

Recommendation

**Strong BUY**

**High Risk**

Price

**4.6c**

Valuation

**17.3c**

PLS's quarterly report for March 2015 was released 24 April.

- Works approval for Tabba Tabba is still expected for May. Plant has been prepared for transport to site works; site works needed. Mining contractor is ready to start.
- Tabba Tabba is PLS's first project, but the bulk of our valuation is in Pilgangoora, for which PLS announced a major resource update on 9 March.
- PLS announced further, thick, high-grade intersections at Pilgangoora on 15 April and 30 April.

**Beer & Co affirms our Strong BUY, High Risk recommendation; Our risked valuation on PLS is now 17.3c.**

**Snapshot**

Market Cap	\$28.5m
Shares on Issue	617.6m
Cash on hand (31 March 2015)	\$1.3m
52 Week High	6.5c
52 Week Low	1.0c
1 month / 6 month VWAP	3.9c / 4.3c

**Tabba Tabba works approval expected in May**

In their quarterly, PLS stated that the works approval is expected in May. Be& Co expects first product in about 6 weeks from the date of works approval. In our view, PLS's share price has languished as first product has been delayed. The delays will soon be over.

**Pilgangoora Resource upgraded, and Beer & Co's valuation followed**

Beer & Co's note of 7 April covered the resource upgrade for Pilgangoora in detail. It raised our valuation from 11c to 17.3c/share.

**More, thick, high grade intercepts from drilling at Pilgangoora**

On 15 April, PLS announced further, high grade intercepts at Pilgangoora, with grades slightly higher than around resource grade for Ta<sub>2</sub>O<sub>5</sub> and about 50% higher for Li<sub>2</sub>O.

The drilling appeared to intercept 3 mineralised shoots, so the average waste to ore ratio across these 4 holes is less than half of the strip ratio assumed in our modelling.

This suggest significant further upside potential to our valuation of Pilgangoora due to lower mining costs from the reduced strip ratio.

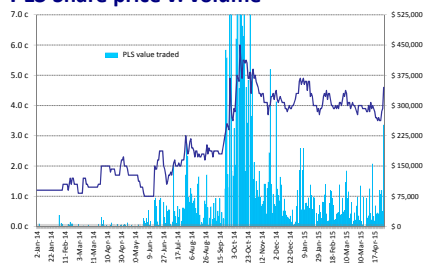
**Significant upside to Beer & Co's risked valuation of 17.3c/share**

PLS reported the results of metallurgical testing, which yielded a Ta<sub>2</sub>O<sub>5</sub> grade that meets the required specification.

Beer & Co sees significant further potential to increase our risked valuation of PLS, at both Pilgangoora and Tabba Tababa.

Beer & Co confirms our Strong BUY, High Risk recommendation.

**PLS Share price v. volume**



Pilbara Minerals acquired a 50% stake in the Tabba Tabba project in October 2013.

PLS published a feasibility study on Tabba Tabba in February 2014 and has since raised equity to bring it into production.

In May 2014, PLS announced the acquisition of 100% of Pilgangoora, 55km from Tabba Tabba in the Pilbara region.

**Author :** Pieter Bruinstroop  
[pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

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## Pilgangoora High grade drill results

### Pilgangoora Resources

On 9 March, 2015, PLS announced an upgraded Mineral Resources estimate and Exploration Target, as shown in Figures 1 and 2.

