

Higher throughput PLUS higher prices
Pilgangoora 55Mt in Resources plus 80 – 90Mt Target

Recommendation

Strong BUY; High Risk

Price

25.0c

Valuation

51c

Products :

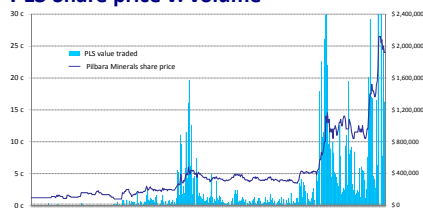
**Tantalite (tantalum)
and Spodumene (lithium)**

- **Tabba Tabba first product now November.**
- **On 24 September, PLS announced an increase in Resources, from 23.8Mt, in July, to 52.2Mt, PLUS an increased Exploration Target from 50 – 60Mt to 80 - 90Mt.**
- **The resource is the second largest hard rock spodumene resource globally, with potential to be the largest.**
- **PLS has had strong interest in off-take, so Beer & Co has increased our estimated throughput, from 1.0Mt/yr to 3.0Mt/yr, by stages.**
- **Beer & Co has increased our price estimate for spodumene concentrate, reflecting the strong demand.**

Snapshot

Market Cap	\$175m
Shares on Issue	700.6m
Cash on hand (30 Sept 2015)	\$5.2m
Plus \$7.3m in Con Notes (\$4m), options ex'd (795k) and placement (\$2.5m) since	
52 Week High	31.5c
52 Week Low	3.4c
1 month / 6 month VWAP	22.2c/12.6c

PLS Share price v. volume



Pilbara Minerals has 100% of the Tabba Tabba tantalite project, which is expected to be in production in September 2015..

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

PLS is progressing a feasibility study for Pilgangoora and is awaiting a permit to begin production at Tabba Tabba

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Tabba Tabba first product delayed to November

The delays continue, but PLS is funded to cover this problem.

Increased Resource Estimate, PLUS increased Exploration Target

PLS announced an increase in its Resources Estimate, from 23.8Mt to 52.2Mt, PLUS an increased Exploration Target, from 50 – 60Mt to 80 – 90Mt.

This makes PLS's Pilgangoora the second largest hard rock spodumene deposit in the world, after Greenbushes, which has 120Mt in Resources in December 2012.

PLS's previous Resource estimate was in July. The rate of increases shows that it clearly has the potential to be the largest deposit in the world.

Strong Demand

Due to strong demand for Lithium, due to Electric Vehicles and emerging off-grid battery demand, coupled with supply uncertainties, PLS have signed MOUs for than 200kt/yr of Li₂O concentrate.

PLS reported, in presentations, of prices up to US\$ 450/t for low Fe, 6% Li₂O, concentrate for chemical or battery grade, and higher prices for very low Fe concentrate for industrial (glass or ceramic) applications.

Increased Throughput assumed

Our previous assumption was 1.0Mt/yr. Beer & Co believe that the production rate will be raised. We have assumed to 3.0Mt/yr, which still leaves a very long mine life of about 40 years.

Beer & Co valuation now 51c/share; Strong BUY

Higher prices plus higher throughput, even with a required equity raising, have significantly raised our valuation, and our recommendation to Strong BUY.

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Tabba Tabba delayed further

On site construction proceeding

Tabba Tabba plant about to begin commissioning

PLS is permitted to construct and commission the plant.

However, before PLS is able to move product off-site, it requires a final permit, which follows a site inspection by the Department of Minerals and Energy to assure that the development has been as permitted and is fully permitted.

It is now expected that the site inspection will be later in October, with the final permit in November.

Strong demand for Spodumene concentrate

An almost perfect storm favouring PLS

PLS is dominantly a prospective spodumene producer

There could not be a better time for a small company to have a significant spodumene resources.

There is significant and growing demand

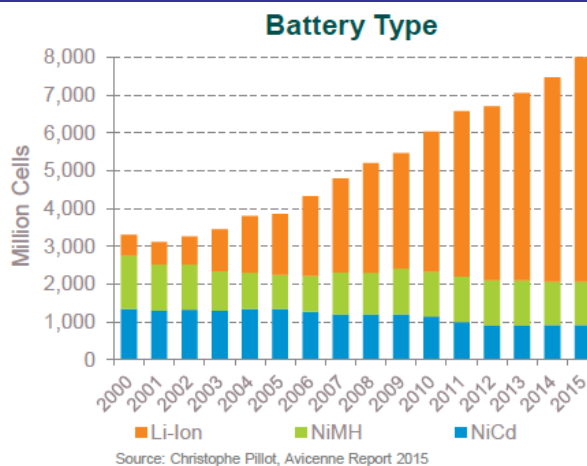
The demand for lithium is strong and projected to grow at a high rate

As demand grows for Li-ion batters for a range of applications

As shown in Figure 1, there is growing battery demand and Li-ion batteries are the preferred technology, due to energy density and power per weight, as well as moderating costs.

This demand is coming from phones, tablets, portable consumer electronics (eg. power drills), as well emerging Hybrid and Electric Vehicle demand and off-grid energy storage.

Figure 1 : Growing Li-ion battery demand



Source : Albemarle presentation, September 2015

Figure 2 shows projected Lithium demand. It shows that while batteries are the growth in demand, the other sources of demand are significant.

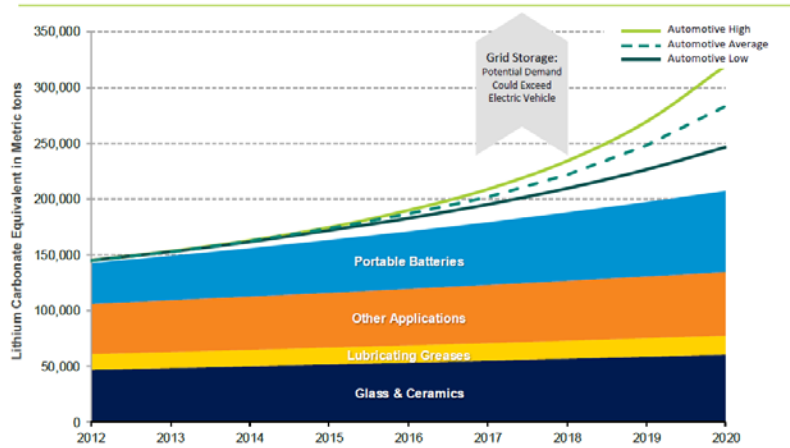
Figure 2 : Current and Potential Lithium Demand

