, the executives received fixed remuneration (net of the salary sacrifice scheme) in the form of a base cash salary plus superannuation.

Fixed remuneration is reviewed annually by the Committee for recommendation to the Board. The nature and amount of fixed remuneration for executives depends on the nature of the role and market rates for the position, which are determined with the assistance of external advisors (where necessary), surveys and reports, taking into account the experience and qualifications of each individual and their responsibilities. The Committee ensures that the remuneration paid to executives is consistent with market conditions and practices and demonstrates a correlation to performance and creation of value for shareholders.

In FY2019, executive fixed salary was market reviewed to bring them in line with market based comparator groups. For FY2020 and FY2021 it was determined that there would be no changes to fixed remuneration for executives, with the FY2021 review deferred until there was an improvement in markets and business conditions. In late FY2021 executive fixed remuneration was benchmarked to a comparative group of peer companies as part of the review process which resulted in an increase to fixed remuneration for FY2022 effective from 1 July 2021. Details of executives' fixed remuneration is outlined in section (g) executive contractual arrangements.

STI's (Short Term Incentives)

Subsequent to the year ended 30 June 2021, the Board determined to pay STI which vested to the executives in recognition of achievements made against pre-defined performance targets set for the 2021 financial year. The STIs were assessed against the performance criteria determined in the FY2021 Executive Remuneration Framework, which is outlined below along with their respective vesting outcomes.

Performance Target	Weighting	Result	Achievement
Safety systems (20%)			
• TRIFR target with a threshold target of 4.6 (50% payout), target of 3.9 (75% payout) and stretch target of 3.1 (100% payout).	10%	85%	At 30 June 2021 recorded TRIFR was 3.58 (FY2021 5.15) which falls between the target and stretch, resulting in a pro-rata score of 85% achievement.
• Satisfactory results from an independent annual audit of the Company's safety management systems.	10%	100%	The annual independent audit of safety systems was completed in late FY2021 with an overall score of 90.2% achieved (FY2021 80%) and 100% of the target was awarded based on the strong score and improvement achieved including the close out of all major items identified in the previous audit.
Sustainability (10%) Continued improvement in the Company's sustainability practices including: • Evaluating the Pilgangoora Project's exposure to climate related risk in relation to the guidelines issued by the Task Force on Climate related Financial Disclosures, • Implementing systems to monitor exposure to climate related risk, and • Defining of Scope 1 and 2 emission reduction targets and developing strategies to achieve targets.	10%	100%	During FY2021 the Company made significant progress in developing sustainability practices including the evaluation of the operations to climate related risks, the development of systems to monitor and identify climate related risks, the defining of emission reduction targets and pathways to net zero. The Board have determined that the performance target has been met.
Financial strength (20%) Completion of debt refinancing on favourable terms including compliance with the finance facility terms and conditions.	20%	100%	The debt refinancing, which was completed (including compliance with facility terms and conditions) in September 2020, was a key milestone for the Company significantly improving its financial strength and reducing its cost of funding.
Unit cost (20%) Average annual unit costs per tonnes of product sold with a threshold target unit cost of $A535 (50% payout), target unit cost of $A510 (75% payout) and stretch unit cost target of $A500 (100% payout).	20%	75%	At 30 June 2021 the average annual unit cost was A$519/dmt which would have resulted in an achievement of 66% of the target. The unit cost was however adversely impacted in the second half of the year by external market factors outside the Company's influence significantly increasing global shipping rates. In light of this, the Board considered it appropriate to normalise the result for these elevated shipping costs for the half year and awarded 75% of the target.
Individual and role specific (30%) A range of short term performance measures were set for executives within their line of sight which were aligned with important objectives of the Company and its operations including maintaining strong balance sheet, cost controls, working capital and cash position; compliance with the senior secured debt facility; ongoing development of company culture, governance and risk and compliance systems.	30%	100%	Individual performance evaluations were completed with supporting 360-degree feedback surveys which have been assessed and approved by the Board. Overall, executives achieved high quality individual evaluations as well as achievement of pre-defined short-term objectives resulting in the target being met.

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

As a result of the assessment of each executive's performance against these outcomes for FY2021 the Board approved payment of the following STIs to be paid in cash:

Name	Position	Maximum STI ($)	Achieved STI ($)	Achieved STI (%)[1]
Ken Brinsden	MD and CEO	600,000	561,000	93.5%
Brian Lynn	Chief Financial Officer	270,000	252,450	93.5%
Alex Eastwood	General Counsel and Company Secretary	270,000	252,450	93.5%
Dale Henderson	Chief Operating Officer	270,000	252,450	93.5%

1. % of maximum STI achieved

Deferred FY2020 STI's

In FY2020, the Board resolved to defer vesting determinations for 35% of the available FY2020 STI targets due to the Company having to implement a moderated production strategy in response to challenging and unforeseen market conditions during FY2020 which were beyond the control of the Company's executives. The Deferred STI had a 20% weighting (reduced from the original 35% weighting) in respective of total fixed remuneration which was assessed by the Committee and Board during FY2021.

The targets set for the deferred performance period in FY2021 for the Deferred STI were:

- two continuous quarters of safety performance at or below the FY2020 **TRIFR target** of 3.36 (that was not able to be demonstrated during FY2020 due to reduced operating hours from the 'moderated production strategy') (**10% weighting**).
- two continuous months of performance at or below the publicly stated **unit cash operating cost** performance target of US$320-350/dmt CFR China thereby demonstrating the work completed on plant performance and cost improvements during FY2020 that was not capable of validation during FY2020 because of the 'moderated production strategy' (**10% weighting**).

Vested outcomes from the Board and Committee's assessment of FY2020 Deferred STI's are as follows:

- **TRIFR**
  No awards were vested for safety TRIFR targets as target was not achieved.
- **Unit cash operating cost**
  This target was achieved once measurable against full production levels and 100% of the awards vested during FY2021.

As a result of the assessment of performance against these targets, the Board approved payment of the FY2020 Deferred STIs during the year, as follows:

Name	Position	Maximum STI ($)	Achieved STI ($)	Achieved STI (%)
Ken Brinsden	MD and CEO	120,000	60,000	50%
Brian Lynn	Chief Financial Officer	54,000	27,000	50%
Alex Eastwood	General Counsel and Company	54,000	27,000	50%
Dale Henderson	Chief Operating Officer	54,000	27,000	50%

The Deferred STIs that were not achieved were forfeited.

LTI's (Long Term Incentives)

Vesting of FY19 LTIs in FY2021

In FY2019, the Company granted 3,104,585 unlisted options and 638,006 performance rights over ordinary shares in the Company to executives under the Company's Award Plan. The awards were subject to vesting upon achievement of performance targets on relative TSR targets and strategic objects over a 3 year vesting period.

The performance targets set for the LTI's and the outcome of the assessment by the 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 that was pre-determined at the beginning of the vesting period to represent companies which at the time were of a similar industry, size and life cycle to the Company. Companies selected in the peer group included: Altura Mining Limited, Dacian Gold Limited, Galaxy Resources Limited, Gold Road Resources, Independence Group NL, Kidman Resources Limited, Mineral Resources Limited, Neometals Limited, Northern Star Resources Ltd, Orocobre Limited, Sandfire Resources NL, Saracen Mineral Holdings Limited and Western Areas Limited.

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 and is calculated as follows:

- if the Company's TSR was below the 50th percentile, none of the relevant awards vest;
- if the Company's TSR is in the 50th 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 50th percentile, 50% of the relevant awards will vest; and
  - if the Company's TSR is in the 85th percentile or higher, 100% of the relevant awards will vest.

The Company's TSR at 30 June 2021 was determined to be 80% being a relative TSR of 85% 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.

30% weighting towards sustainable production (strategic objective)

The target for this strategic objective was sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure. In assessing this target, the Board had regard to the adverse market demand and pricing conditions during the vesting period including the global impact of COVID-19 which resulted in the Company moderating production to preserve wealth and shareholder value, which in turn adversely impacted the timing of the Pilgan Stage 2 expansion. Despite these adverse market conditions, the Company achieved production in the 2HY2021, that when annualised, equated to nameplate capacity for the Pilgan Plant. In addition, management have been able to implement a number of strategic initiatives that have significantly added to the Company's overall production capacity in anticipation of a turnaround in the market including plant improvement projects at the Pilgan plant that should increase production capacity from 330ktpa to ~380ktpa and the acquisition of Altura Lithium Operations Pty Ltd (the owner of Ngungaju Lithium Operations), adding a further 180-200ktpa to overall spodumene concentrate production capacity. Both initiatives are considered to be sustainable at an appropriate cost structure. In light of this expanded production capacity, the Board has determined that **65.4% of the target be awarded** on an increased production capacity basis, to recognise that these initiatives have increased production capacity to approximately 550ktpa compared to a target of 840ktpa.

20% weighting towards participation in downstream processing (strategic objective)

The target for this strategic objective was participation in a downstream processing opportunity at a level satisfactory to the Board. In assessing the target, the Board considered the progression of this objective over the vesting period having regard to:

- the Company exercising its option (conditionally) to participate in a downstream joint venture with POSCO in 2019 subject to completion of due diligence, funding and final approval by both companies' respective Boards;
- agreeing binding terms in 2019 for the Company's joint participation with POSCO in the development and operation of a 40ktpa downstream chemical conversion facility in South Korea, with final documentation remaining conditional on approval of budgets, execution of formal agreements and board approvals;
- soft market conditions during FY2019 and FY2020 delaying decisions by the Company and POSCO to progress the development of a chemical conversion facility in South Korea;

- the impact of COVID-19 on ongoing negotiations and international travel;
- the POSCO Board approving the development of the facility and expressing a willingness to conclude joint venture negotiations with the Company in April of 2021; and
- the Company developing a midstream product opportunity during the vesting period, with a scoping study underway to explore midstream value-added lithium salt products.

Based on the amount of work undertaken by management and the progress made towards this strategic objective and after also considering the adverse global environment during the majority of the 3 year vesting period, the Board has determined it is reasonable to defer the determination for the vesting of this target until a strict one-off period of no later than November 2021.

The vesting outcomes for the FY19 LTIs based on assessment of each executive's performance against these objectives are outlined below:

	Issued		%	%	%	Awarded	
	Options	Rights	Achieved	Forfeited	Deferred	Options [1]	Rights
Ken Brinsden	1,321,100	271,493	69.6%	10.4%	20.0%	919,750	189,013
Brian Lynn	594,495	122,171	69.6%	10.4%	20.0%	413,887	85,056
Alex Eastwood	594,495	122,171	69.6%	10.4%	20.0%	413,887	85,056
Dale Henderson	594,495	122,171	69.6%	10.4%	20.0%	413,887	85,056
Total	3,104,585	638,006				2,161,411	444,181

1. The FY19 options have an exercise price of $0.8325

LTIs issued under FY2021 Executive Remuneration Framework

During FY2021, an annual grant of performance based LTIs with a 3 year vesting period were awarded to executives under the FY2021 Executive Remuneration Framework in the form of options and performance rights under the Company's shareholder approved Awards Plan.

Options and Performance Rights:

The performance based options and performance rights for FY2021 were issued to executives on the following basis:

- the maximum dollar value of LTIs awarded to KMP was determined to be 100% of total remuneration for the MD and CEO and up to 60% of total fixed remuneration for other KMP;
- the LTIs will vest subject to pre-determined and weighted performance conditions related to strategic targets aligned to growth and total shareholder return and which are measured over a 3 year vesting period beginning 1 July 2020 and ending 30 June 2023; and
- subject to vesting, LTI payments to executives will comprise a mix of up to 50% options and 50% in performance rights.

A total of 4,870,465 unlisted options and 2,470,216 performance rights were issued to executive's subject to achievement of the following performance conditions to be measured over the 3 year vesting period:

- Unlisted options were issued subject to performance measures based on TSR targets as follows:
  - 50% of the options are weighted towards relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies; and
  - 50% of the options are weighed towards absolute TSR targets based upon a compound annual growth rate calculation (between 5% and 15%).

- Performance rights were issued subject to performance measures which are aligned to achieving longer term project and strategic objectives to the satisfaction of the Board as follows:
  - 50% of the rights may vest upon the Company achieving customer diversification with customers aligned to the Company's sustainability objectives and strategic options for material growth, including integration in the lithium supply chain via downstream or upstream transaction opportunity; and
  - 50% may vest upon achievement of global cost competitiveness relative to the Company's global peers having regard to the Company's position on the global cost curve and improvements in reducing all in sustaining cash costs.