PLS has a significant resource for tantalite and spodumene

**Figure 1 : Pilgangoora Resource estimate, March 2015**

Category		Ta <sub>2</sub> O <sub>5</sub> grade	Contained Ta <sub>2</sub> O <sub>5</sub>	Li <sub>2</sub> O grade	Contained Li <sub>2</sub> O
Indicated	Ta <sub>2</sub> O <sub>5</sub>	5.99 Mt	235 ppm	1,410 t	3.1 Mlb
	Li <sub>2</sub> O	4.69 Mt			1.38 %
Inferred	Ta <sub>2</sub> O <sub>5</sub>	15.71 Mt	220 ppm	3,450 t	7.6 Mlb
	Li <sub>2</sub> O	11.93 Mt			1.07 %
TOTAL	Ta <sub>2</sub> O <sub>5</sub>	21.70 Mt	224 ppm	4,860 t	10.7 Mlb
	Li <sub>2</sub> O	16.62 Mt			1.16 %

Source : PLS ASX announcement, 9 March 2015, Beer & Co

PLS has an even more significant exploration target

**Figure 2 : Pilgangoora Exploration Target, March 2015**

		Li <sub>2</sub> O grade	Ta <sub>2</sub> O <sub>5</sub> grade
Northern area	10 Mt - 15 Mt	1.2 % - 1.5 %	200 ppm - 250 ppm
Central & Southern	15 Mt - 20 Mt	1.2 % - 1.5 %	200 ppm - 250 ppm
TOTAL	25 Mt - 35 Mt	1.2 % - 1.5 %	200 ppm - 300 ppm

Source : PLS ASX announcement, 9 March 2015, Beer & Co

The estimate was based on 4 campaigns of drilling, totalling 11,569m from 141 holes, as shown in Figure 3. All the drilling was RC.

**Figure 3 : Drilling at Pilgangoora**

Company	Drilled	holes	Av. Depth	Time
Talison Minerals	3,198m	54	59m	2008
Talison Minerals	2,783m	29	96m	2010
Gloal Advanced Metals	1,776m	17	104m	2012
Pilbara Minerals	3,812m	41	93m	2014
<b>TOTAL</b>	<b>11,569m</b>	<b>141</b>		

Source : PLS ASX announcement, 9 March 2015, Beer & Co

PLS has recently reported results from further RC drilling

### Recent Drilling

During March – April, PLS completed 23 more RC holes for a total of 2,168m. This takes the total drilled to 6,996m of the planned 10,000m program, with drilling set to resume in the next few days to complete the program.

Figure 4 shows that the Resource estimate at Pilgangoora is based on 2.5km of strike, while PLS's current dilling is outside of this area, focussed on pegmatities identified at surface.

Some drilling has been in the area of the resource estimate

The most recent drilling has been in areas up to 1km distant from the area on which the resource estimate is based.

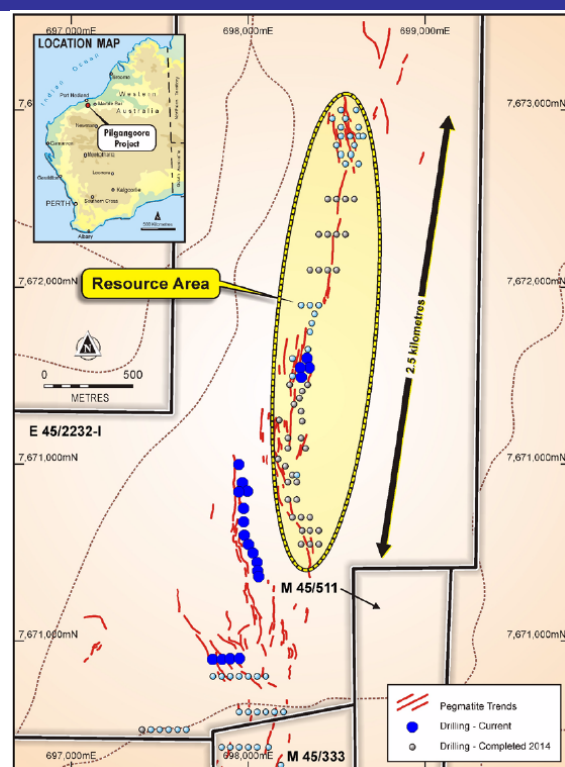
The results show consistent or better grades and suggest a lower strip ratio than we have used.

On 15 April, 2015, PLS announced the assay results of the first 6 holes of the most recent campaign, which are shown in Figure 5a. The location of these holes in shown in Figure 4 as the blue dots within the resource area.