Potential Lithium Demand Delivers Significant Upside

Automotive use is projected to grow strongly

For Hybrid and Electric Vehicles

And off-grid power storage



Source: Rockwood Lithium estimates and market surveys from BCG, Bloomberg, Avicenne, Roland Berger, Pike Research, Fraunhofer IGT, Deutsche Bank Research, McKinsey, CTI, Anderman, JD Powers

Source : Albemarle presentation, September 2015

Figure 3 puts definitive quantities on the various market segments, in terms of Li_2O units. It shows that glass / ceramics, which requires a technical grade of spodumene concentrate of low iron (maximum of 1.0% and the lower the better) is still the largest single segment, at 46kt in 2014 of contained Li_2O .

Figure 3 : market sizes

The largest consumer of Li_2O units is still glass / ceramics

Application		2014 Market Size	Growth Rate	Products
Traditional Uses	Glass/Ceramics	46KT	GDP	• Spodumene • Li_2CO_3
	Greases / Lubricants	18KT	GDP	• LiOH
	Chemical Synthesis	11KT	GDP	• Li Organometallics fed by Li Metal LiCl
Energy	Portable Electronics & Other Handhelds	48KT	16% (Base Case)	• BG Li_2CO_3 • BG LiOH • BG Li Metal • BG Electrolyte Salts • BG LiCl • BG Alloys • BG Specialty Compounds
	Hybrids			
	Battery Electric Vehicle (BEV)			
	Grid and Other Power Storage Applications			

Source: Internal Total Global LCE Market: 160KT (2014)

Source : Albemarle presentation, September 2015

Figure 3 also shows that while chemical or battery grade lithium can be sourced from a variety of feedstocks, the suitable range of feedstocks for the largest use segment is focussed on spodumene.

Supply is Challenged

(i) Greenbushes spodumene supply

Supply is challenged

The first way in which supply is challenged is the supply of spodumene from the Greenbushes mine.

Greenbushes is owned 51% by the Chinese group, Chengdu Tianqi and 49% by the NYSE listed chemicals company, Albemarle Corporation (ALB.N).

Tianqi presently uses its mined product in its chemicals operations.

Greenbushes, the world's dominant supplier of spodumene, will have its production committed to its owners from 2017

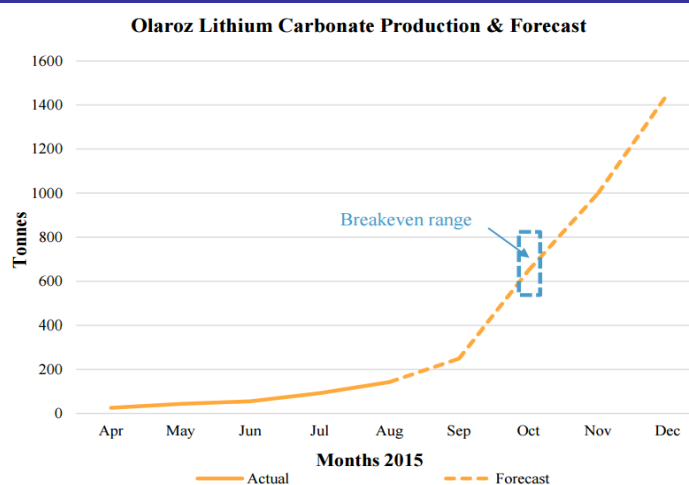
ALB sells some of its share of spodumene production to a range of users in China. However, ALB is building a battery plant and so from 2017 will no longer have spodumene production for external sale.

(ii) Brines production is challenged

Orocobre Limited (ORE.ASX) is in the ramp-up phase of its Salar de Olaroz brines project in Argentina. In late 2013, ORE stated that it was fully funded to being commercial production in 2014 Q2, to produce 17,500t/yr of Li_2CO_3 (equivalent to 7,000t/yr of Li_2O).

Figure 4 shows that production to date has been much less than might have been expected.

Figure 4 : Production from Salar do Olaroz



Source : ORE ASX announcement, 21 September 2015

The ramp-up of Orocobre's Salar de Olaroz brines project has been slower than had been expected

While ORE projects to ramp up its production towards its nameplate capacity, the slow rate to date has made consumers wary.

Glass / Ceramics

Figure 3 shows that the major use of lithium is in glass / ceramics manufacture. Its key properties are :

- Greatly increases the viscosity of glass and ceramic inputs such as silica and clays; and
- Virtually zero co-efficient of expansion, so that it cycles through very hot and freezing conditions without damage.

Metallurgical testwork on PLS's Pilgangoora material produced a high grade, low iron, concentrate, which is in high demand

However, to achieve this, the spodumene needs to have very low iron levels.

In their ASX announcement of 25 May 2015, PLS reported the results of metallurgical testwork on a 100kg representative bulk sample, as :

- Recovery of over 90% of the Li₂O to a concentrate grading 5.7% Li₂O and 0.37% Fe₂O₃ by flotation;
- Enhancement of the concentrate to 0.11% Fe₂O₃ by magnetic separation to extract iron; and
- A final concentrate of 6.5% Li₂O and 0.09% Fe₂O₃ by screening to eliminate the fines, of under 100µ (ie. 0.1mm) for a final "sand" product sized between 100µ and 300µ.

For glass / ceramics manufacturers, the key is low iron, with maximum limits varying from 0.09% to 0.17% across a range of manufacturers and applications. The preferred Li₂O level is 6.5%.

The product from Pilgangoora meets these strict specifications.

Strong Demand for PLS' product

Sources of lithium, such as spodumene, are an industrial mineral and prices are negotiated between miner and processor; there is no readily market price.

However the CEO of PLS reported that, in his recent marketing trips, there was very strong interest, as evidenced by the announcement of MOUs to supply.

PLS has signed non-binding MOUs to supply more concentrate than would be produced from processing 1.0Mt/yr of ore.