The number of performance rights and exercise price of the options were determined based on a face value of $0.2339 per instrument. This represented the share price of the Company at the start of the relevant performance period and was calculated using a VWAP of the Company's shares for the five days commencing 1 July 2020.

FY2022 Remuneration Framework

In March 2021, the Company engaged external remuneration advisory firm BDO to undertake a benchmark review of the Company's entire remuneration framework for Executive and Non-Executive Directors in relation to a relevant peer group of companies and to present these findings to the Board to assist in the annual review of the remuneration framework.

Fixed Remuneration

Executive fixed remuneration in the form of a base cash salary plus superannuation entitlements, were independently reviewed in late FY2021, having remained unchanged since FY2019. As part of the review, fixed remuneration was benchmarked to a comparative group of peer companies, that reflected the Company's growth, resulting in the Board approving an increase to fixed remuneration effective from 1 July 2021. Details of FY2022 executives' fixed remuneration is outlined in section (g) executive contractual arrangements.

STIs

The remuneration framework for FY2022 will continue to include a variable remuneration component with STI and LTI performance measures being set by the Committee for recommendation to the Board.

The key focus areas and associated weightings for the STI targets for FY2022 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;
- Sustainability and diversity (**15% weighting**) – continued development and improvement in the Company's sustainability practices and systems including the implementation of a CEMS (continuous emission monitoring system) to capture operational energy use and emission production. Increase site-based gender diversity with female employment targets set for the expanded operations;
- Sales (**15% weighting**) - the strength of the Company's financial position linked to the generation of cashflows from sales tonnes achieved through the setting of stretch, target and threshold sales volumes targets;
- Unit costs (**25% weighting**) – Performance related to unit cost of production measured against the annual budget with the setting of stretch, target and threshold cost targets. The unit cost is to be determined on a free on board (FOB) cash cost (net of tantalite credits) excluding state and private royalties, freight, shipping and transit insurance costs that are beyond the reasonable control and influence of the Company; and
- Individual performance (**25% weighting**) – subject to satisfactory outcomes on individual performance evaluations and individual achievement of defined short-term objectives as considered appropriate by the Committee and Board.

LTIs

FY2022, LTI performance measures will focus on a mix of relative total shareholder return and strategic targets with the intent of aligning executive pay to creation of shareholder return benchmarked and measured relatively against the Company's peers (which are outlined in the table below) and supported by strategic targets aimed at achieving long term objectives that will enhance Company performance and in turn enhance shareholder return.

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. This approach has been used to balance the risk of volatility in the market and the strengthened Company 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 FY2022 have been determined to be:

- **50% weighting towards relative TSR targets** (between the 50th to 75th percentile) against a defined peer group of companies (outlined below); and
- **50% strategic targets being:**
  - **Production (30% weighting)** – Increasing production tonnes to achieve an annualised production rate of 580ktpa to 850ktpa during any full quarter during the vesting period. Targets are linked to the Company's expansion strategy where 50% vest at 580kt and 100% vesting at 850kt of production with straight line pro-rata vesting between these outcomes.; and
  - **Sustainability (20% weighting)** – The Company achieving at any time during the 3 year vesting period a renewable energy target of at least 30% of the Pilgan Project's energy requirements that delivers peak renewable generation during amendable supply periods.

The Company's FY2022 relative TSR comparative peer group, outlined below, was determined with the external remuneration consultant. The selection criteria factored in company sector, size and risk profile to establish a representative group that reflects peers which the Company may compete with for executive talent.

Company		Company	
1	Perenti Global Limited	11	Orocobre Limited
2	Chalice Mining Limited	12	IGO Limited
3	Champion Iron Limited	13	Galaxy Resources Limited
4	Lynas Rare Earths Limited	14	Ramelius Resources Limited
5	Alumina Limited	15	Iluka Resources Limited
6	Nickel Mines Limited	16	Sandfire Resources Limited
7	CMC Group Limited	17	Pledmont Lithium Limited
8	Sims Limited	18	Qube Holdings Limited
9	De Grey Mining Limited	19	Regis Resources Limited
10	Downer EDI Limited	20	Silver Lake Resources Limited

e. Minimum holding condition policy

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

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

- **Non-Executive Directors**: equal to the value of annual base fees
- **MD and CEO:** equal to the value of annual fixed remuneration
- **Other Executives**: equal to half of the value of annual fixed remuneration

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

At the end of the FY2021 financial year all participants outlined above complied with the policy.

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

f. Assessing performance and clawback of remuneration

The People and Culture Committee and Board is responsible for assessing executive's performance against vesting conditions and determining the STI and LTI components to be paid based upon reports from management, market conditions and Company performance.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may in its discretion cancel or defer performance-based remuneration and may also clawback performance-based remuneration paid in previous financial years.

g. Consequences of performance on shareholder wealth

Executive remuneration is aimed at aligning the strategic and business objectives with the creation of shareholder wealth and return. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2021	2020	2019	2018	2017
Loss for the year attributable to owners of Pilbara Minerals Limited ($'000)	(51,448)	(99,262)	(28,932)	(19,415)	(25,954)
Basic loss per share (cents)	(2.00)	(4.67)	(1.63)	(1.19)	(2.11)
Dividend payments ($'000)	-	-	-	-	-
Share price - 30 June	$1.45	$0.25	$0.55	$0.87	$0.38
Increase/(decrease) in share price (%)	480.0	(54.1)	(37.4)	128.9	(38.7)

h. Executive contractual arrangements

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

	K Brinsden Managing Director/ Chief Executive Officer	B Lynn Chief Financial Officer	A Eastwood Company Secretary & General Counsel	D Henderson Chief Operating Officer
Total fixed remuneration per annum inclusive of superannuation [1]	$850,000	$480,000	$480,000	$480,000
Resignation notice	16 weeks	16 weeks	12 weeks	12 weeks
Termination notice for cause	None	None	None	None
Termination notice without cause	12 months	12 months	6 months	6 months
Termination in case of illness or injury or incapacity	Greater of 1 month or NES	Greater of 1 month or NES	Greater of 1 month or NES	Greater of 1 month or NES
Redundancy*	NES	NES	NES	NES

1. Effective 1 July 2021.
* Any payment made to the Executive in lieu of notice is set off against National Employment Standards (NES).

i. Non-executive director remuneration

Fees and payments to the non-executive directors reflect the demands made, and the responsibilities placed on the non-executive directors. Non-executive director fees and payments are reviewed annually by the People and Culture Committee and Board, taking into account comparable roles and market data.

In late FY2021, a fee review, that was deferred from FY2020, was undertaken regarding non-executive director fees in line with market benchmarking data obtained from the independent remuneration consultant BDO. As a result of the review, it was resolved to increase non-executive director fees as outlined in the table below. The maximum annual aggregate directors' fee pool limit, which was set in November 2016, at $750,000 has been reviewed and proposed, subject to shareholder approval at a general meeting of shareholders, to increase to $1.1 million p.a.

The fees are reviewed annually by the Board with the last changes proposed to take effect from 1 July 2021.

	From 1 July 2021 $	From 1 July 2020 $	From 1 July 2018 $
Base fees (annual)			
Non-Executive Chair (including Committee's)	240,000	190,000	170,000
Other Non-Executive Directors	125,000	100,000	100,000
Committee Fees (annual)			
Committee Chair	25,000	10,000	10,000
Committee Member	15,000	7,500	7,500

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

Non-Executive Director Fee Sacrifice Scheme

In December 2020, the Company introduced the Non-Executive Director Fee Sacrifice Offer under the Company's Award Plan. 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.

For the first year of the scheme, the number of performance rights issued to non-executive directors is determined by dividing the fee 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 determined at the commencement of the scheme. The scheme has been approved by shareholders to operate for 3 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.

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
- date participant ceases to be a director

For the first year of the scheme the Non-Executives Directors have all elected to salary sacrifice 40% of their gross fees over the twelve month period ending November 2021 which is divided into four tranches. Tranche 1 and 2 vested and were automatically issued on 3 March 2021 and 1 June 2021 respectively. Tranches 3 and 4 will vest and will be automatically issued on or about 31 August 2021 and 30 November 2021, respectively.

j. Directors' and executive officers' remuneration

Details of the remuneration of the KMP of the Group for the 2020 and 2021 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[A]	Performance shares[B]	STI Payment[C]		
Non-Executive Directors									
Anthony Kiernan	2021	133,029	-	16,484	69,431	-	-	218,944	0%
	2020	155,251	-	14,749	-	-	-	170,000	0%
Steve Scudamore	2021	87,519	-	10,845	45,679	-	-	144,043	0%
	2020	107,306	-	10,194	-	-	-	117,500	0%
Nicholas Cernotta	2021	91,113	-	9,218	46,592	-	-	146,923	0%
	2020	107,306	-	10,194	-	-	-	117,500	0%
Sally-Anne Layman [D]	2021	90,495	-	-	42,025	-	-	132,520	0%
	2020	107,500	-	-	90,581	-	-	198,081	0%
Executive Directors									
Ken Brinsden	2021	506,018	(7,414)	21,694	182,394	884,934	621,000	2,208,626	68%
	2020	566,935	(15,665)	21,003	72,090	277,287	246,240	1,167,890	45%
Other KMP									
Brian Lynn	2021	371,462	(7,138)	25,000	124,022	411,423	279,450	1,204,219	57%
	2020	411,122	18,097	21,003	95,802	99,459	109,755	755,238	28%
Alex Eastwood	2021	371,462	(5,491)	25,000	124,022	411,423	279,450	1,205,866	57%
	2020	411,122	18,112	21,003	95,802	99,459	109,755	755,253	28%
Dale Henderson	2021	374,768	(2,197)	21,694	124,022	411,423	279,450	1,209,160	57%
	2020	411,122	16,474	21,003	95,802	99,459	109,755	753,615	28%
Total Directors and KMP remuneration									
	2021	**2,025,866**	**(22,240)**	**129,935**	**758,187**	**2,119,203**	**1,459,350**	**6,470,301**	**55%**
	2020	**2,277,664**	**37,018**	**119,149**	**450,077**	**575,664**	**575,505**	**4,035,077**	**29%**

[A] 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.

[B] 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.

[C] 2021 STI's relates to both the paid Deferred FY2020 STI's and the STI declared for FY2021 that will be paid during the year ended 30 June 2022.

[D] Includes 2019 options that only have service based conditions.

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 2021 is shown in the table below:

	Year of Grant	Equity Options Granted	Performance Rights Granted	Non-performance		Performance		Total
		No.	No.	Equity Options[A] ($)	Rights ($)	Equity Options[A] ($)	Rights ($)	($)
Anthony Kiernan	2021	-	117,957	-	69,431	-	-	69,431
Steve Scudamore	2021	-	77,603	-	45,679	-	-	45,679
Nicholas Cernotta	2021	-	79,155	-	46,592	-	-	46,592
Sally-Anne Layman	2021	-	71,395	-	42,025	-	-	42,025
								203,727
Ken Brinsden	2019	1,183,970	243,312	-	-	148,826	81,647	230,473
	2020	7,340,961	578,452	77,546	-	106,667	41,746	225,959
	2021	2,072,539	1,489,569	-	104,848	294,452	211,596	610,896
								1,067,328
Brian Lynn	2019	532,786	109,490	-	-	26,172	23,649	49,821
	2020	4,242,562	260,302	75,045	-	50,842	19,566	145,453
	2021	932,642	751,286	-	48,977	173,154	118,040	340,171
								535,445
Alex Eastwood	2019	532,786	109,490	-	-	26,172	23,649	49,821
	2020	4,242,562	260,302	75,045	-	50,842	19,566	145,453
	2021	932,642	751,286	-	48,977	173,154	118,040	340,171
								535,445
Dale Henderson	2019	532,786	109,490	-	-	26,172	23,649	49,821
	2020	4,242,562	260,302	75,045	-	50,842	19,566	145,453
	2021	932,642	751,286	-	48,977	173,154	118,040	340,171
								535,445
Total		**27,721,439**	**6,020,677**	**302,681**	**455,506**	**1,300,449**	**818,754**	**2,877,390**

[A] In February 2021, due to the Company's pro-rata entitlement equity issue (as part of Tranche 3 retail entitlement offer see note 5.1) and in accordance with the Company's Award Plan rules and ASX Listing Rule 6.22.2, the exercise price across all options classes on issue were adjusted down by $0.0515 per option.