Figure 5a shows average results that are higher than the resource grade, and consistent with the Exploration Target, for tantalite (Ta<sub>2</sub>O<sub>5</sub>), and results for lithia (Li<sub>2</sub>O) that are higher than the grades for both the Resource and the Exploration Target.

There are also some lower grade results not included in Figure 5a so we do not expect changes in the overall grades, but Figure 5 shows a much lower waste to ore ratio, of about 3.2, than we had assumed in our modelling.

Figure 4 : Drilling at Pilgangoora



Source : PLS ASX announcement, 15 April 2015

Figure 5a : High grade drill results

Hole No.	From	To	thickness	Li <sub>2</sub> O	Ta <sub>2</sub> O <sub>5</sub>
PLS 036	22m	33m	11m	1.58 %	210 ppm
	48m	54m	6m	1.66 %	197 ppm
PLS 038	43m	52m	9m	1.72 %	204 ppm
	64m	71m	7m	1.41 %	221 ppm
	82m	88m	6m	2.21 %	315 ppm
PLS 0126	26m	37m	11m	1.79 %	214 ppm
	47m	53m	6m	1.71 %	178 ppm
	61m	69m	8m	2.16 %	334 ppm
PLS 0127	33m	42m	9m	1.79 %	240 ppm
	70m	77m	7m	1.83 %	231 ppm
	85m	102m	17m	1.84 %	266 ppm
<b>TOTAL / Average</b>		<b>313m</b>	<b>97m</b>	<b>1.79 %</b>	<b>239 ppm</b>

Source : PLS ASX announcement, 15 April 2015, Beer & Co

Figure 5b : High grade drill results, extensions

Hole No.	From	To	thickness	Li <sub>2</sub> O	Ta <sub>2</sub> O <sub>5</sub>
PLS 078	0m	35m	35m	1.60 %	102 ppm
PLS 079	29m	50m	21m	1.69 %	78 ppm
PLS 080	3m	12m	9m	1.40 %	79 ppm
	27m	51m	24m	1.35 %	137 ppm
PLS 069	29m	38m	9m	1.55 %	211 ppm
PLS 072	29m	48m	19m	1.57 %	182 ppm
	51m	53m	2m	3.28 %	260 ppm
PLS 073	59m	82m	23m	1.82 %	132 ppm
PLS 073A	22m	40m	18m	1.50 %	177 ppm
PLS 074	50m	63m	13m	1.54 %	90 ppm
<b>TOTAL / Average</b>		<b>412m</b>	<b>173m</b>	<b>1.59 %</b>	<b>130 ppm</b>

Source : PLS ASX announcement, 30 April 2015, Beer & Co

Figure 4 shows drilling outside the area on which the resource estimate is based. Results from this drilling are shown in Figure 5b. These results are up to 1km from the outline of the current resource estimate.

The results also show some high grade, thick intercepts giving an even lower low strip ratio. The results also show that the Ta<sub>2</sub>O<sub>5</sub> grades decline to the south, while the Li<sub>2</sub>O grades are still good.

## Upside to our Beer & Co's Valuation

**Beer & Co expect a large resource at similar Ta<sub>2</sub>O<sub>5</sub> grades, and higher Li<sub>2</sub>O grades**

This might mean that our assumed grades are low, and so our valuation may need to be revised upwards.

If lower grade material is included in the mine plan, which we expect will be the case, then the waste to ore ratio will come down even further.

This means that our cost estimates will be too high and our valuation will need to be revised upwards.

**Beer & Co expects that the mining costs will be lower than we have estimated in our analysis due to the lower strip ratio**

The most recent drilling will convert some of the Exploration target into a Resource. PLS is now starting the final phase of its 10,000m programme and we expect a revised resource estimate for Pilgangoora to be announced by September.

## Product

PLS has an agreement to sell all Ta<sub>2</sub>O<sub>5</sub>, from both Tabba Tabba and Pilgangoora, to Global Advanced Metals (GAM). GAM will also take Li<sub>2</sub>O concentrate, that it will re-sell.