In announcements of 29 July, 12 August and 2 September, PLS has announced non-binding MOUs for off-take with :

- 2 Chinese lithium carbonate producers, for "over 70%" of the planned output of Pilgangoora, on 29 July;
- An Exclusive Distribution Agreement with Shantou Fancy Mining corporation to supply glass and ceramics manufacturers in China, for 25% of the planned output of Pilgangoora, on 12 August; and
- A North American group to distribute Pilgangoora spodumene to glass

PLS has an agreement with Global Advanced Metals (GAM), the vendor of the Pilgangoora tenements, to supply all the tantalite produced at Pilgangoora.

Prices Respond

Prices have improved with the strong interest

Recently, at company presentations, PLS has stated that

- Concentrate for supply to battery producers has increased to US\$ 450/t of 6% Li₂O product
 - this is US\$ 7,500/t of contained Li₂O, or US\$3,000/t of LCE (as Li₂O, is 40.5% of the weight of Li₂CO₃);
 - given the AUD-USD rate of 0.700, this gives AUD 643/t or \$A 2.92/lb
- Low iron spodumene concentrate for glass / ceramics is about US\$ 650/t
 - given the AUD-USD rate of 0.700, this gives AUD 923/t or \$A 4.21/lb

Beer & Co had used a price of AUD 3.0/lb for PLS's spodumene concentrate. Given that PLS will sell into both products, its average revenue will be higher than Beer & Co had previously assumed.

Revised Mine Plan

Resources

Outline

On 28 July 2014, PLS announced that it had completed the acquisition of the Pilgangoora tantalum-lithium project from Global Advanced Metals.

The mineralisation occurs in pegmatites that either outcrop or have a significant surface expression.

PLS has a very large area of known mineralisation

Figure 5 shows the tenements acquired by PLS and the mapped pegmatites.

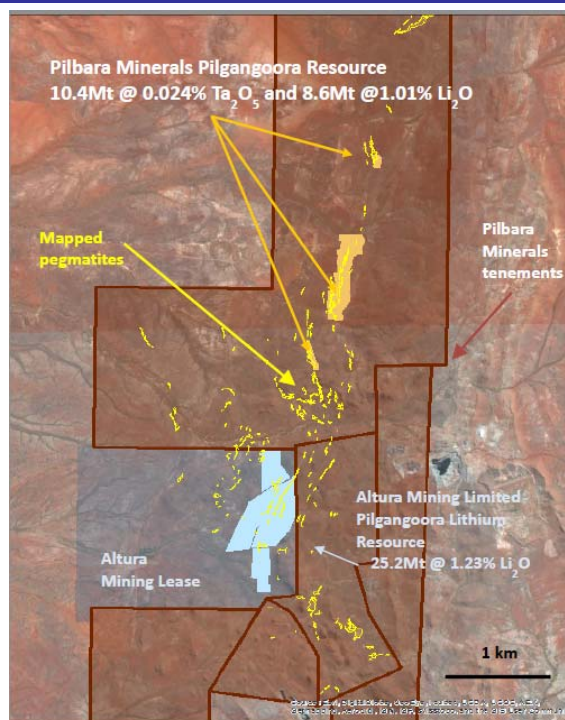
It also shows a Resource estimate based on work done by the vendor, which is also shown in Figure 6.

Figure 5 shows a significant further area of mineralisation and suggests much more.

At the time of the acquisition, Pilgangoora also had an

Exploration target, as shown in Figure 7.

Figure 5 : Pilgangoora tenements



Source : PLS ASX announcement, 28 July 2014

Figure 6 : PLS's initial Resource estimate for Pilgangoora

		Ta ₂ O ₅		Li ₂ O	
		grade	contained	grade	contained
Inferred Resource	10,400 kt	240 ppm	5,503k lb		
	8,600 kt			1.01 %	87 kt

Source : PLS ASX announcement, 17 June 2014

Figure 7 : PLS's initial Exploration Target for Pilgangoora

		Li ₂ O grade		Ta ₂ O ₅ grade	
Northern area	5 Mt - 10 Mt	1.2 % - 1.5 %	200 ppm - 300 ppm		
Central & Southern	10 Mt - 15 Mt	1.2 % - 1.5 %	200 ppm - 300 ppm		
TOTAL	15 Mt - 25 Mt	1.2 % - 1.5 %	200 ppm - 300 ppm		

Source : PLS ASX announcement, 17 June 2014

With many obvious targets, PLS engaged in an extensive but relatively low cost drilling campaign and quickly increased the Resource estimate, with a revised Resource announced in March 2015, as shown in Figure 8.

PLS has been able to increase its Resources and also its Exploration Target

Figure 8 : PLS's first updated Resource estimate for Pilgangoora

Resources	Category		Ta ₂ O ₅		Li ₂ O	
			grade	contained	grade	contained
Indicated	Ta ₂ O ₅	5.99 Mt	235 ppm	3.1 Mlb		
	Li ₂ O	4.69 Mt			1.38 %	64,800 t
Inferred	Ta ₂ O ₅	15.71 Mt	220 ppm	7.6 Mlb		
	Li ₂ O	11.93 Mt			1.07 %	127,500 t
TOTAL	Ta₂O₅	21.70 Mt	224 ppm	10.7 Mlb		
	Li₂O	16.62 Mt			1.16 %	192,300 t

Source : PLS ASX announcement, 9 March 2015

Figure 9 : PLS's first updated Exploration Target for Pilgangoora

			Li ₂ O grade		Ta ₂ O ₅ 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

The extent of the mineralisation is shown by the increase in the size of Exploration Target at the same time.

Only 3 months later, PLS announced a further increase in the size of the Resources estimate, as shown in Figure 10, with a significant increase in the size of the Exploration Target, as shown in Figure 11.