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 21 November 2019.

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

	No. of options granted during the year [1]	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	No. of options vested during the year
Ken Brinsden	1,036,270	17-Nov-20	$0.417	$0.234	31-Dec-24	-
Ken Brinsden	1,036,269	17-Nov-20	$0.437	$0.234	31-Dec-24	-
Brian Lynn	466,321	01-Dec-20	$0.549	$0.234	31-Dec-24	-
Brian Lynn	466,321	01-Dec-20	$0.567	$0.234	31-Dec-24	-
Alex Eastwood	466,321	01-Dec-20	$0.549	$0.234	31-Dec-24	-
Alex Eastwood	466,321	01-Dec-20	$0.567	$0.234	31-Dec-24	-
Dale Henderson	466,321	01-Dec-20	$0.549	$0.234	31-Dec-24	-
Dale Henderson	466,321	01-Dec-20	$0.567	$0.234	31-Dec-24	-

1. The vesting conditions attached are:
- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period; and
- 50% vest upon the Company achieving specified absolute TSR targets (compound annual growth rate between 5% and 15%) over the 3 year vesting period.

Options issued with an exercise price of $0.234 were determined using the 5-day VWAP of the Company's shares from 1st to 5th July 2020.

Fair value of options granted

All options issued as compensation to KMPs are non-cash in nature. They are valued using the Black Scholes option valuation methodology which calculates an implied value for each option based on the Company's share price volatility, the risk-free rate of return, the life of the option, the Company's share price at the grant date and the option exercise price. The model inputs for the options granted during the year include:

	Options expiring 31 December 2024	Options expiring 31 December 2024	Options expiring 31 December 2024	Options expiring 31 December 2024
Exercise price [1]	$0.234	$0.234	$0.234	$0.234
Grant date	17-Nov-20	17-Nov-20	01-Dec-20	01-Dec-20
Expiry date	31-Dec-24	31-Dec-24	31-Dec-24	31-Dec-24
Share price at grant date	$0.605	$0.605	$0.750	$0.750
Expected volatility of the Company's shares	80%	80%	80%	80%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.11%	0.11%	0.115%	0.115%

1. As a result of the Company pro-rata entitlement issue in January 2021 (the Tranche 3 retail entitlement offer see note 5.1) and in accordance with the Company's award plan rules and ASX Listing Rule 6.22.2, the exercise price across all options classes on issue were adjusted down from $0.285 to $0.234.

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
Sally-Anne Layman	2,000,000	$0.8785

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)[1]	Fair value per performance right at grant date	Expiry date	No. of performance rights vested
Anthony Kiernan [2]	29,489	14-Dec-20	$0.701	28-Feb-21	29,489
Anthony Kiernan [2]	29,489	14-Dec-20	$0.700	30-May-21	29,489
Anthony Kiernan [2]	29,489	14-Dec-20	$0.701	31-Aug-21	-
Anthony Kiernan [2]	29,490	14-Dec-20	$0.699	30-Nov-21	-
Steve Scudamore [2]	19,401	14-Dec-20	$0.701	28-Feb-21	19,401
Steve Scudamore [2]	19,401	14-Dec-20	$0.700	30-May-21	19,401
Steve Scudamore [2]	19,401	14-Dec-20	$0.701	31-Aug-21	-
Steve Scudamore [2]	19,400	14-Dec-20	$0.699	30-Nov-21	-
Nicholas Cernotta [2]	19,789	14-Dec-20	$0.701	28-Feb-21	19,789
Nicholas Cernotta [2]	19,789	14-Dec-20	$0.700	30-May-21	19,789
Nicholas Cernotta [2]	19,789	14-Dec-20	$0.701	31-Aug-21	-
Nicholas Cernotta [2]	19,788	14-Dec-20	$0.699	30-Nov-21	-
Sally-Anne Layman [2]	17,849	14-Dec-20	$0.701	28-Feb-21	17,849
Sally-Anne Layman [2]	17,849	14-Dec-20	$0.700	30-May-21	17,849
Sally-Anne Layman [2]	17,849	14-Dec-20	$0.701	31-Aug-21	-
Sally-Anne Layman [2]	17,848	14-Dec-20	$0.699	30-Nov-21	-
Ken Brinsden [3]	375,793	17-Jun-20	$0.284	17-Nov-20	375,793
Ken Brinsden [3]	62,620	17-Jun-20	$0.297	15-Dec-20	62,620
Ken Brinsden [4]	1,051,156	17-Nov-20	$0.605	30-Jun-23	-
Brian Lynn [3]	139,133	30-Apr-20	$0.254	17-Sep-20	139,133
Brian Lynn [3]	139,133	30-Apr-20	$0.266	15-Dec-20	139,133
Brian Lynn [4]	473,020	01-Dec-20	$0.750	30-Jun-23	-
Alex Eastwood [3]	139,133	30-Apr-20	$0.254	17-Sep-20	139,133
Alex Eastwood [3]	139,133	30-Apr-20	$0.266	15-Dec-20	139,133
Alex Eastwood [4]	473,020	01-Dec-20	$0.750	30-Jun-23	-
Dale Henderson [3]	139,133	30-Apr-20	$0.254	17-Sep-20	139,133
Dale Henderson [3]	139,133	30-Apr-20	$0.266	15-Dec-20	139,133
Dale Henderson [4]	473,020	01-Dec-20	$0.750	30-Jun-23	-

1. In relation to Mr Brinsden, all performance rights granted were approved by shareholders on 17 November 2020.
2. These performance rights were issued under the 2020 Non-Executive Director Fee Sacrifice Offer. The offer allows the sacrifice of a fixed component of their director fee over a 12 month period for performance rights at a share price of $0.5884. 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.

3.These performance rights were issued under the 2020 Salary Sacrifice Offer and have no vesting performance conditions. Each tranche represents the sacrifice of salary in lieu of performance rights over the offer period. The 2020 Salary Sacrifice Offer scheme has now concluded.

4. The performance vesting conditions attached are:

- 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
- 50% vest upon achievement of global cost competitiveness relative to the Company's global peers.

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

Fair value of performance rights granted

Except for performance rights issued under the Salary Sacrifice Offers, 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 [1] Salary Sacrifice	Executive Director Salary Sacrifice	Executive Director	Other KMP	Other KMP Salary Sacrifice
Exercise price	-	-	-	-	
Grant date (for valuation purposes)	14-Dec-20	17-Jun-20	17-Nov-20	01-Dec-20	30-Apr-20
Expiry date	28-Feb-21, 30-May-21, 31-Aug-21, 30-Nov-21	17-Nov-20, 15-Dec-20	31-Dec-24	31-Dec-24	17-Sep-20 17 Dec-20
Share price at grant	$0.700	$0.265	$0.605	$0.750	$0.220
Expected volatility of the Company's shares	80%	80%	80%	80%	80%
Expected dividend	0%	0%	0%	0%	0%
Risk-free interest	0.11%	0.27%	0.11%	0.115%	0.22%

1. Tranches 3 and 4 will expire on or about 31 August and 30 November 2021.

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 2021 are detailed below.

	Instrument	No. of instruments issued	Grant date [2]	% vested in year	% forfeited in year [1]	Financial year grant vests
Anthony Kiernan	Performance Rights	117,957	14-Dec-20	50%	0%	2021/2022
Steve Scudamore	Performance Rights	77,603	14-Dec-20	50%	0%	2021/2022
Nicholas Cernotta	Options	2,000,000	23-Nov-17	0%	100%	2021
	Performance Rights	79,155	14-Dec-20	50%	0%	2021/2022
Sally-Anne Layman	Options	2,000,000	28-Nov-18	0%	0%	2021
	Performance Rights	71,395	14-Dec-20	50%	0%	2021/2022
Ken Brinsden	Options	1,321,100	28-Nov-18	70%	10%	2021
	Options	4,210,526	21-Nov-19	0%	0%	2022
	Options	3,130,435	10-Mar-20	0%	0%	2022/2023
	Options	2,072,539	17-Nov-20	0%	0%	2023
	Performance Rights	271,493	28-Nov-18	70%	10%	2021
	Performance Rights	578,452	21-Nov-19	0%	0%	2022
	Performance Rights	375,793	17-Jun-20	100%	0%	2021
	Performance Rights	62,620	17-Jun-20	100%	0%	2021
	Performance Rights	1,051,156	17-Nov-20	0%	0%	2023
Brian Lynn	Options	375,000	06-Sep-17	0%	100%	2019
	Options	594,495	21-Dec-18	70%	10%	2021
	Options	1,894,736	14-Nov-19	0%	0%	2022
	Options	2,347,826	13-Dec-19	0%	0%	2022/2023
	Options	932,642	01-Dec-20	0%	0%	2023
	Performance Rights	122,171	21-Dec-18	70%	10%	2021
	Performance Rights	260,302	01-Oct-19	0%	0%	2022
	Performance Rights	139,133	30-Apr-20	100%	0%	2021
	Performance Rights	139,133	30-Apr-20	100%	0%	2021
	Performance Rights	473,020	01-Dec-20	0%	0%	2023
Alex Eastwood	Options	375,000	06-Sep-17	0%	100%	2019
	Options	594,495	21-Dec-18	70%	10%	2021
	Options	1,894,736	14-Nov-19	0%	0%	2022
	Options	2,347,826	13-Dec-19	0%	0%	2022/2023
	Options	932,642	01-Dec-20	0%	0%	2023
	Performance Rights	122,171	21-Dec-18	70%	10%	2021
	Performance Rights	260,302	01-Oct-19	0%	0%	2022
	Performance Rights	139,133	30-Apr-20	100%	0%	2021
	Performance Rights	139,133	30-Apr-20	100%	0%	2021
	Performance Rights	473,020	01-Dec-20	0%	0%	2023

	Instrument	No. of instruments issued	Grant date [2]	% vested in year	% forfeited in year [1]	Financial year grant vests
Dale Henderson	Options	2,000,000	06-Sep-17	0%	100%	2019
	Options	594,495	21-Dec-18	70%	10%	2021
	Options	1,894,736	14-Nov-19	0%	0%	2022
	Options	2,347,826	13-Dec-19	0%	0%	2022/2023
	Options	932,642	01-Dec-20	0%	0%	2023
	Performance Rights	122,171	21-Dec-18	70%	10%	2021
	Performance Rights	260,302	01-Oct-19	0%	0%	2022
	Performance Rights	139,133	30-Apr-20	100%	0%	2021
	Performance Rights	139,133	30-Apr-20	100%	0%	2021
	Performance Rights	473,020	01-Dec-20	0%	0%	2023

1. The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest.
2. 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 [1] ($)	Performance rights granted in year	Fair value of performance rights granted in the year [1] ($)
Anthony Kiernan	-	-	117,957	82,618
Steve Scudamore	-	-	77,603	54,355
Nicholas Cernotta	-	-	79,155	55,441
Sally-Anne Layman	-	-	71,395	50,007
Ken Brinsden	2,072,539	884,974	1,489,569	761,262
Brian Lynn	932,642	520,414	751,286	427,194
Alex Eastwood	932,642	520,414	751,286	427,194
Dale Henderson	932,642	520,414	751,286	427,194

1. The value of awards and maximum value granted during the year is the fair value of the unlisted options and performance rights calculated at grant date. These amounts are allocated to remuneration over their applicable vesting periods.