However, Pilgangoora is Li<sub>2</sub>O rich, while Tabba Tabba is Ta<sub>2</sub>O<sub>5</sub> rich.

PLS has received interest from a Chinese party in the Li<sub>2</sub>O. PLS collected 3,428kg of RC chips from Pilgangoora drilling which was upgraded to a 1,000kg bulk sample by Nagrom to supply to the Chinese party for them to carry out their own testwork.

**PLS has done preliminary metallurgical testwork and has sent a bulk sample to a potential customer**

## Metallurgical Testwork

PLS reported results to date on work on a 150kg sample of Pilgangoora ore, aimed at recovering both tantalum and lithium.

The primary gangue is removed by gravity separation using wet tables, and the middlings stream is subjected to a re-grind and then subjected to further gravity separation by wet tables.

The results show that a tantalum concentrate can be recovered by a simple gravity flow sheet, while a high grade lithium concentrate can be produced by flotation and magnetic separation.

The results show that about 89% of the Ta<sub>2</sub>O<sub>5</sub> is recovered to a mass of 1.5% of the original feed, with 99% of the SiO<sub>2</sub> being rejected. The result is a concentrate of greater than 6% Li<sub>2</sub>O, from 2.1% feed grade, and 1.5% Ta<sub>2</sub>O<sub>5</sub>, from a feed grade of 260ppm.

## Tabba Tabba : Progress Update

**The works permit for Tabba Tabba is expected during May**

## Permitting

PLS originally expected to be in production by the end of 2014, but the final approval for site construction has been delayed. PLS has since re-designed the tailings facility and approval is now imminent.

In their quarterly, PLS stated :

Site construction can begin as soon as the works permit is granted

*“At this stage, the company expects all necessary approvals for the Tabba Tabba project to be in place to facilitate the commencement of site construction during May-June 2015, in line with previous guidance.”*

The plant is ready to be transported to site and installed as soon as the approval is granted.

## Conclusions

Figure 6 shows the detail of our revised valuation of PLS, of 17.3c/share. It shows :

- Tabba Tabba is only a small part of our overall valuation; and
- The major part of our valuation is Pilgangoora, which is very heavily risk weighted

The bulk of PLS's valuation is Pilgangoora, and this has been heavily risk weighted

**Figure 6 : Beer & Co's valuation of PLS**

discount rate = 12.0 %	risk :	30-Jun-14		29-Apr-15	
		100%	Product	per share	
Tabba Tabba Resources	85 %	\$ 4m	\$ 3m	0.4 c	0.6 c
Tabba Tabba Extensions	65 %	\$ 4m	\$ 2m	0.2 c	0.3 c
Strelly	45 %	\$ 1m	\$ 1m	0.1 c	0.1 c
fanking credits	50 %	\$ 1m	\$ 1m	0.1 c	0.1 c
Pilgangoora Indicated	50 %	\$ 89m	\$ 44m	4.9 c	7.3 c
Pilgangoora Inferred	40 %	\$ 64m	\$ 26m	2.8 c	4.5 c
Pilgangoora Extension	20 %	\$ 8m	\$ 2m	0.2 c	0.4 c
fanking credits	20 %	\$ 63m	\$ 22m	2.4 c	4.0 c
Corporate	100 %	(\$6m)	(\$6m)	(0.6c)	(0.6c)
Cash / debt	100 %	(\$0m)	(\$0m)	(0.0c)	(0.1c)
cash raised	100 %	\$ 9m	\$ 9m	1.0 c	0.7 c
<b>TOTAL</b>		<b>\$ 237m</b>	<b>\$ 103m</b>	<b>11.5 c</b>	<b>17.3 c</b>
Shares on issue		330.3m	FPO shares	39.2m options	
		288.2m	issued 2014	39.2m op. ex'd	
		49.2m	CNs converted		
		193.0m	new equity		

Source : Beer & Co estimates

There is still significant upside potential to our valuation.