Figure 10 : PLS's next updated Resource estimate for Pilgangoora

Resources	Category		Ta ₂ O ₅		Li ₂ O	
			grade	contained	grade	contained
Indicated	Ta ₂ O ₅	6.0 Mt	233 ppm	3.1 Mlb		
	Li ₂ O	4.7 Mt			1.36 %	64,300 t
Inferred	Ta ₂ O ₅	17.8 Mt	208 ppm	8.2 Mlb		
	Li ₂ O	15.7 Mt			1.10 %	172,800 t
TOTAL	Ta₂O₅	23.8 Mt	214 ppm	11.3 Mlb		
	Li₂O	20.5 Mt			1.16 %	237,100 t

Source : PLS ASX announcement, 2 June 2015

Figure 11 : PLS's next updated Exploration Target for Pilgangoora

			Li ₂ O grade		Ta ₂ O ₅ grade	
Northern area	20 Mt - 25 Mt		1.2 % - 1.5 %		200 ppm - 250 ppm	
Central & Southern	30 Mt - 35 Mt		1.2 % - 1.5 %		150 ppm - 200 ppm	
TOTAL	50 Mt - 60 Mt		1.2 % - 1.5 %		175 ppm - 225 ppm	

Source : PLS ASX announcement, 2 June 2015

Comparing these results shows that PLS's drilling had been directed at demonstrating the potential size of Pilgangoora, rather than leading to a mine plan.

Just over 3 months later, PLS announced a significant increase in the resources estimate, as shown in Figure 12, with a further increase in the size of the Exploration Target, as shown in Figure 13.

Figure 12 : PLS's current Resource estimate for Pilgangoora

Category			Ta ₂ O ₅		Li ₂ O	
			grade	contained	grade	contained
Indicated	Ta ₂ O ₅	10.9 Mt	229 ppm	5.5 Mlb		
	Li ₂ O	7.8 Mt			1.29 %	100,000 t
Inferred	Ta ₂ O ₅	22.1 Mt	210 ppm	10.2 Mlb		
	Li ₂ O	44.4 Mt			1.28 %	568,000 t
TOTAL	Ta₂O₅	32.9 Mt	217 ppm	15.7 Mlb		
	Li₂O	52.2 Mt			1.28 %	668,000 t

Source : PLS ASX announcement, 24 September 2015

Figure 13 : PLS's current Exploration Target for Pilgangoora

			Li ₂ O grade		Ta ₂ O ₅ grade	
Northern area	30 Mt - 35 Mt		1.2 % - 1.5 %		200 ppm - 250 ppm	
Central & Southern	45 Mt - 55 Mt		1.2 % - 1.5 %		150 ppm - 200 ppm	
TOTAL	75 Mt - 90 Mt		1.2 % - 1.5 %		175 ppm - 225 ppm	

Source : PLS ASX announcement, 24 September 2015

Analysis

The continuing increase in the size of the Resource estimate, together with the Exploration Target validates Beer & Co's view that some value should be given to the Exploration Target.

While tonnes have increase, Ta₂O₅ grades have softened while Li₂O grades have improved

While the size of the Resource Estimate has increased :

- The Li₂O grades have risen, with the volume of resources; while
- The Ta₂O₅ grades have fallen.

This shows the different emphasis over time

This reflects the fact that the early stage work was focused on tantalite and spodumene was largely ignored.

Also, the Li₂O and Ta₂O₅ grades are not necessarily associated, so differing volumes for each commodity is due to areas where the other product might not have been assayed for :

GAM, when it was the owner, was focussed on Ta₂O₅

- In the Indicated Resources, some holes were assayed only for Ta₂O₅ as that was what GAM were seeking;
- The Inferred resource Estimate shows that PLS has not reported the assay results for Ta₂O₅ as the grades are low.

PLS has a greater interest in Ti₂O

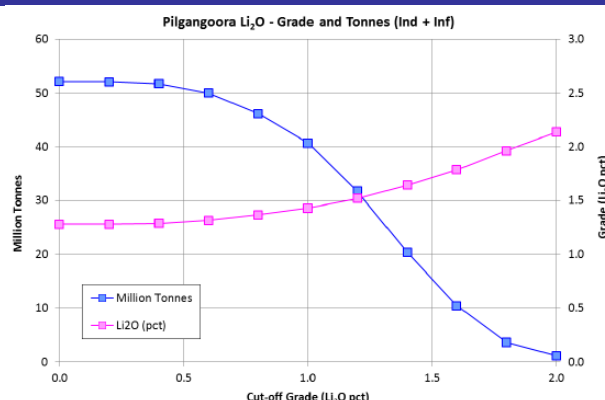
Mining Inventory

The mineralisation at Pilgangoora is in large pods, so the grades within a pod tend to be similar with only a minimal halo, but can differ significantly both in grade and composition between pods.

The impact of this is that a lower tonnage, higher grade mine plan is very feasible as it reflect a differing collection of pods rather than highly selective mining.

Figure 14 shows the grade – tonnage trade-off for the Pilgangoora Resource estimate.

Figure 14 : Grade – tonnage curve, Pilgangoora



Source : PLS ASX announcement, 24 September 2015

In their 24 September announcement, PLS included a higher grade Resource estimate, based on a 1.0% Li₂O cut-off grade, of 40.7Mt grading 1.43% Li₂O.

This is consistent with a visual examination of Figure 14.

Figure 15 shows the mining inventory assumed by Beer & Co in this analysis.

Figure 15 : Beer & Co’s assumed Mining Inventory

			Ta ₂ O ₅		Li ₂ O	
			grade	contained	grade	contained
RESOURCES	High grade	10.0 Mt	200 ppm	4.4 Mlb	1.43 %	143 kt
	Medium grade	30.7 Mt	220 ppm	14.9 Mlb	1.43 %	439 kt
	NORTHERN	30.0 Mt	217 ppm	14.3 Mlb	1.19 %	356 kt
	SOUTHERN	37.2 Mt	167 ppm	13.7 Mlb	1.19 %	442 kt
TOTAL		107.9 Mt	199 ppm	47.3 Mlb	1.28 %	1,381 kt

Source : Beer & Co estimates

Figure 15 shows that Beer & Co has assumed that mining begins focussed on high Li₂O grade areas, with the overall grades equivalent to that of the Resources estimate, and total material being the total resources plus some of the exploration target.

The focus on Li₂O is to mitigate the potential to flood the Ta₂O₅ market.

PLS’s success in extending its Resources Estimate and its Exploration Target significantly, with 3x the Ta₂O₅ Resource tonnes and 5x the Li₂O Resource tonnes, with the Exploration Target increasing by a factor of roughly 4x, all over a period of about 15 months, encourages Beer & Co to assume a significant mining inventory.

We expect PLS to manage its grades over time, rather than maximise them

Throughput

Given the volume of material, we expect PLS to have a higher rate of throughput

In our original analysis, we assumed a throughput of 1.0Mt/yr.