Unlisted Options and Performance Rights over Equity Instruments

The movement during the current financial year, by number of unlisted options over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1-Jul-20	Granted	Exercised	Forfeited	Held at 30-Jun-21 [1]	Vested and Exercisable
Nicholas Cernotta	2,000,000	-	-	(2,000,000)	-	-
Sally-Anne Layman	2,000,000	-	(2,000,000)	-	-	-
Ken Brinsden	8,662,061	2,072,539	-	(137,130)	10,597,470	919,750
Brian Lynn	5,212,057	932,642	-	(436,709)	5,707,990	413,887
Alex Eastwood	5,212,057	932,642	-	(436,709)	5,707,990	413,887
Dale Henderson	6,837,057	932,642	-	(2,061,709)	5,707,990	413,887

1. No instruments vested during the current financial year.

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-20	Granted	Exercised	Forfeited	Held at 30-Jun-21	Vested during the year	Vested and Exercisable
Anthony Kiernan	-	117,957	(58,978)	-	58,979	58,978	-
Steve Scudamore	-	77,603	(38,802)	-	38,801	38,802	-
Nicholas Cernotta	-	79,155	(39,578)	-	39,577	39,578	-
Sally-Anne Layman	-	71,395	(35,698)	-	35,697	35,698	-
Ken Brinsden	849,945	1,489,569	(438,413)	(28,181)	1,872,920	709,906	243,312
Brian Lynn	475,378	751,286	(371,171)	(12,681)	842,812	493,342	109,490
Alex Eastwood	475,378	751,286	(371,171)	(12,681)	842,812	493,342	109,490
Dale Henderson	475,378	751,286	(371,171)	(12,681)	842,812	493,342	109,490

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 2020	Received on exercise of options/rights	Other changes [1]	Held at 30 June 2021
Anthony Kiernan	426,364	58,978	56,101	541,443
Steve Scudamore	142,850	38,802	18,797	200,449
Nicholas Cernotta	208,907	39,578	(17,512)	230,973
Sally-Anne Layman	88,600	35,698	11,657	135,955
Ken Brinsden	7,916,671	998,413	(3,514,148)	5,400,936
Brian Lynn	1,236,314	540,766	(1,549,978)	227,102
Alex Eastwood	694,387	540,766	(1,135,153)	100,000
Dale Henderson	198,000	540,766	(492,792)	245,974

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

End of Audited Remuneration Report.

NO NEW INFORMATION STATEMENT

Information in this report relating to exploration results is extracted from the ASX Announcements dated 10 May 2021, 23 June 2021 and the "June 2021 Quarterly Activities Report dated 28 July 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 exploration results in the announcement continue to apply and have not materially changed. Pilbara Minerals confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Information in this report relating to Mineral Resource and Ore Reserve estimates, production targets and forecast information derived from the production targets (including information relating to the proposed expansions of operations), each in respect of the Pilgan Operation, is extracted from the ASX announcement dated 3 August 2018 entitled "Outstanding DFS Results Support Pilgangoora Expansion", the ASX announcement dated 17 September 2018 entitled "Pilgangoora Reserve and Resource Upgrade", the ASX announcement dated 27 August 2019 entitled "Update on Partnering Process and Revised Stage 2" and as updated in the 30 June 2019 Annual Report. Pilbara Minerals confirms that it is not aware of any new information or data that materially affects the information included in these announcements and that all material assumptions and technical parameters underpinning the resource and reserve estimates, production targets and forecast financial information derived from the production targets in the announcements 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.

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 17 September 2018 (Pilgangoora Reserve and Resource Upgrade) and as updated in the Company's 30 June 2020 Annual Report. The relevant proportions of proven Ore Reserves and probable Ore Reserves are 17% proven Ore Reserves and 83% 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.

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

Anthony Kiernan AM
Chair

Dated this 26th day of August 2021

KPMG

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 2021 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

26 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue from contracts with customers	2.1.1	175,824	84,147
Operating costs	2.1.2	(155,754)	(112,085)
Gross profit/(loss)		**20,070**	**(27,938)**
Other income		100	-
Expenses			
General and administration expense		(13,384)	(12,837)
Acquisition costs expensed		(17,120)	-
Exploration and feasibility costs expensed	2.2.1	(6,645)	(6,535)
Inventory write-down	2.2.2	-	(21,325)
Depreciation and amortisation expense		(520)	(640)
Share based payment expense	2.2.3	(4,869)	(2,341)
Operating loss		**(22,368)**	**(71,616)**
Finance income		185	851
Finance costs		(29,265)	(28,497)
Net financing costs	2.3	**(29,080)**	**(27,646)**
Loss before income tax expense		**(51,448)**	**(99,262)**
Income tax expense	2.6	-	-
Net loss for the period		**(51,448)**	**(99,262)**
Other comprehensive income			
Changes in the fair value of other financial assets		-	-
		-	**-**
Total comprehensive loss for the period		**(51,448)**	**(99,262)**
Basic and diluted loss per share for the period (cents per share)	2.7	(2.00)	(4.67)

The notes on pages 126 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents	4.1.1	99,712	86,250
Trade and other receivables	4.2	25,706	4,127
Inventories	4.3	38,621	23,268
Total current assets		**164,039**	**113,645**
Non-current assets			
Property, plant, equipment and mine properties	3.1	775,900	482,418
Deferred exploration and evaluation expenditure	3.2	9,781	6,401
Total non-current assets		**785,681**	**488,819**
Total assets		**949,720**	**602,464**
Liabilities			
Current liabilities			
Trade and other payables	4.4	54,522	20,601
Provisions	3.3	2,082	1,468
Borrowings	5.2	13,344	53,334
Other liabilities	3.4	100,004	-
Total current liabilities		**169,952**	**75,403**
Non-current liabilities			
Trade and other payables	4.4	16,454	-
Provisions	3.3	35,448	16,971
Borrowings	5.2	153,621	123,116
Total non-current liabilities		**205,523**	**140,087**
Total liabilities		**375,475**	**215,490**
Net assets		**574,245**	**386,974**
Equity			
Issued capital	5.1	821,391	587,329
Reserves	5.1	7,246	3,850
Retained earnings		(254,392)	(204,205)
Total equity		**574,245**	**386,974**

The notes on pages 126 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	Issued Capital $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019		479,720	9,216	(112,286)	376,650
Loss for the period		-	-	(99,262)	(99,262)
Total comprehensive loss for the period		-	-	(99,262)	(99,262)
Issue of ordinary shares	5.1.1	111,519	-	-	111,519
Share issue costs	5.1.1	(3,910)	-	-	(3,910)
Issue of options and performance rights	5.1.2	-	1,977	-	1,977
Transfer - exercised/forfeited awards	5.1.2	-	(7,343)	7,343	-
Balance at 30 June 2020		**587,329**	**3,850**	**(204,205)**	**386,974**
Balance at 1 July 2020		587,329	3,850	(204,205)	386,974
Loss for the period		-	-	(51,448)	(51,448)
Total comprehensive loss for the period		-	-	(51,448)	(51,448)
Issue of ordinary shares	5.1.1	240,156	-	-	240,156
Share issue costs	5.1.1	(8,300)	-	-	(8,300)
Issue of options and performance rights	5.1.1	2,206	4,657	-	6,863
Transfer - exercised/forfeited awards	5.1.2	-	(1,261)	1,261	-
Balance at 30 June 2021		**821,391**	**7,246**	**(254,392)**	**574,245**

The notes on pages 126 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		158,431	86,183
Cash paid to suppliers and employees		(134,437)	(99,341)
Payments for exploration and evaluation expenditure		(5,396)	(7,371)
Interest received		178	989
Other receipts		-	574
Net cash inflow/(outflow) from operating activities	4.1.2	**18,776**	**(18,966)**
Cash flows from investing activities			
Payments for property, plant, equipment and mine properties		(20,488)	(22,612)
Acquisition of subsidiary, including costs		(210,302)	-
Net cash outflow from investing activities		**(230,790)**	**(22,612)**
Cash flows from financing activities			
Proceeds from the issue of shares and exercise of options		239,654	111,519
Capital raising costs		(8,300)	(3,910)
Proceeds from borrowings		155,785	-
Transaction costs related to borrowings		(6,386)	(621)
Repayment of borrowings		(149,597)	(19,128)
Customer prepayment		19,732	-
Interest and other costs of finance paid		(12,260)	(22,017)
Call premium on redemption of borrowings		(5,948)	-
Net cash inflow from financing activities		**232,680**	**65,843**
Net increase in cash held		20,666	24,265
Cash and cash equivalents at the beginning of the period		86,250	63,576
Effect of exchange rate fluctuations on cash held		(7,204)	(1,591)
Cash and cash equivalents at the end of the period	4.1.1	**99,712**	**86,250**

The notes on pages 126 to 171 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Note 1 – BASIS OF PREPARATION

In preparing the 2021 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, 88 Colin Street, West Perth, WA 6005. These consolidated financial statements comprise the Company and its subsidiaries together referred to as the "**Group**". The Group is a for-profit entity and is primarily involved in the exploration, development and mining of minerals.

1.2 Basis of Accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("**AAS**") adopted by the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("**IFRS**") adopted by the International Accounting Standards Board ("**IASB**"). They were authorised for issue by the Board of Directors on 26 August 2021.

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. During the financial year there has been no significant impact on production and operations due to the ongoing COVID-19 pandemic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

Standards issued but not yet effective
<u>Amendments to AASB 9, AASB 7, AASB 4, AASB 16 and AASB 139 – Interest Rate Benchmark Reform – Phase 2</u>
The amendment addresses issues that may affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in the standards relating to:

- changes in the basis for determining contractual cash flows of financial assets, liabilities and lease liability; and
- hedge accounting.

The Company is yet to assess the potential impacts of the above on its consolidated financial statements.

The following amendments are not yet effective however they are not expected to have an impact on the Groups consolidated financial statements:

- Amendments to AASB 101 – Classification of Liabilities as Current or Non-Current;
- Amendments to AASB137 – Onerous Contracts; and
- Amendments to AASB 17 – Insurance Contracts.

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.

1.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1.5.2 Transactions and balances

Foreign currency transactions are translated into foreign currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

1.6 Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Judgements and estimates which are material to the financial report are found in the following sections:

- Note 2.1.1 – measurement of provisional pricing for sales revenue
- Note 2.2.3 – measurement of share-based payment transactions
- Note 3.1 – estimation of ore resources and reserves and deferred stripping costs
- Note 3.1 – impairment testing for non-financial assets
- Note 3.1 – judgements relating to lease extension options
- Note 3.3 – measurement of mine rehabilitation provision 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

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 and revenue from shipping and insurance recognised over the period of the journey. Tantalum sales have only one performance obligation as the material is collected from the minesite and revenue is recognised at the time of collection.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Accounting policy

Customer sales contracts can contain provisional pricing at the time the product is delivered to the vessel, with the final pricing to be determined at a later time when the relevant pricing information is available. The provisional pricing related to quality and quantity of the product is included in sales to customers under contracts. Provisional pricing related to market-based pricing indices are accounted for as an embedded derivative in accordance with AASB 9 Financial Instruments and disclosed separately as other revenue.

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

	2021 $'000	2020 $'000
Sales to customers under contracts	164,468	85,391
Other revenue - provisional pricing adjustments	11,356	(1,194)
Recovery of royalties under contracts with customers	-	(50)
	175,824	84,147

2.1.2 Operating costs

	2021 $'000	2020 $'000
Mining and processing costs	125,767	74,569
Care and maintenance costs	2,705	-
Royalty expenses	10,441	5,248
Depreciation and amortisation	26,110	15,771
Inventory movement	(3,287)	24,081
By-product revenue	(5,982)	(7,463)
Foreign exchange loss/(gain)	-	(121)
	155,754	112,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

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.

	2021 $'000	2020 $'000
Exploration and evaluation costs	3,005	1,738
Feasibility and development study costs	3,640	4,797
	6,645	6,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2.2.2 Inventory write-down

	2021 $'000	2020 $'000
Inventory write-down	-	21,325

During FY2020 the Group recognised inventory write downs to net realisable value of $5.4 million for spodumene concentrate and $0.4 million for coarse ore stockpiles, as well as an inventory write-down of $15.4 million for non-current ROM stockpiles.

2.2.3 Share-based payment expense

Accounting policy

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to holders of equity-based instruments (including employees) are generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

In determining the fair value of share-based payments granted, a key estimate and judgement is the volatility input assumed within the pricing model. The Group uses historical volatility of the Group to determine an appropriate level of volatility expected, commensurate with the expected instrument's life.