### Retain Strong BUY, High Risk recommendation

Our note of 7 April 2015 detailed the basis of our valuation.

There is significant upside potential to our valuation from :

- Lower costs at Pilgangoora, due to a lower strip ratio;
- Successful project execution and hence reduction in the risk applied.

Production from Tabba Tabba will reduce the risk applied to these operations, and to PLS overall.

Beer & Co retains a Strong BUY, High Risk, recommendation on PLS.

We retain our Strong BUY, High Risk, recommendation

Beer & Co Research

Pilbara Minerals (PLS.ASX)

April 2015

Year ended June	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Section 1 - P&amp;L</b>							
Sales revenue	\$A m	0	1	10	10	76	119
Interest revenue	\$A m	0	0	0	0	1	1
Other revenue	\$A m	0	0	0	0	0	0
<b>Total Revenue</b>	\$A m	0	1	11	11	77	120
Cost of Goods Sold	\$A m	0	(0)	(4)	(4)	(44)	(60)
Royalties	\$A m	0	0	0	0	0	0
Exploration Expense	\$A m	0	0	0	0	0	0
Corporate Costs	\$A m	(1)	(1)	(1)	(1)	(1)	(1)
Other Operating Expenses	\$A m	0	0	0	0	0	0
<b>Total Operating Expenses</b>	\$A m	(1)	(1)	(5)	(5)	(60)	(61)
<b>EBITDA</b>	\$A m	(1)	(1)	5	5	32	58
Dep'n & Amort'n	\$A m	0	(0)	(6)	(1)	(2)	(4)
<b>EBIT</b>	\$A m	(1)	(1)	(1)	4	30	55
Interest Expense	\$A m	0	0	0	0	(1)	(1)
Other	\$A m	0	0	0	0	0	0
<b>Pre-Tax Profit</b>	\$A m	(1)	(1)	(1)	4	29	54
Tax Expense	\$A m	0	0	0	(1)	(9)	(16)
<b>NPAT</b>	\$A m	(1)	(1)	(1)	3	20	38
<b>Reported NPAT</b>	\$A m	(1)	(1)	(1)	3	20	38

Section 2 - Key Data

Ordinary shares - year end	m	330.3	619	822	861	861	861
Fully diluted shares on issue	m	418.7	707	861	861	861	861
Weighted # shares	m	291.5	612	694	841	861	861
Earnings per Share		(0.3c)	(0.2c)	(0.2c)	0.4 c	2.4 c	4.4 c
Dividends Per Share		0.0 c	0.0 c	0.0 c	0.0 c	0.5 c	3.2 c

Section 3 - Balance Sheet

Cash	\$A m	1	1	9	6	34	43
Receivables	\$A m	0	0	1	1	13	15
Other	\$A m	0	0	0	0	0	0
<b>CURRENT ASSETS</b>	\$A m	1	1	11	7	47	57
Receivables	\$A m	0	0	0	0	0	0
P, P & E	\$A m	2	4	1	20	20	18
Mining Properties / Exploration	\$A m	4	5	3	3	3	2
Other	\$A m	0	0	0	0	0	0
<b>NON-CURRENT ASSETS</b>	\$A m	7	9	5	23	23	20
<b>TOTAL ASSETS</b>	\$A m	8	10	16	31	69	67
Payables	\$A m	0	0	1	1	6	6
Debt	\$A m	0	2	0	1	3	2
Other	\$A m	0	0	0	0	0	0
<b>CURRENT LIABILITIES</b>	\$A m	0	2	1	1	8	9
Long Term Debt	\$A m	2	0	10	9	6	3
Deferred Tax Liability	\$A m	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0
Provisions	\$A m	0	0	0	0	0	0
<b>NON-CURRENT LIABILITIES</b>	\$A m	2	0	10	9	6	3
<b>TOTAL LIABILITIES</b>	\$A m	2	2	10	10	15	12
<b>NET ASSETS</b>	\$A m	6	8	5	21	55	57
Accumulated Profit (Loss)	\$A m	(12)	(13)	(14)	(11)	9	31
Reserves	\$A m	1	0	(8)	3	16	6
Contributed Equity	\$A m	17	20	28	29	29	29
Minority Interest	\$A m	0	0	0	0	0	0
<b>Total Equity</b>	\$A m	6	8	5	21	55	57