We are now raising this assumption.

We expect the current DFS to be based on an initial throughput of 1.0Mt/yr, but to be expanded over time to 3.0Mt/yr.

Financial Analysis of PLS

As discussed above, Beer & Co has revised our thinking on Pilgangoora. Tabba Tabba is in final construction and we have no changes to our estimates for it.

Pilgangoora Capital Cost Estimate

Initial

The earlier section, on Glass / Ceramics discussed the processing route :

- Dense Media Separation to produce a coarse spodumene concentrate;
- Gravity separation, by spirals, of the tantalite;
- Float the fines to produce separate tantalite and spodumene concentrates.

Beer & Co is increasing its estimated upfront capital cost

Figure 5 shows that Altura Mining (AJM.ASX) has some of the Pilgangoora mineralisation, with an estimated resource of 25Mt.

On 19 November 2012, AJM announced the results of a scoping study on its Pilgangoora project. The capital cost estimate was \$A 96.3m to process 830kt/yr of ore.

In public presentations, PLS advised that the expected capital cost is in the order of \$100m. As AJM estimated capital costs of \$A 96m to process 830kt/yr, and costs have since come down, Beer & Co use the estimate of \$A 100m for capital costs.

As another comparison, the capital cost for Tabba Tabba to process 120kt/yr is \$8m.

Pilgangoora is 8.5x the size, and has extra processing, including DMS, to produce 2 different products; \$8m by 8.5 gives \$68m, and adding in DMS and extra circuits suggests a capital cost of about \$90m - \$100m.

Expansions

Beer & Co assume :

- The initial 1.0Mt/yr operation takes about 12 months to construct and fully commission;
- The plant is then run at this capacity for about 12 months before a decision is made to expand the operations by a further 1.0Mt/yr
 - Beer & Co assumes that the capital cost for this extra 1.0Mt/yr capacity is a further \$A 70m;
- The second tranche takes a further 12 months to construct and commission , and then a decision is made to add a further 1.0Mt/yr in capacity, to raise total throughput to 3.0Mt/yr
 - Beer & Co assumes that the capital cost for this third 1.0Mt/yr capacity is a further \$A 60m.

Beer & Co expects to start at 1.0Mt/yr and increase to 3.0Mt/yr over a period of 4 years

Pilgangoora Operating Cost Estimates

When AJM announced the results of a scoping study on its Pilgangoora project, on 19 November 2012, it advised operating costs of \$A 15.72/t of ore for \$A 90/t of spodumene concentrate, processing ore grading 1.23% Li₂O.

Beer & Co estimates operating costs of AUD 48/t of ore processed

Beer & Co's estimated cash operating costs for PLS's Pilgangoora operations is \$A 48/t of ore processed, as shown in Figure 16.

Figure 16 : Beer & Co's projected operating costs for Pilgangoora

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Ore mined	875 kt	1,000 kt	1,000 kt	1,428 kt	2,000 kt	2,738 kt	3,000 kt	3,000 kt	3,000 kt	3,000 kt	3,000 kt
waste : ore	5 : 1	5 : 1	5 : 1	6 : 1	5 : 1	5 : 1	5 : 1	5 : 1	5 : 1	5 : 1	5 : 1
Cash Costs											
<u>Waste</u>	\$ 15m	\$ 17m	\$ 17m	\$ 26m	\$ 30m	\$ 38m	\$ 42m	\$ 43m	\$ 43m	\$ 43m	\$ 43m
AUD /t ore	\$ 17/t	\$ 17/t	\$ 17/t	\$ 18/t	\$ 15/t	\$ 14/t	\$ 14/t	\$ 14/t	\$ 14/t	\$ 14/t	\$ 14/t
AUD /t material	\$ 3.4/t	\$ 3.4/t	\$ 3.4/t	\$ 3.0/t	\$ 3.0/t	\$ 2.8/t	\$ 2.8/t	\$ 2.8/t	\$ 2.8/t	\$ 2.8/t	\$ 2.8/t
<u>Ore Mining</u>	\$ 4m	\$ 5m	\$ 5m	\$ 6m	\$ 9m	\$ 10m	\$ 11m	\$ 11m	\$ 12m	\$ 12m	\$ 12m
AUD /t ore	\$ 4.9/t	\$ 4.7/t	\$ 4.7/t	\$ 4.2/t	\$ 4.3/t	\$ 3.8/t	\$ 3.7/t	\$ 3.8/t	\$ 3.9/t	\$ 4.0/t	\$ 4.1/t
<u>Processing</u>	\$ 16m	\$ 18m	\$ 18m	\$ 29m	\$ 32m	\$ 41m	\$ 44m	\$ 44m	\$ 44m	\$ 44m	\$ 44m
AUD /t	\$ 18/t	\$ 18/t	\$ 18/t	\$ 17/t	\$ 16/t	\$ 15/t	\$ 15/t	\$ 15/t	\$ 15/t	\$ 15/t	\$ 15/t
<u>Admin & Overhead</u>	\$ 2m	\$ 2m	\$ 2m	\$ 5m	\$ 5m	\$ 6m	\$ 6m	\$ 6m	\$ 6m	\$ 6m	\$ 6m
AUD /t	\$ 2.8/t	\$ 2.5/t	\$ 2.5/t	\$ 2.8/t	\$ 2.5/t	\$ 2.4/t	\$ 2.2/t	\$ 2.2/t	\$ 2.2/t	\$ 2.2/t	\$ 2.2/t
<u>Conceontrate Transport</u>	\$ 10m	\$ 13m	\$ 13m	\$ 22m	\$ 25m	\$ 34m	\$ 38m	\$ 38m	\$ 38m	\$ 38m	\$ 38m
Transport and Loading	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t	\$ 30/t
Shipping	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t	US\$ 25/t
Total Cash Costs	\$ 47m	\$ 54m	\$ 54m	\$ 88m	\$ 101m	\$ 130m	\$ 141m	\$ 142m	\$ 143m	\$ 143m	\$ 143m
AUD /t ore	\$ 54/t	\$ 54/t	\$ 54/t	\$ 51/t	\$ 50/t	\$ 48/t	\$ 47/t	\$ 47/t	\$ 48/t	\$ 48/t	\$ 48/t