The share-based payment expense included within the Statement of Profit or Loss can be broken down as follows:

	2021 $'000	2020 $'000
Share options expense	2,427	1,113
Performance rights expense	2,442	1,228
	4,869	2,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Share options

The following table shows options issued during the year ended 30 June 2021 and the value attributed to each option granted, by the category holder:

Holder	No. of options	Exercise Price	Expiry Date	Fair Value ($/option)	Total Value ($'000)
Executive Director	1,036,270	$0.234	31-Dec-24	$0.417	432
Executive Director	1,036,269	$0.234	31-Dec-24	$0.437	453
Other KMP	1,398,963	$0.234	31-Dec-24	$0.549	768
Other KMP	1,398,963	$0.234	31-Dec-24	$0.567	793
Other employees	1,648,352	$0.234	31-Dec-24	$0.549	906
Other employees	1,648,352	$0.234	31-Dec-24	$0.567	934

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

	2021		2020	
	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
Outstanding at 1 July	$0.48	47,643,196	$0.69	21,687,919
Exercised during the period	$0.88	(2,000,000)	$ -	-
Forfeited during the period	$0.56	(7,261,446)	$0.57	(14,810,987)
Granted during the period	$0.23	8,167,169	$0.40	40,766,264
Outstanding at 30 June	$0.36	46,548,919	$0.48	47,643,196
Exercisable at 30 June		4,661,410		9,250,000

The classes of the unlisted options on issue as at 30 June 2021 are as follows:

Expiry date	Options issued	Exercise price	Number of options not yet exercised
31 December 2021 [a]	2,782,327	$0.833	2,782,327
30 June 2022 [b]	2,500,000	$0.449	2,500,000
31 December 2022 [c]	15,324,099	$0.363	15,324,099
01 May 2023 [d]	17,775,324	$0.324	17,775,324
31 December 2024 [e]	8,167,169	$0.234	8,167,169

[a] The vesting conditions attached are:
- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate cost structure;
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

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

[c] The vesting conditions attached are:
- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period; and
- 50% vest upon achievement of production and sales at a rate of 840,000 tonnes of spodumene concentrate per annum.

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

[e] The vesting conditions attached are:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

Performance Rights

The following table shows performance rights granted during the year ended 30 June 2021 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 [1]	86,528	28-Feb-21	$0.701	61
Non-Executive Director [1]	86,528	30-May-21	$0.700	61
Non-Executive Director [1]	86,528	31-Aug-21	$0.701	61
Non-Executive Director [1]	86,526	30-Nov-21	$0.699	61
Executive Director [2]	375,793	17-Nov-20	$0.284	107
Executive Director [2]	62,620	15-Dec-20	$0.297	19
Executive Director	1,051,156	30-Jun-23	$0.605	636
Other KMP [2]	417,399	17-Sep-20	$0.254	106
Other KMP [2]	417,399	15-Dec-20	$0.266	111
Other KMP	1,419,060	30-Jun-23	$0.750	1,064
Other employees [2]	1,169,590	17-Sep-20	$0.254	297
Other employees [2]	1,182,191	15-Dec-20	$0.266	315
Other employees	1,672,030	30-Jun-23	$0.750	1,254
Other employees	168,678	31-Mar-23	$1.115	188
Other employees	253,017	31-Mar-24	$1.115	281

1. These performance rights are issued under the 2020 Non-Executive Director Fee Salary Sacrifice Offer and have no performance conditions attached to vesting. See over in note (d) for further details on the Offer.
2. These performance rights were issued under the 2020 Salary Sacrifice Offer and had no performance conditions attached to vesting. The Offer allowed employees to sacrifice a portion of their cash salary for performance rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

The performance rights granted and on issue as at 30 June 2021 are as follows:

Date performance rights granted [1]	Vesting date	Number of performance rights
28 November 2018 [a]	30 June 21	243,312
21 December 2018 [a]	30 June 21	603,415
01 October 2019 [b]	30 June 22	780,906
14 November 2019 [b]	30 June 22	894,011
21 November 2019 [b]	30 June 22	578,452
17 November 2020 [c]	30 June 23	1,051,156
1 December 2020 [c]	30 June 23	3,091,090
14 December 2020 [d]	31 August 21	86,528
14 December 2020 [d]	30 November 21	86,526
22 April 2021 [e]	31 March 23	168,678
22 April 2021 [e]	31 March 24	253,017

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

[a] The performance vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over a 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate cost structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

[b] The performance vesting conditions attached are:

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

[c] The performance vesting conditions attached are:

- 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
- 50% vest upon achievement global cost competitiveness relative to the Company's global peers.

[d] These performance rights have no vesting conditions attached. 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.

[e] 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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; • derivative fair value movement; • unwinding of the discount on site rehabilitation provision; 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:

	2021 $'000	2020 $'000
Interest income on bank accounts	185	851
Finance income	185	851
Deferred consideration fair value movement (note 3.4) [4]	(12,599)	-
Interest expense - leases (note 5.2.1)	(2,435)	(2,815)
Interest expense - borrowings	(9,430)	(19,795)
Amortised borrowing costs [1]	(3,454)	-
Call premium on redemption of borrowings [2]	(5,948)	-
Net movement in financial liability at amortised cost (note 4.4)	2,125	-
Finance expenses for financial liabilities	-	(776)
Foreign currency hedge - net changes in fair value	(212)	-
Unwind of discount on site rehabilitation provision	(328)	(322)
Net foreign exchange gain/(loss) [3]	3,016	(4,789)
Finance costs	(29,265)	(28,497)
Net finance costs recognised in profit or loss	(29,080)	(27,646)

1. Amortised borrowing costs includes the expensing of the residual borrowing costs ($2.2M) following the full repayment of the Nordic Bond in September 2020.
2. In September 2020 the Company refinanced the USD Nordic Bond with a USD syndicated finance facility reflecting improved terms provided by BNP Paribas and the Clean Energy Finance Corporation. Under the terms of the Nordic Bond a call premium was payable upon early redemption.
3. The AUD:USD foreign exchange rate increased during the year from 0.6863 at 30 June 2020 to 0.7518 at 30 June 2021. 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.
4. This relates to the fair value movement on the variable deferred consideration for the acquisition of Altura Lithium Operations Pty Ltd Refer note 6.1.6

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

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

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

	2021 $'000	2020 $'000
Wages and salaries (including superannuation)	23,589	18,495

2.6 Income Tax Expense

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 amount's 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 2021

2.6.1 Income tax expense

	2021 $'000	2020 $'000
Current income tax expense	-	-

2.6.2 Reconciliation of income tax expense

	2021 $'000	2020 $'000
Loss before tax from continuing operations	(51,448)	(99,262)
Income tax benefit at the Australian tax rate of 30% (2019: 30%)	(15,434)	(29,778)
Tax effect of items which are not deductible in calculating taxable income:		
Non-deductible expenses		
Share based payment expense	1,461	593
Unrealised foreign currency translation	(6,570)	1,437
Other	(712)	(120)
Tax losses not recognised	20,860	36,911
Temporary differences not brought to account	395	(9,043)
Income tax expense reported in the consolidated statement of profit or loss	-	-

Potential deferred tax assets have not been recognised at 30 June 2021 for deductible temporary differences and tax losses because, at the time, there is not convincing evidence to support the position that sufficient future taxable profits will be available against which the Group can use the benefits. The net deferred tax asset not recognised at 30 June 2021 have a tax effected value of $71.1 million (2020: $49.5 million) which includes the tax effect of carried forward losses $106.7 million (2020: $85.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2.7 Loss per share

	2021	2020
Basic loss per share		
Net loss attributable to ordinary shareholders ($'000)	(51,448)	(99,262)
Issued ordinary shares at 1 July ('000)	2,224,737	1,851,420
Effect of shares issued ('000)	346,853	272,925
Weighted average number of ordinary shares at 30 June ('000)	2,571,590	2,124,345
Basic and diluted loss per share (cents)*	(2.00)	(4.67)

* Due to the fact that the Group made a loss, potential ordinary shares from the exercise of options have been excluded due to their anti-dilutive effect.

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

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using an appropriate method (either straight line, diminishing value or units of production basis) over either the estimated useful life or the estimated resource. Depreciation is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Office equipment 2 to 20 years
- Plant and equipment 2 to 20 years
- Motor vehicles 3 to 5 years
- Mine properties Units of production basis over the life of mine
- Deferred stripping Units of ore extracted basis over the life of mine
- Leased equipment Over the shorter of the lease term and the life of the asset

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted appropriately.

Accounting policy

Leased Assets

The Group recognises all right of use assets and liabilities, except for leases that are short-term (12 months or less) and low value leases at the lease commencement date. The lease liability is measured at the present value of the future lease payments and includes lease extension options when the Group is reasonably certain that it will exercise the option.

The present value of future lease payments is determined by discounting future lease payments using the interest rate implicit in the lease or, if that rate cannot be determined then the Group's borrowing rate, which is generally the case.

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

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

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

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.

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Accounting policy

Deferred Stripping

Stripping activity costs incurred are assessed to determine whether the benefit accruing from that activity is 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 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 that are capitalised is determined based on a comparison of the stripping ratio in the relevant period with the life of mine stripping ratio. To the extent that there is a period of sustained stripping that exceeds the average life of mine stripping ratio, mine waste stripping costs are capitalised to the stripping activity asset and presented within mine properties in production. Such capitalised costs are amortised over the life of that mine on a units of production basis. The life of mine ratio is based on ore reserves of the mine. Changes to the life of mine are accounted for prospectively.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Accounting policy

- Asset carrying values may be impacted due to changes in estimates of future cash flows;
- Amortisation charged in the profit and loss statement may change where such charges are calculated using the units of production basis;
- Decommissioning, site restoration and environmental provisions may change due to changes in the estimated resources after expectations about the timing or costs of the activities change; and
- Recognition of deferred tax assets, including tax losses.

ii) Deferred Stripping

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio). Any resulting changes are accounted for prospectively.

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3.1.1 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
At 30 June 2020							
Cost	1,117	52,216	363,579	15,917	54,804	16,523	504,156
Accumulated depreciation	(680)	(11,558)	(8,862)	-	(510)	(128)	(21,738)
Net book value	437	40,658	354,717	15,917	54,294	16,395	482,418
Opening net book value	678	-	345,875	16,312	54,597	16,486	433,948
Additions	78	53,163	7,513	5,040	-	-	65,794
Disposals	(2)	(911)	-	-	-	-	(913)
Transfers	-	-	5,435	(5,435)	-	-	-
Depreciation charge	(317)	(11,594)	(4,106)	-	(303)	(91)	(16,411)
Net book value	437	40,658	354,717	15,917	54,294	16,395	482,418
At 30 June 2021							
Cost	1,148	51,096	552,969	15,956	181,338	19,853	822,360
Accumulated depreciation	(866)	(27,449)	(16,331)	-	(1,412)	(402)	(46,460)
Net book value	282	23,647	536,638	15,956	179,926	19,451	775,900
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)
Net book value	282	23,647	368,764	183,830	179,926	19,451	775,900

At 30 June 2021 the Group had outstanding contractual capital commitments of $7.9 million (2020: $0.5million) which are expected to be settled prior to 30 June 2022.

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3.2 Exploration and Evaluation Expenditure

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

3.2.1 Exploration and evaluation assets

	2021 $'000	2020 $'000
Costs carried forward in relation to areas of interest in the exploration and evaluation phase	9,781	6,401
Reconciliations: Exploration and evaluation phase		
Carrying amount at the beginning of the year	6,401	6,401
Acquisitions through business combinations (note 6.3.3)	3,380	-
Carrying amount at the end of the year	9,781	6,401

3.2.2 Exploration licence expenditure commitments

The Group has minimum exploration licence commitments as follows:

	2021 $'000	2020 $'000
Within one year	988	631
Later than one year but less than five years	2,331	1,464
Greater than five years	3,228	2,752

3.3 Provisions

Accounting policy

Provisions

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.

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.

Mine Rehabilitation

In accordance with the applicable legal requirements, a provision for site rehabilitation in respect of returning the land to its original state is recognised when land is disturbed.

At each reporting date, the site rehabilitation provision is remeasured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and added to, or deducted from, the related asset, subject to recoverability.

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Accounting policy

Key estimates and judgements

Significant judgement is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When the factors become known in the future, such differences will impact the mine rehabilitation provision in the period in which the changes become known.

Employee leave benefits

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

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

	2021 $'000	2020 $'000
Current – Provisions		
Employee leave benefits	2,082	1,468
	2,082	1,468
Non-Current – Provisions		
Employee leave benefits	326	125
Mine rehabilitation provision	35,122	16,846
	35,448	16,971

Movements:	Rehabilitation $'000	Other $'000
Opening balance 1 July	16,846	1,593
Additions recognised through business combinations (note 6.3.3)	14,618	-
Net additional provisions recognised	3,330	815
Unwinding of discount	328	-
Carrying amount at year end	35,122	2,408

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3.4 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.