Section 4 - Cashflow

Net Cashflow from operations	\$A m	(4)	(4)	3	(5)	28	39
Net Interest Paid	\$A m	0	0	0	0	(0)	0
Taxes Paid	\$A m	0	0	0	0	(1)	(15)
Change in Working Capital	\$A m	(0)	0	(10)	3	(44)	(11)
<b>OPERATING CASHFLOW</b>	\$A m	(4)	(3)	(8)	(1)	(18)	13
Exploration Expenditures	\$A m	0	1	2	0	0	0
Maintenance Capex	\$A m	0	0	0	0	1	1
Expansion Capex	\$A m	2	2	0	19	0	0
<b>PPE Acquisitions (Total Capex)</b>	\$A m	2	3	2	20	1	1
PPE Divestments	\$A m	0	0	0	0	0	0
<b>INVESTING CASHFLOW</b>	\$A m	2	3	2	20	1	1
Change in Equity	\$A m	2	4	6	1	0	0
Dividends Paid	\$A m	0	0	0	0	(16)	(30)
Change in Debt	\$A m	2	0	8	0	(1)	(3)
<b>FINANCING CASHFLOW</b>	\$A m	3	4	14	1	(1)	(3)
<b>Free Cashflow</b>	\$A m	(2)	(0)	(5)	18	(16)	2
<b>Net Cashflow</b>	\$A m	2	3	9	19	(17)	(4)

Shareholdings

Neil Biddle	34.438m	5.6 %
Vaughan Blank	33.333m	5.4 %

Commodity price assumptions

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
AUD/USD	0.835	0.750	0.750	0.750	0.750	0.750
Tantalite	US\$ / lb	83	83	83	83	83
Spodumene	US\$ / lb	3.0	3.0	3.0	3.0	3.0

Mine Production, PLS share, '000 pounds

Tabba Tabba Ta2O5	7	126	122	131	130	130
Pilgangoora Ta2O5	0	0	0	256	421	425
Pilgangoora Spodumene	0	0	0	14,626	24,111	24,339

Resources, Reserves and assumed mining inventory

Tabba Tabba Ore Reserves

		Ta2O5 grade	contained Ta2O5
Proved	32 kt	1,420 ppm	100k lb
Probable	101 kt	1,249 ppm	278k lb
<b>Total Reserves</b>	133 kt	1,290 ppm	378k lb
Pit Design	162 kt	1,240 ppm	443k lb

Tabba Rabba Mineral Resources

		Ta2O5 grade	contained Ta2O5
Measured	30 kt	1,610 ppm	107k lb
Indicated	124 kt	1,260 ppm	346k lb
Inferred	58 kt	925 ppm	119k lb
<b>TOTAL</b>	213 kt	1,220 ppm	572k lb

Beer & Co estimated mining inventory, Tabba Tabba

		Ta2O5 grade	contained Ta2O5
Reserves	133 kt	1,290 ppm	378k lb
Pit Design	29 kt	1,012 ppm	65k lb
Other M&I Resources	60 kt	625 ppm	83k lb
Inferred	96 kt	662 ppm	140k lb
Along strike	500 kt	600 ppm	661k lb
Strelly, high grade	500 kt	600 ppm	661k lb
Strelly, balance	900 kt	450 ppm	892k lb
<b>TOTAL</b>	2,217 kt	589 ppm	2,881k lb