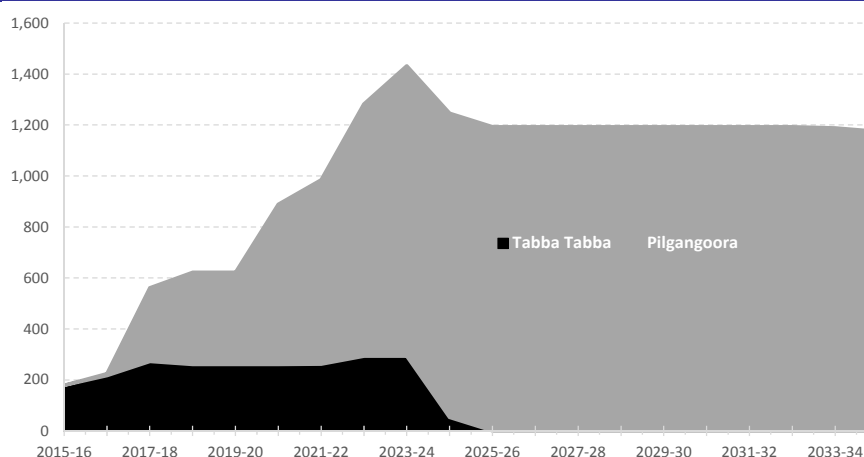
Source : Beer & Co estimates

Projected Revenue for PLS

Production

Figure 17 shows the outcome for Ta₂O₅ production from Beer & Co's modelling.

Figure 17 : Beer & Co's projections for PLS's production of Ta₂O₅, in '000 pounds

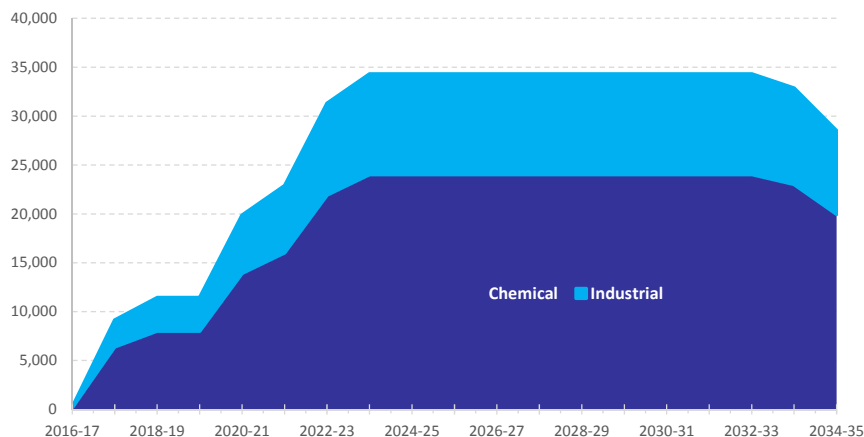


Source : Beer & Co estimates

Beer & Co projects that PLS's revenue will be dominated by Pilgangoora

Figure 18 shows Beer & Co's estimated production of Li₂O in spodumene concentrate.

Figure 18 : Beer & Co's projections for PLS's production of Li₂O, in tonnes



Source : Beer & Co estimates

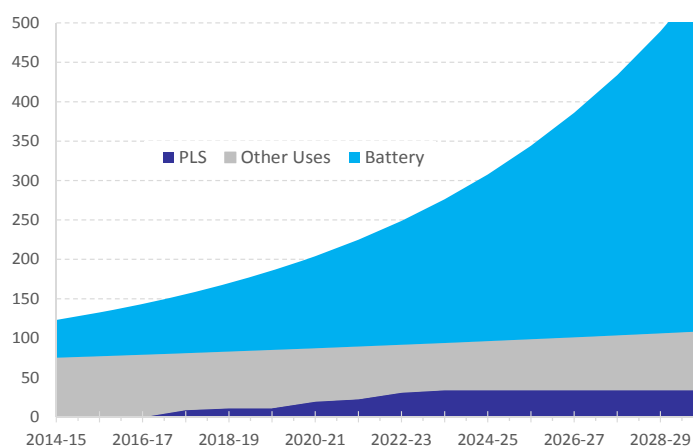
While much of PLS's production can be sold for glass / ceramics, Beer & Co projects that PLS will sell most its spodumene concentrate into the chemical, or battery, segment.

Figure 18 shows that Beer & Co has projected that PLS's production climbs rapidly to 35kt/yr of contained Li₂O.

Figure 3 shows a total market in 2014 of about 125kt, growing at GDP for 75kt and at a Compound Annual Growth rate of 16% for the sector related to batteries.

Figure 19 compares Beer & Co's production from PLS with the market growth projected by Albemarle. It shows that we project that PLS's projected market share is a maximum of about 10%.

Figure 19 : Projected Li₂O market



Source : Albemarle presentation, September 2015, Beer & Co

Beer & Co estimates that PLS will never have a market share of more than 10%

Product Revenue

Discussion earlier was that the revenue for

- Concentrate for battery production is about US\$ 450/t of 6% Li₂O product;
- Low iron spodumene concentrate for glass / ceramics is about US\$ 650/t.

In this analysis, Beer & Co has constrained the share of PLS’s production to the glass / ceramics market to a maximum of 30% of PLS’s production.

Also, while the current price is US\$ 450/t, Beer & Co has used US\$ 400/t as our base case, with US\$ 600/t to the glass / ceramics market.

PLS has stated in presentations that the price it will receive from GAM for tantalite is fixed in AUD terms, with escalation by CPI.

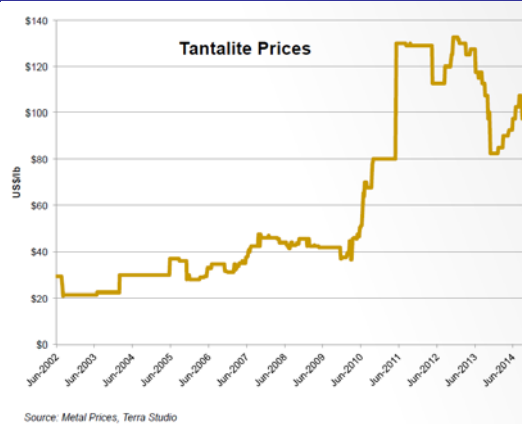
Figure 20 shows tantalite prices.