	2021 $'000	2020 $'000
Current		
Variable deferred consideration	100,004	-
	100,004	-
Movements:		
Opening balance 1 July	-	-
Additions recognised upon business acquisition (note 6.3.3)	87,405	-
Fair value movements recognised through profit and loss (note 2.3)	12,599	-
	100,004	-

Variable deferred consideration relates to the acquisition of Altura Lithium Operations Pty Ltd (subsequently renamed Ngungaju Lithium Operations). 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, Subsidiary Acquisition.

The determination of the fair value movement is designated as level 3 in the fair value hierarchy as outlined in note 6.1.6, Fair Values.

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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

	2021 $'000	2020 $'000
Bank balances	20,733	49,559
Call / term deposits	78,979	36,691
	99,712	86,250

4.1.2 Reconciliation of cash flows from operating activities

	2021 $'000	2020 $'000
Cash flows from operating activities		
Loss for the period	(51,448)	(99,262)
Adjustments for:		
- Depreciation and amortisation expense	26,630	16,411
- (Profit)/loss on sale of property, plant and equipment	(96)	9
- Net financing costs	13,735	24,528
- Derivative fair value movement	12,599	-
- Call premium on redemption of borrowings	5,948	-
- Inventory write down	-	21,325
- Unrealised foreign currency (gain)/loss	(4,049)	5,487
- Share based payment expense	5,232	1,977
- Business combination acquisition costs (note 6.3.3)	17,120	-
Operating loss before changes in working capital and provisions	25,671	(29,525)
Change in trade and other receivables	(21,562)	3,371
Change in trade payables	18,177	(15,181)
Change in provisions	883	(297)
Change in inventories	(4,393)	22,666
Net cash from/(used in) operating activities	18,776	(18,966)

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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.

	2021 $'000	2020 $'000
Current		
Trade debtors	20,785	1,061
Goods and services tax receivable	2,207	917
Security deposits	135	135
Prepayments	1,415	1,091
Other receivables	1,164	923
	25,706	4,127

4.3 Inventories

Accounting policy

Finished goods and work in progress ore stockpiles are surveyed and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct materials, direct labour, depreciation and an appropriate portion of fixed and variable production overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Tantalum inventory is treated as a by-product and valued at net realisable value (NRV).

Consumables are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average cost. Any allowance for obsolescence is determined by reference to specific stock items identified.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Finished goods and work in progress ore stockpiles which are not expected to be processed or sold in the 12 months after the reporting date are classified as non-current inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2021 $'000	2020 $'000
Current		
Finished goods	9,589	6,933
Work-in-progress[1]	11,084	4,884
Consumables	17,948	11,451
	38,621	23,268

Inventory is held at cost unless otherwise noted. As part of the acquisition of Altura Lithium Operations Pty Ltd during the year, the Group acquired ROM stocks ($4.8m at NRV) and consumables ($6.2M). Refer to note 6.3.3 - subsidiary acquisition.

During FY2020 the Group recognised inventory write downs to net realisable value of $5.4 million for spodumene concentrate and $0.4 million for coarse ore stockpiles, as well as an inventory write-down of $15.4 million for non-current ROM stockpiles. The spodumene concentrate and coarse ore stockpiles written down in FY2020 were sold in FY2021.

1. 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 2021

	2021 $'000	2020 $'000
Current – Trade and other payables		
Trade payables	14,694	11,851
State royalty relief payable[1]	583	-
Accruals	35,311	8,213
Contract liabilities[2]	2,345	-
Interest payable	-	410
Unearned revenue	1,239	35
Other payables	350	92
	54,522	20,601

	2021 $'000	2020 $'000
Non-Current – Trade and other payables		
Contract liabilities[2]	15,482	-
State royalty relief payable[1]	972	-
	16,454	-

1. In December 2020 the Western Australian Government granted temporary royalty relief to spodumene concentrate producers in the form of a 12 month assistance scheme. Royalties that qualify for the scheme are repayable in equal instalments over a 2-year period from December 2021.
2. Contract liabilities represent the customer prepayment received from Yibin Tianyi Lithium Industry Co Ltd in March 2021. The unsecured prepayment was provided to fund Stage 1 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. The prepayment is a financial liability initially measured at fair value and subsequently measured at amortised cost with the net amount of $2.1 million recognised in net financing costs in 2021.

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NOTE 5 – EQUITY AND FUNDING

5.1 Capital and Reserves

Accounting policy
Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

5.1.1 Ordinary shares

	2021 $'000	2021 Number ('000)	2020 $'000	2020 Number ('000)
Fully paid ordinary shares	821,391	2,898,982	587,329	2,224,737
Total share capital on issue at 30 June	821,391	2,898,982	587,329	2,224,737
Movements in ordinary shares on issue:				
On issue at 1 July	587,329	2,224,737	479,720	1,851,420
Shares issued during the period:				
Issued for cash	240,156	667,099	111,519	371,733
Exercise of options/vesting of performance rights	2,206	7,146	-	1,584
Share issue costs	(8,300)	-	(3,910)	-
On issue at 30 June	821,391	2,898,982	587,329	2,224,737

The Company completed equity raisings during the year to fund the acquisition of Altura Lithium Operations Pty Ltd (renamed Ngungaju Lithium Operations Pty Ltd). The raisings included a private placement ($118.9M), an institutional entitlement offer ($60.7M) and a retail entitlement offer ($60.6M) which resulted in the issue of 667.1M ordinary shares at a share price of $0.36 to raise $240.2M.

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

	2021 $'000	2020 $'000
Share-based payment reserve	7,246	3,850

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	2021 $'000	2020 $'000
Movements in share-based payment reserve:		
Balance at 1 July	3,850	9,216
Share based payment expense following issue of options and performance rights	5,106	1,977
Performance rights issued for shares transferred to issued capital	(449)	-
Options/performance rights exercised and forfeited transferred to accumulated losses [1]	(1,261)	(7,343)
Balance at reporting date	7,246	3,850

1. Represents $1.17 million options and $0.09 million performance rights forfeited during FY2021.

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)
2,072,539	17-Nov-20	$0.564	$0.234	31-Dec-24	0.417/0.437
6,094,630	1-Dec-20	$0.699	$0.234	31-Dec-24	0.549/0.567

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

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

All option valuations during the period were performed by an independent third-party valuer. They are valued using the Monte Carlo simulation model (market based conditions) and the Black Scholes option valuation methodology (non-market based conditions). Inputs to the option valuation model included the Company's share price volatility, risk free rates, option life, the option exercise price and the correlations and volatilities of peer companies. Option volatility was calculated using the share price movement of the Company over the past 12 months up until the date the options were granted. The key inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	2021	2020
Expected volatility (weighted average)	80%	55%
Expected life (weighted average)	4.5 years	3.0 years
Risk free interest rate (based on government bonds) (weighted average)	0.11% to 0.115%	0.72% and 0.79%

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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 Grant date	Vesting date	Valuation (cents per right)
1,586,989	30-Apr-20	$0.220	17-Sep-20	0.254
1,599,590	30-Apr-20	$0.220	15-Dec-20	0.266
375,793	17-Jun-20	$0.265	17-Nov-20	0.284
62,620	17-Jun-20	$0.265	15-Dec-20	0.297
1,051,156	17-Nov-20	$0.564	30-Jun-23	0.605
3,091,090	1-Dec-20	$0.699	30-Jun-23	0.750
86,528	14-Dec-20	$0.815	28-Feb-21	0.701
86,528	14-Dec-20	$0.815	30-May-21	0.700
86,528	14-Dec-20	$0.815	31-Aug-21	0.701
86,526	14-Dec-20	$0.815	30-Nov-21	0.699
168,678	22-Apr-21	$1.115	31-Mar-23	1.115
253,017	22-Apr-21	$1.115	31-Mar-24	1.115

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

All performance rights valuations during the period were performed by an independent third-party valuer. They are valued using the Monte Carlo simulation model (market based conditions) and the Black Scholes option valuation methodology (non-market based conditions) that takes into account the term of performance rights, the share price at grant date and expected volatility of the underlying share, the expected dividend yield, the risk free rate for the term of the right and the correlations and volatilities of the peer companies.

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

	Expected volatility	Expected life	Risk free interest rate (based on government bonds)
	Weighted average		
2021			
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%
2020			
30-Apr-20	80%	n/a	0.220%
21-Nov-19	55%	2.6 years	0.72% and 0.74%

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 2021 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; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

	2021 $'000	2020 $'000
Current		
Lease liability	13,344	16,907
Secured debt (US$ denominated Nordic bond)	-	36,427
Total borrowings - current	13,344	53,334
Non-Current		
Lease liability	12,413	25,324
Secured debt (US$ denominated Nordic bond)	-	97,792
Secured debt (US$ denominated facility)	141,208	-
Total borrowings - non-current	153,621	123,116

In September 2020, the Company refinanced the US$100 million senior Nordic Bond facility with a lower cost US$110 million syndicated senior debt facility financed by both BNP Paribas (US$73.3 million) and the Clean Energy Finance Corporation (US$36.7 million). The early redemption of the Nordic Bond facility included a call premium redemption of US$4.2 million. During the June 2021 quarter, BNP Paribas transferred a portion of their holding to Société Générale (US$20 million) and Industrial and Commercial Bank of China Ltd (US$10 million). BNP Paribas also extended the US$15 million working capital facility which remains undrawn at 30 June 2021.

The senior debt facility includes a cash sweep mechanism whereby the Company is required to make mandatory repayments in the event that excess cash flow after debt service is generated by the operation.

5.2.1 Leases

At 30 June 2021 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:

	2021 $'000	2020 $'000
Principal lease repayments	17,211	12,845
Interest payments on leases	2,435	2,815
Payments for short-term and low value leases	402	2,230
	20,048	17,890

5.2.2 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2021 Face value $'000	2021 Carrying $'000	2020 Face value $'000	2020 Carrying $'000
Leases	AUD	3.50% - 7.66%	2022-2025	25,757	25,757	42,231	42,231
Secured debt	USD	4.9%	2025	146,315	141,208	-	-
Secured bond	USD	12.0%	2021	-	-	136,602	134,219

5.2.3 Changes in liabilities arising from financing activities

	1 July 2020 $'000	Net cash flows $'000	Amortisation and foreign exchange movement $'000	Net lease additions and remeasure $'000	30 June 2021 $'000
Lease liabilities	42,231	(17,159)	-	685	25,757
Secured USD debt	-	149,636	(8,428)	-	141,208
Secured USD bond	134,219	(132,430)	(1,789)	-	-
	176,450	47	(10,217)	685	166,965

5.2.4 USD Secured Bond and Syndicated Debt Facility

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:

	2021 $'000	2020 $'000
Bond proceeds at inception	132,310	132,310
Principal repayment	(141,528)	(9,098)
Unrealised foreign exchange loss/(gain)	-	13,390
Realised foreign exchange loss from inception	9,218	-
Bond proceeds at 30 June	-	136,602
Directly attributable transaction costs	(6,036)	(6,036)
Amortisation of transaction costs	6,036	3,653
Carrying amount at 30 June	-	134,219

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

	2021 $'000	2020 $'000
Debt facility proceeds at inception	155,785	-
Unrealised foreign exchange gain[1]	(9,470)	-
Debt proceeds at balance date	146,315	-
Directly attributable transaction costs	(6,149)	-
Amortisation of transaction costs	1,042	-
Carrying amount at 30 June	141,208	-

[1] 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 (30 June 2021: 0.7518). The AUD:USD foreign exchange rate on the date of debt drawdown was 0.7061.

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$110 million syndicated senior debt facility the Company is required to maintain a minimum liquidity position of AU$20 million 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.

5.2.6 Working capital facility

In September 2020, when the Company refinanced the senior Nordic Bond with a new USD facility. BNP Paribas also extended the US$15M working capital facility which remains undrawn at 30 June 2021. The facility has a maturity date of 30 June 2022.

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) 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, Pippingarra Road Logistics Pty Ltd and Mt Francisco Operations Pty Ltd. Collectively these entities have net assets of $0.7 million comprised of other receivables $0.1 million and intergroup loans $0.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5.4 Capital Management

Capital consists of ordinary share capital, retained earnings, reserves and net debt. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so as to maintain a strong capital base sufficient to maintain future exploration, development and operating activities.

There were no changes to the Group's approach to capital management during the year.