Pilgangoora Mineral Resources

Category		Ta2O5 grade	Contained Ta2O5	Li2O grade	Contained Li2O
Indicated	Ta2O5	5.99 Mt	235 ppm	1,410 t	3.1 Mlb
	Li2O	4.69 Mt			1.38 %
Inferred	Ta2O5	15.71 Mt	220 ppm	3,450 t	7.6 Mlb
	Li2O	11.93 Mt			1.07 %
<b>TOTAL</b>					127,500 t

Beer & Co estimated mining inventory, Pilgangoora

		Ta2O5 grade	Li2O grade
Indicated Resources	4.69 Mt	235 ppm	1.38 %
	1.30 Mt	235 ppm	1.07 %
Inferred Resources	10.63 Mt	220 ppm	1.07 %
	5.08 Mt	220 ppm	1.35 %
Exploration Target	24.92 Mt	250 ppm	1.35 %
<b>TOTAL</b>	46.62 Mt	238 ppm	1.28 %

Asset based Valuation

discount rate = 12.0 %	30 June 2014		29-Apr-15	
	risking	100% Product	per share	
Tabba Tabba Resources	\$ 4m	\$ 3m	0.4 c	0.6 c
Tabba Tabba Extensions	\$ 4m	\$ 2m	0.2 c	0.3 c
Strelly	\$ 1m	\$ 1m	0.1 c	0.1 c
fanking credits	\$ 1m	\$ 1m	0.1 c	0.1 c
Pilgangoora Indicated	\$ 89m	\$ 44m	4.9 c	7.3 c
Pilgangoora Inferred	\$ 64m	\$ 26m	2.8 c	4.5 c
Pilgangoora Extension	\$ 8m	\$ 2m	0.2 c	0.4 c
fanking credits	\$ 63m	\$ 22m	2.4 c	4.0 c
Corporate	(\$6m)	(\$6m)	(0.6c)	(0.6c)
Cash / debt	(\$0m)	(\$0m)	(0.0c)	(0.1c)
cash raised	\$ 9m	\$ 9m	1.0 c	0.7 c
<b>TOTAL</b>	\$ 237m	\$ 103m	11.5 c	17.3 c
Shares on issue	330.3m	FPO shares	39.2m	options
	288.2m	issued 2014	39.2m	op. ex'd
	49.2m	CNs converted		
	193.0m	new equity		

Financial Ratios

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue	\$A m	1	11	11	77	119
EBITDA	\$A m	(1)	(1)	5	5	32
EBIT	\$A m	(1)	(1)	(1)	4	30
NPAT (reported)	\$A m	(1)	(1)	(1)	3	20
Adjusted EPS (cps)		(0.3c)	(0.2c)	(0.2c)	0.4 c	2.4 c
EPS Growth (%)			46 %	0 %	300 %	549 %
DPS (c)		0.0 c	0.0 c	0.0 c	0.5 c	3.2 c
Dividend Yield (%)		0 %	0 %	0 %	12 %	83 %
PE adj. (x)	x	(6)	(21)	(21)	10	2
EV / EBITDA (x)	x	(7)	(34)	6	7	0
EV / EBIT (x)	x	(7)	(22)	(26)	8	0
Gearing (%)		15 %	62 %	31 %	13 %	8 %
Return on Assets		(12%)	(8%)	14 %	43 %	70 %
Return on Equity		(14%)	(23%)	15 %	37 %	58 %
EBITDA Margin (%)		n/a	n/a	50 %	53 %	42 %
Interest Cover (x)	x	n/a	n/a	n/a	n/a	33.8

## Important Information

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Report prepared by : Pieter Bruinstroop [pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

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BEER & CO PTY LTD ABN 88 158 837 186,  
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

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Melbourne Office:  
Suite 4, Level 2, Bank House  
11 - 19 Bank Place,  
Melbourne, Vic, Australia 3000  
Telephone: (+613) 9600 3599  
Facsimile: (+613) 9602 2291  
Email: [info@beerandco.com.au](mailto:info@beerandco.com.au)  
Web: [www.beerandco.com.au](http://www.beerandco.com.au)