Beer & Co has assumed a price of AUD 82.5/lb for PLS’s tantalite supply.

Figure 21 shows the total revenue projected by Beer & Co for PLS, by product, based on the production volumes and product revenues outlined, in AUD millions.

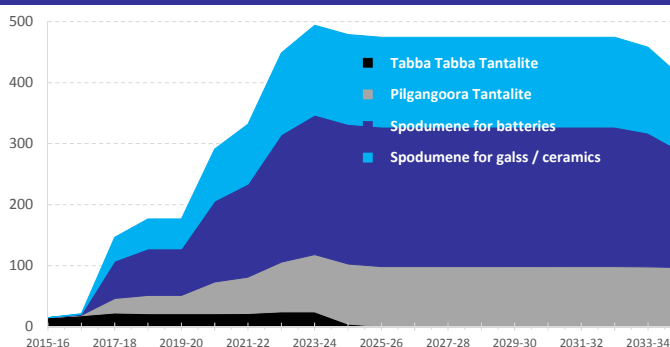
Beer & Co projects that chemical grade spodumene will be the largest revenue source for PLS

Figure 20 : Tantalite Prices



Source : PLS presentation, September 2014

Figure 21 : Beer & Co’s projected revenue for PLS



Source : Beer & Co estimates

Projected Cashflows for PLS

Figure 22 shows Beer & Co’s projected financial outcomes for PLS, incorporating all the preceding discussion.

Figure 22 shows project capital expenditure on a project basis, rather than a financed cashflows basis. In our analysis, Beer & Co assumes that PLS needs to raise over \$30m in equity to finance stage 1 of Pilgangoora, as shown by the increase in the number of shares on issue, with about \$65m of debt funding and the balance being cash on hand from Tabba Tabba operations.

We project that PLS will need to borrow a small amount to bring stage 2 into production.

Beer & Co projects that PLS will need to raise over \$30m in equity to construct the Pilgangoora project

Figure 22 : Beer & Co's projected financial outcomes for PLS

AUD m	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Ore Mined	83 kt	120 kt	1,115 kt	1,240 kt	1,240 kt	1,668 kt	2,270 kt	2,738 kt	3,360 kt	3,360 kt
Ta ₂ O ₅ sold	179k lb	224k lb	561k lb	622k lb	622k lb	889k lb	985k lb	1,283k lb	1,432k lb	1,246k lb
Li ₂ O sold	0t	243t	9,141t	11,440t	11,440t	19,877t	22,880t	31,317t	34,320t	34,320t
Total Revenue	14.9	21.7	147.4	177.6	177.6	291.7	332.8	449.7	495.0	479.7
Cost of Goods Sold	(6.0)	(8.3)	(59.2)	(69.4)	(69.6)	(103.3)	(117.7)	(151.9)	(162.9)	(146.3)
Royalties	0.0	(0.2)	(8.7)	(10.9)	(10.9)	(18.9)	(21.8)	(29.8)	(32.9)	(33.1)
Corporate Costs	(1.3)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Dep'n & Amort'sn	(6.4)	(4.5)	(11.3)	(14.2)	(14.2)	(16.3)	(20.2)	(22.0)	(21.7)	(20.8)
E B I T	1.3	7.4	66.8	81.6	81.4	151.7	171.6	244.6	276.0	278.0
Interest Expense	0.0	(0.8)	(5.9)	(4.5)	(2.9)	(1.5)	(0.1)	(0.0)	(0.0)	(0.0)
Tax Expense	(0.4)	(2.0)	(18.2)	(23.1)	(23.6)	(45.1)	(51.4)	(73.4)	(82.8)	(83.4)
NPAT	0.8	4.6	42.6	53.9	55.0	105.1	120.0	171.2	193.2	194.6
Feasibility / permitting	(3)	0	0	0	0	0	0	0	0	0
Project Cap.Ex	(1)	(100)	0	0	(49)	(21)	(60)	0	0	0
Sus Cap. Ex	(0)	(1)	(3)	(3)	(3)	(5)	(6)	(7)	(6)	(6)
Ordinary shares - yea	701.5m	989.1m	989.1m	989.1m	989.1m	989.1m	989.1m	989.1m	989.1m	989.1m
Earnings per Share	0.1 c	0.5 c	4.3 c	5.5 c	5.6 c	10.6 c	12.1 c	17.3 c	19.5 c	19.7 c

Source : Beer & Co estimates

Beer & Co's base case valuation of PLS

Figure 23 shows Beer & Co's risked, base case valuation of PLS, based on the cashflows described.

PLS advised, in presentations, that it is currently working on a Definitive Feasibility Study for Pilgangoora, having done an "in-house" scoping study, the results of which have not been made public. Accordingly, Beer & Co's projected cashflows have been heavily risk-weighted due to the degree of estimation in our cashflow projections.

Figure 23 : Beer & Co's base case valuation of PLS

	discount rate = 12.0 %	risk :	30-Jun-15		6-Oct-15	
			Value	per share	Value	per share
Tabba Tabba Resources		85 %	\$ 12m	\$ 11m	1.1 c	1.0 c
Tabba Tabba Extensions		60 %	\$ 7m	\$ 4m	0.4 c	0.5 c
Strelly		35 %	\$ 7m	\$ 2m	0.2 c	0.3 c
franking credits		30 %	\$ 4m	\$ 1m	0.1 c	0.2 c
Pilgangoora Indicated		55 %	\$ 207m	\$ 114m	11.3 c	12.5 c
Pilgangoora Inferred		40 %	\$ 465m	\$ 186m	18.5 c	20.9 c
Pilgangoora Extension		25 %	\$ 141m	\$ 35m	3.5 c	4.3 c
franking credits		16 %	\$ 346m	\$ 72m	7.2 c	9.0 c
Corporate		100 %	(\$8m)	(\$8m)	(0.8c)	(0.7c)
Cash / debt		100 %	\$ 4m	\$ 4m	0.4 c	0.4 c
cash raised		100 %	\$ 31m	\$ 31m	3.1 c	3.1 c
TOTAL			\$ 1,216m	\$ 453m	45.0 c	51.2 c
Shares on issue			700.6m	FPO shares	134.5m options	
			145.9m	to be issued	134.5m op. ex'd	
			25.2m	CN conversion		

Source : Beer & Co estimates

Figure 23 shows that Beer & Co's base case valuation has nearly doubled, from 28c to 51c/share.