NOTE 6 - OTHER DISCLOSURES

6.1 Financial Risk Management

Accounting policy

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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Accounting policy

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. The loss 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.

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	99,712	86,250
Trade and other receivables	25,706	4,127
Total financial assets	125,418	90,377
Financial liabilities		
Trade and other payables	52,937	20,601
Forward foreign currency contracts	212	-
Contract liabilities	17,827	-
Borrowings	166,965	176,450
Variable deferred consideration	100,004	-
Total financial liabilities	337,945	197,051

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For the year ended 30 June 2021

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 81% of trade receivables (2020: 26%) and 9% of receivables from the Australian Tax Office for goods and services tax refund (2020: 22%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6.1.3 Liquidity Risk

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

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

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

	Carrying amount	Contractual cashflows				
		Total	Six months or less	Six to 12 months	One to two years	Two to five years
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2021						
Financial liabilities						
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
Forward foreign currency contracts	212	212	212	-	-	-
Variable deferred consideration [1]	100,004	100,004	-	100,004	-	-
	337,945	372,003	66,528	111,884	50,254	143,337
30 June 2020						
Financial liabilities						
Lease liability	42,231	46,846	9,428	9,896	14,279	13,243
Secured debt	134,219	161,738	26,137	25,044	110,557	-
Trade and other payables	20,601	20,601	20,601	-	-	-
	197,051	229,185	56,166	34,940	124,836	13,243

1. Variable deferred consideration relates to the acquisition of Altura Lithium Operations Pty Ltd and can be settled in cash or shares at the election of the Company. Should the Company elect to settle in shares no liquidity risk would exist.

The secured debt has certain financial covenants that if breached could cause early repayment. The Group is not anticipating any breach of covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6.1.4 Market risk

Market risk is the risk that changes in market prices (such as commodity price, foreign exchange rates and interest rates) will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

During the year the Company continued to sell spodumene 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:

	2021 US$'000	2020 US$'000
Cash and cash equivalents	15,546	30,443
Contract liabilities	15,000	-
Borrowings	110,000	93,750
Trade receivables	15,236	727
Trade and other payables	1,879	-

The year-end exchange rate used to recalculate the US$ dominated balances on 30 June 2021 was 0.7518 (2020 exchange rate of 0.6863).

Group sensitivity

Based on financial instruments held at 30 June 2021, had the Australian dollar strengthened/weakened by 10% against the US dollar, with all other variables held constant, the Group's loss for the year would have been $11.62 million higher/$14.20 million lower (2020: $8.29 million higher/$10.13 million 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

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:

	2021 Weighted average interest rate	2021 Balance $'000	2020 Weighted average interest rate	2020 Balance $'000
Cash and cash equivalents	0.15%	99,712	0.26%	86,250
Secured USD debt	4.80%	141,208	n/a	n/a

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 Group's previous US$100 million secured bond facility had a fixed rate of 12% per annum resulting in a $nil interest rate sensitivity. The new US$110 million 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 2021, 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 $5,000 lower/$5,000 higher (2020: $216,000 lower/$216,000 higher based on a 25 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

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	Note	2021 $'000	Fair value hierarchy
Financial liabilities - Carrying Value			
Variable deferred consideration - FVTPL	3.4	100,004	Level 3
		100,004	

The Company announced on 28 October 2020 that it had entered into a conditional Implementation Agreement to acquire all the shares in Altura Lithium Operations Pty Ltd for an upfront cash consideration of US$155 million and deferred consideration represented by approximately 68.8 million new shares in Pilbara Minerals Limited ("Deferred Consideration"). At the time the Implementation Agreement was executed the Deferred Consideration represented a value of A$28 million applying a deemed share price of A$0.4072 per share. Following completion of a receivership process conducted by the Receiver and Manager of Altura Lithium Operations Pty Ltd (KordaMentha), the Company executed a Share Sale Agreement to acquire all the shares in Altura Lithium Operations Pty Ltd, with completion of the acquisition occurring on 20 January 2021 ("Completion Date").

The Deferred Consideration can be settled in shares or cash at Pilbara Mineral's election any time up to the date that is 12 months after the Completion Date. Where Pilbara Minerals elects to settle in shares and the share price has decreased below A$0.4072 per share at the time of settlement, then the number of shares issued will be increased to reflect the decrease in the prevailing share price compared to the share price of A$0.4072 per share. Should Pilbara Minerals elect to settle in cash and the share price has increased at the time of settlement to above A$0.4072 per share, then the Deferred Consideration payable in cash will be adjusted to reflect the increase in the prevailing share price.

At Completion Date the share price of Pilbara Minerals Limited had increased to $1.25/share, resulting in an increase in the value of the Deferred Consideration to A$87.4 million. At 30 June 2021 the share price of Pilbara Minerals Limited had increased a further A$0.20 per share to $1.45 per share, with this increase resulting in a A$12.6M derivative fair value movement being charged through profit and loss, with the Deferred Consideration liability also increasing by this amount to A$100 million. Any subsequent movements (both positive and negative) in Pilbara Mineral's share price from A$1.45 per share until such time the Deferred Consideration has been settled, will be treated as a derivative fair value movement through profit and loss.

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For the year ended 30 June 2021

Valuation techniques and significant unobservable inputs for financial liabilities measured at fair value:

Item	Valuation technique	Significant inputs	Range (weighted average)	Sensitivity of the input to fair value
Other liabilities – deferred variable consideration	Black Scholes option pricing model	Exercise price	$0.4072 based on share price at conditional Implementation Agreement date of 28 October 2020.	
		Volatility	80% at 20 January 2021 and 30 June 2021	At 30 June 2021 an absolute 5% increase in volatility would result in a $90K increase in the value of the liability. An absolute 5% decrease in volatility would result in a $69K decrease in the value of the liability.
		Underlying share price	$1.25 at settlement (20 January 2021) and $1.45 at 30 June 2021	At 30 June 2021 a relative 5% increase in the share price would result in an $4.96M increase in the value of the liability. A relative 5% decrease in the share price would result in a $4.95M decrease in the value of the liability
		Risk free rate	0.04% at 20 January 2021 and 30 June 2021.	

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6.2 Related parties

6.2.1 Key management personnel

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

Name	Position	Appointed
Ken Brinsden	Managing Director and CEO	18 January 2016
Anthony Kiernan	Non-Executive 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
Alex Eastwood	Company Secretary and General Counsel	1 September 2016
Brian Lynn	Chief Financial Officer	22 June 2016
Dale Henderson	Project Director Chief Operating Officer	4 September 2017 5 March 2018

Key management personnel compensation comprised the following:

	2021 $	2020 $
Short term employee benefits	3,462,976	2,314,682
Post-employment benefits	129,935	119,149
Share-based payments (non-cash)	2,877,390	1,601,246
	6,470,301	4,035,077

Compensation of the Group's key management personnel includes salaries, and contributions to a post-employment defined contribution plan. Information regarding individual directors and executive's compensation and some equity instruments are required to be disclosed by s300A of the Corporations Act and Corporations Regulations 2M.3.03 and are provided in the Remuneration Report section of the Directors' Report.

6.3 Group Entities

6.3.1 Parent entity

Pilbara Minerals Limited

The consolidated financial statements include the financial statements of Pilbara Minerals Limited and the subsidiaries listed in the following table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6.3.2 Significant Subsidiaries

	Country of incorporation	2021	2020	Party to Deed of Cross Guarantee
Tabba Tabba Tantalum Pty Ltd	Australia	100%	100%	No
Pilbara Lithium Pty Ltd	Australia	100%	100%	No
Pilgangoora Holdings Pty Ltd	Australia	100%	100%	Yes
Pilgangoora Operations Pty Ltd	Australia	100%	100%	Yes
Pippingarra Road Logistics Pty Ltd	Australia	100%	100%	No
Mt Francisco Operations Pty Ltd	Australia	100%	100%	No
Ngungaju Lithium Operations Pty Ltd[1]	Australia	100%	-	Yes

1. Formerly Altura Lithium Operations Pty Ltd acquired effective 20 January 2021.

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. .

On 1 December 2020 the Company announced it has entered into a conditional Share Sale Agreement with Altura Mining Limited (Receivers and Managers Appointed) (Administrators Appointed) ("Altura") and Richard Tucker and John Bumbak in their capacity as joint and several receivers and managers of Altura ("Receivers") for the acquisition of the shares in Altura Lithium Operations Pty Ltd for an upfront cash payment of US$155 million and deferred consideration represented by 68.8 million new ordinary shares in Pilbara Minerals Limited.

The acquisition was completed on 20 January 2021 when the Company acquired 100% of the shares in Altura Lithium Operations Pty Ltd (ALO). The purchase consideration comprised an upfront cash payment US$155 million (A$200.7 million) at completion, a Deed of Company Arrangement (DOCA) contribution of A$6 million, and a deferred consideration component which is payable in cash or shares (at the Company's election) up to 12 months after completion.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of ALO at the date of acquisition have been provisionally determined, as follows:

	$'000
Inventories	10,959
Mine properties in development	167,874
Mineral rights	126,535
Exploration and evaluation assets	3,380
Rehabilitation provision	(14,618)
Total identifiable net assets acquired at fair value	294,130

Measurement at fair value
The valuation techniques used for measuring fair value of net assets acquired were as follows:

Asset acquired	Valuation technique
Inventories	Lower of cost or net realisable value
Mine properties in production	The depreciation replacement cost approach has been used as the primary valuation method and sales comparison regression analysis used for mobile plant.
Mineral interest	To value the life of mine mineral interest the multi-period excess earnings method (MEEM) has been used which is an application of the income or discounted cash flow (DCF) method. To value the outside life of mine mineral interest a market approach was taken using reserve multiples. In addition, the market approach (reserve multiples) was considered as a cross check to the MEEM approach.
Exploration and evaluation assets	Management's fair value assessment based on historical cost.
Rehabilitation provision	Determined under the Company's existing valuation methodology for determining a provision for an area of disturbance in relation to site rehabilitation and in accordance with the Company policy.

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Purchase consideration
At completion date the fair value of each class of consideration was:

	$'000
Purchase consideration	
Cash consideration (US$155 million)	200,725
DOCA fund contribution	6,000
Variable deferred consideration	87,405
Total consideration	294,130

The Company recorded no goodwill or discount on acquisition as a result of the acquisition.

Variable deferred consideration

Part of the purchase consideration includes an amount of deferred consideration which can be settled in cash or shares (at the Company's election) up to 12 months after the completion date of 20 January 2021. The deferred consideration is represented by 68.8 million new shares in Pilbara Minerals Limited and represented a value of A$28 million at the time the Implementation Agreement was signed on 22 October 2020 using a deemed share price of A$0.4072 per share. As a result of the Company's share price increasing to A$1.25 by the completion date of 20 January 2021, the value of deferred consideration was re-stated to A$87.4 million. Should the Company elect to settle in cash and the share price at time of settlement is above A$0.4072 per share then the amount payable will be adjusted to reflect the increase in the prevailing share price.

At the date of completion the fair value of the deferred consideration was valued under the Black Scholes option pricing model and determined to be A$87.4 million. The fair value of the deferred consideration will continue to be estimated post completion at each reporting date until redemption with movements in the fair value recognised through profit and loss. At 30 June 2021 the fair value of the deferred consideration was estimated to be A$100 million as detailed in note 6.1.6.

Acquisition related costs
The Company incurred acquisition related costs on legal fees, due diligence and stamp duty. These costs which total $17.12 million (including stamp duty of $13.5 million) have been included in acquisition costs expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6.4 Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2021, 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.

	2021 $'000	2020 $'000
Results of the parent entity		
Loss for the period	(25,237)	(14,873)
Total comprehensive loss for the period	(25,237)	(14,873)
Financial position of the parent entity at year end		
Current assets	73,872	82,433
Total assets	706,884	490,697
Current liabilities	6,914	4,086
Total liabilities	7,753	5,046
Total equity of the parent comprising of:		
Share capital	821,391	587,329
Share-based payment reserve	7,246	3,850
Accumulated losses	(129,506)	(105,528)
Total equity	699,131	485,651

6.5 Subsequent Events

On 13 August 2021 the Company agreed with the former Altura Loan Noteholders to settle the deferred consideration payable in respect of the acquisition of the Altura Lithium Operations Pty Ltd by way of new shares, including a ~5% discount to the 68.8 million shares originally agreed to be issued, meaning 65.34 million shares will be issued during FY2022 to settle the deferred consideration payable. These shares will be issued in two equal tranches, with the first tranche of 32.67 million shares issued on 17 August 2021, and the second tranche subject to shareholder approval at a general meeting to be held in due course.

Should shareholders not approve the second tranche of the deferred consideration shares, then the ~5% discount and reduced number of deferred consideration shares will not apply, and the balance of the deferred consideration will be payable to the Altura Loan Noteholders via the issue of shares (or their cash equivalent at the relevant time) in accordance with the original terms of the deferred consideration arrangements. In such circumstances, the Company will need to issue an additional ~1.75 million shares or pay an equivalent amount in cash to the Altura Loan Noteholders on or before the maturity date of 20 January 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6.6 Auditor's Remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2021 $	2020 $
Audit services – KPMG	234,547	175,000
Advisory service – KPMG	15,525	-
Total auditor's remuneration – KPMG	250,072	175,000

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 127 to 171, 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 2021 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 2021.

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

Anthony Kiernan AM
Chair

26th August 2021

KPMG

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 2021 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 2021
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Pilbara Minerals Limited and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

- Acquisition of Altura Lithium Operations Pty Ltd.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Acquisition of Altura Lithium Operations Pty Ltd ($294.13 million)	
Refer to Note 6.3.3 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's acquisition of Altura Lithium Operations Pty Ltd (ALO) on 20 January 2021 for $294.130 million, was a significant transaction for the Group. ALO was subsequently renamed to Ngungaju Lithium Operations Pty Ltd (NLO). This was a key audit matter due to the: • Significance of the acquisition; • Level of judgement required in determining the accounting approach as either a business combination (in accordance with AASB 3 Business Combinations) or as an asset acquisition. The difference in the accounting for the acquisition as a business or an asset is significant and could impact the recognition and measurement of amounts reported in the consolidated financial statements; and • Judgements made by the Group relating to the purchase price allocation. The Group engaged an external expert to assist in performing a valuation assessment, which included the identification and measurement of acquired assets and liabilities assumed. The most significant assumptions the Group applied in their assessment of fair value of identified assets and liabilities was the fair value of mineral interests acquired, which included: - Life of mineral reserves and resources estimates; - Forecast commodity prices for spodumene concentrate; - Forecast exchange rate between USD and AUD; and - Reserve and resource multiples. These conditions required significant audit effort and greater involvement by senior team members and our valuation specialists.	Our procedures included: • We read the Share Sale Agreement related to the acquisition to understand the structure, key terms and conditions, and nature of purchase consideration. Using this, we evaluated the accounting treatment of the purchase consideration and transaction costs against the criteria in the accounting standards. • We involved senior audit team members to assess the accounting treatment for the transaction. We analysed the conclusions reached by the Group to accounting interpretations, industry practice, and accounting literature. • We assessed the scope, competence and objectivity of the Group's external expert involved in estimating the fair value of identified assets and liabilities. • We read the external valuation report and worked with our valuation specialists to challenge the key assumptions used in the purchase price allocation. We challenged the Group's approach and methodology to valuing the identified mineral interest in comparison with accepted industry practice and the requirements of the accounting standards. • We assessed the scope, competence and objectivity of the Group's internal experts involved in the estimation process of mineral reserves and resources, and life of mine plan. • We assessed the reserve and resource multiples by comparing them to recent transactions and comparable companies. • We assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the business combination, by comparing these disclosures to our understanding of the acquisition and the requirements of accounting standards.

KPMG

Other Information

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

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

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, except for 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;*
- 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; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at. https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Pilbara Minerals Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

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

KPMG

KPMG

Derek Meates
Partner

Perth

26 August 2021

Additional shareholder information

ADDITIONAL SHAREHOLDER INFORMATION

AS AT 13 SEPTEMBER 2021

In accordance with Listing Rule 4.10 the following information is provided.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is available on the Company's website at: http://www.pilbaraminerals.com.au

SECURITY HOLDERS

SUBSTANTIAL SHAREHOLDERS

The Company had the following substantial shareholders as at 13 September 2021:

- Contemporary Amperex Technology (Hong Kong) Limited – 207,456,142 ordinary shares
- AustralianSuper – 189,768,180
- GFL International Co Limited – 172,684,971 ordinary shares

NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES AND THE VOTING RIGHTS ATTACHED (as at 13 September 2021)

Ordinary Shares

There are 52,269 holders of ordinary shares. Each shareholder is entitled to one vote per share.

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options

There are 21 holders of unlisted options. There are no voting rights attaching to the options.

A total of 43,221,146 options are on issue. The 43,221,146 options, if exercised, will convert into 43,221,146 ordinary shares.

The options have the following exercise prices and expiry dates:

No. of holders	No. of options	Exercise price	Expiry date
4	1,954,554	$0.8325	31 December 2021
16	15,324,099	$0.3634	31 December 2022
11	17,775,324	$0.3235	1 May 2023
16	8,167,169	$0.2339	31 December 2024

Performance Rights and Share Rights

There are 22 holders of unlisted performance rights and 4 holders of unlisted share rights. There are no voting rights attaching to the performance rights or share rights.

A total of 7,008,802 performance rights and 86,526 share rights are on issue. The 7,008,802 performance rights and 86,526 share rights, if vested, will automatically convert into 7,095,328 ordinary shares.

The performance rights and share rights have the following expiry date and exercise price:

No. of holders	No. of rights	Exercise price	Vesting period ends
9	191,492	Nil	30 June 2021
16	2,253,369	Nil	30 June 2022
16	4,142,246	Nil	30 June 2023
4	421,695	Nil	31 March 2024
4	86,526	Nil	30 November 2021

DISTRIBUTION SCHEDULE OF THE NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITY AS AT 13 SEPTEMBER 2021

Ordinary Shares

Spread of holdings	Holders	Units	Percentage of issued capital
1 to 1,000	13,678	8,492,236	0.29
1,001 to 5,000	18,992	51,801,154	1.76
5,001 to 10,000	7,101	55,348,001	1.89
10,001 to 100,000	10,943	331,434,245	11.29
100,001 and over	1,555	2,488,364,371	84.77
Total	**52,269**	**2,935,440,007**	**100.00**

Unlisted Options expiry date 31/12/2022, exercise price $0.3634

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	16	15,324,099	100.00
Total	**16**	**15,324,099**	**100.00**

Unlisted Options expiry date 31/12/2021, exercise price $0.8325

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	4	1,954,554	100.00
Total	**4**	**1,954,554**	**100.00**

Unlisted Options expiry date 01/05/2023, exercise price $0.3235

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	11	17,775,324	100.00
Total	**11**	**17,775,324**	**100.00**

Pilbara Minerals
Powering a sustainable energy future

ADDITIONAL SHAREHOLDER INFORMATION

AS AT 13 SEPTEMBER 2021

Unlisted Options expiry date 31/12/2024, exercise price $0.2339

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	16	8,167,169	100.00
Total	**16**	**8,167,169**	**100.00**

Unlisted Performance Rights vesting period ends 30/06/2021, nil exercise price

Spread of holdings	Holders	Units	Percentage of rights on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	1	9,630	5.03
10,001 to 100,000	8	181,862	94.97
100,001 and over	-	-	-
Total	**9**	**191,492**	**100.00**

Unlisted Performance Rights vesting period ends 30/06/2022, nil exercise price

Spread of holdings	Holders	Units	Percentage of rights on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	11	741,847	32.92
100,001 and over	5	1,511,522	67.08
Total	**16**	**2,253,369**	**100.00**

Unlisted Performance Rights vesting period ends 30/06/2023, nil exercise price

Spread of holdings	Holders	Units	Percentage of rights on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	16	4,142,246	100.00
Total	**16**	**4,142,246**	**100.00**

Unlisted Performance Rights vesting period ends 31/03/2024, nil exercise price

Spread of holdings	Holders	Units	Percentage of rights on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	1	96,491	22.88
100,001 and over	3	325,204	77.12
Total	**4**	**421,695**	**100.00**

Unlisted Share Rights vesting period ends 30/11/2021, nil exercise price

Spread of holdings	Holders	Units	Percentage of rights on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	4	86,526	100.00
100,001 and over	-	-	-
Total	**4**	**86,526**	**100.00**

MARKETABLE PARCEL

There are 915 shareholders with less than a marketable parcel, based on the closing price of $2.20 on 13 September 2021.

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED SECURITY

The names of the 20 largest holders of each class of quoted security, the number of equity securities each holds and the percentage of issued capital each holds (as at 13 September 2021) are set out below:

	Name	Ordinary shares	
		Number	Percentage
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	465,681,871	15.86
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	449,568,334	15.32
3	CITICORP NOMINEES PTY LIMITED	264,877,986	9.02
4	CONTEMPORARY AMPEREX TECHNOLOGY (HONG KONG) LIMITED	207.456,142	7.07
5	POS-LT PTY LTD	92,863,027	3.16
6	GFL INTERNATIONAL CO LTD	87,882,802	2.99
7	GFL INTERNATIONAL CO LTD	84,802,169	2.89
8	NATIONAL NOMINEES LIMITED	76,523,217	2.61
9	BNP PARIBAS NOMS PTY LTD <DRP>	48,816,845	1.66
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	43,064,258	1.47
11	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	31,545,148	1.07
12	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	22,099,508	0.75
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	17,183,357	0.59
14	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	16,058,518	0.55
15	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	14,075,003	0.48
16	HAVELOCK MINING INVESTMENT LTD	10,472,890	0.36
17	BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	9,236,811	0.31
18	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	8,900,000	0.30
19	HUICEN CAPITAL PTY LIMITED	8,654,455	0.29
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	7,860,156	0.27
	Top Twenty Shareholders	**1,967,622,497**	**67.03**
	Total Remaining Shareholders	**967,817,510**	**32.97**
	TOTAL SHAREHOLDERS	**2,935,440,007**	**100.00**

ADDITIONAL SHAREHOLDER INFORMATION
AS AT 13 SEPTEMBER 2021

HOLDERS OF 20% OR MORE OF UNQUOTED EQUITY SECURITIES

There were nil holders of unquoted equity securities held for each class of unquoted equity securities (but excluding securities held under an employee incentive scheme) where the holding was 20% or more of each class of security as at 13 September 2021.

RESTRICTED SECURITIES

The number of restricted securities subject to voluntary escrow on issue at 13 September 2021 and the date that the escrow period ends are set out below:

Class of Restricted Securities subject to Voluntary Escrow	No. of holders	Number of ordinary shares	Date Escrow period ends
Ordinary shares – ES1	4	86,528	3 September 2022
Ordinary shares – ES2	4	86,528	1 December 2022
Ordinary shares – ES3	4	86,528	1 March 2023
	Total:	259,584	

COMPANY SECRETARY

The name of the Company Secretary is Alex Eastwood.

ADDRESS AND DETAILS OF THE GROUP'S REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 2, 88 Colin Street, West Perth WA 6005
Telephone: +61 8 6266 6266
Fax: +61 8 6266 6288

ADDRESS AND TELEPHONE DETAILS OF THE OFFICE AT WHICH A REGISTER OF SECURITIES IS KEPT

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace, Perth WA 6000

Telephone: 1300 850 505
Website: www.computershare.com

STOCK EXCHANGE ON WHICH THE COMPANY'S SECURITIES ARE QUOTED

The Company's listed equity securities are quoted on the Australian Securities Exchange – Code: PLS.

ON-MARKET BUY-BACK

There is no current on-market buy-back of securities

Corporate Directory

Pilbara Minerals Limited

ABN 95 112 425 788
Incorporated in Australia

Board of Directors

Anthony Kiernan AM	Executive Chairman
Ken Brinsden	Managing Director & Chief Executive Officer
Steve Scudamore	Director (Non-Executive)
Sally-Anne Layman	Director (Non-Executive)
Nicholas Cernotta	Director (Non-Executive)

Company Secretary

Alex Eastwood

Principal Registered Office in Australia

Level 2, 88 Colin Street
West Perth WA 6005
Tel: +61 8 6266 6266
Fax: +61 8 6266 6288
Website: **pilbaraminerals.com.au**

ACN and ABN

ACN: 112 425 788
ABN: 95 112 425 788

ASX Code

PLS

Share Register

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Tel: 1300 850 505

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000, Australia