Sensitivity Analyses

Our valuation is higher due to

- Higher product prices; and
- Increased volumes

We also have a much higher capital cost

The major changes in our modelling have been :

- Higher prices for PLS's low iron spodumene concentrate reflecting the strong market conditions, as outlined earlier;
- Increased volume of Pilgangoora spodumene, reflecting the strong demand for the product coupled with the very large volume of mineralisation that PLS has shown can be easily turned into Resources;
- An increase in the overall Li₂O grade; and
- A significantly greater capital expenditure for the first 1.0Mt/yr of production at Pilgangoora, coupled with the need for an equity raising.

Figure 24 shows the impact of the higher Li₂O prices; we had previously used \$A 3.0/lb for Li₂O, while the data in Figure 24 is the weighted average of the higher value, lower volume glass / ceramics sale and battery material, as shown around Figure 21.

Figure 24 : Revenue Impact

US\$ 450/t	US\$ 400/t	US\$ 325/t	US\$ 250/t
\$A 5.4 /lb	\$A 4.9 /lb	\$A 4.1 /lb	\$A 3.3 /lb

Source : Beer & Co estimates

Figure 25 shows the impact of the increase in volume by the impact of the higher prices.

Our valuation would be LOWER if we assumed 1.0Mt/yr throughput and the same prices as previously

It shows that our previous parameters, of 1.0Mt/yr of throughput and \$A 3/lb of 6% Li₂O concentrate result is value below the current share price, and well down on our previous valuation.

Figure 25 : Volume v. Price

	1.0 Mt/yr	2.0 Mt/yr	3.0 Mt/yr
US\$ 450/t	31.8 c	48.4 c	58.6 c
US\$ 400/t	27.9 c	42.4 c	51.2 c
US\$ 325/t	22.1 c	33.4 c	40.2 c
US\$ 250/t	16.3 c	24.4 c	29.2 c

Source : Beer & Co estimates

This demonstrates the impact of the higher capital costs and the equity raising.

Figure 25 also shows that the current prices for Li₂O is reflected in the 1.0Mt/yr case, which is close to the current share price.

This shows the real value added by the increase in throughput.

Figure 26 shows that, for Pilgangoora, the grade is less important than volume. Of the three measures used, our base case is the high grade case shown in Figure 15, while the "average grade" case uses the same deposit

Figure 26 : Volume v. grade

	1.0 Mt/yr	2.0 Mt/yr	3.0 Mt/yr
High grade	27.9 c	42.4 c	51.2 c
Resource grade	25.2 c	37.0 c	44.4 c
Average grade	25.8 c	38.3 c	46.2 c

Source : Beer & Co estimates

average grade for the entire project life and our "Resource" grade case prioritises those resources with the highest degree of certainty.

Conclusions

Beer & Co's risked, base case valuation of PLS is now 51c/share, while the current share price has climbed to 25c/share.

Beer & Co's valuation is heavily risk weighted due to the assumptions we have made.

The major drivers of our increased valuation are :

- Increased throughput due to the significant and continuing increases in the volume of economic mineralisation at Pilgangoora; and
- Higher prices.

Due to the degree of estimation made by Beer & Co, our base case valuation is heavily risk weighted.

Our valuation is now about 2x the share price

If PLS is able to deliver as we project, then our valuation would be over \$1.00/share.

However, there is significant uncertainty over the rate of increase in throughput as it will depend on 2 different products, with the scenario that one (Li₂O) will be in strong demand the other (Ta₂O₅) will be surplus if PLS prioritises those areas with good tantalite grades.

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

As our risked, base case valuation is about 2x the share price, Beer & Co restores our Strong BUY, High Risk recommendation.

Beer & Co Research							
Pilbara Minerals (PLS.ASX)							
October 2015							
Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Section 1 - P&L							
Sales revenue	\$A m	0	15	21	146	177	291
Interest revenue	\$A m	0	0	0	1	1	1
Other revenue	\$A m	0	0	0	0	0	0
Total Revenue	\$A m	0	15	22	147	178	292
Cost of Goods Sold	\$A m	0	(6)	(8)	(59)	(69)	(103)
Royalties	\$A m	0	0	(0)	(9)	(11)	(19)
Exploration Expense	\$A m	0	0	0	0	0	0
Corporate Costs	\$A m	(1)	(1)	(1)	(2)	(2)	(2)
Other Operating Expenses	\$A m	0	0	0	0	0	0
Total Operating Expenses	\$A m	(1)	(7)	(10)	(69)	(82)	(124)
EBITDA	\$A m	(1)	8	12	78	96	168
Dep'n & Amort'n	\$A m	0	(6)	(4)	(11)	(14)	(16)
EBIT	\$A m	(1)	1	7	67	82	152
Interest Expense	\$A m	0	0	(1)	(6)	(5)	(3)
Other	\$A m	0	0	0	0	0	0
Pre-Tax Profit	\$A m	(1)	1	7	61	77	150
Tax Expense	\$A m	0	(0)	(2)	(18)	(23)	(45)
NPAT	\$A m	(1)	1	5	43	54	105
Reported NPAT	\$A m	(1)	1	5	43	54	105
Section 2 - Key Data							
Ordinary shares - year end	m	619	701	989	989	989	989
Fully diluted shares on issue	m	619	701	989	989	989	989
Weighted # shares	m	612	701	922	989	989	989
Earnings per Share		(0.1c)	0.1 c	0.5 c	4.3 c	5.5 c	10.6 c
Dividends Per Share		0.0 c	0.0 c	0.0 c	1.0 c	2.6 c	2.3 c
Section 3 - Balance Sheet							
Cash	\$A m	3	4	16	61	69	68
Receivables	\$A m	0	3	3	21	22	41
Other	\$A m	0	0	0	0	0	0
CURRENT ASSETS	\$A m	3	7	18	82	91	109
Receivables	\$A m	0	0	0	0	0	0
P, P & E	\$A m	4	2	100	97	92	136
Mining Properties / Exploration	\$A m	6	6	4	4	4	3
Other	\$A m	0	0	0	0	0	0
NON-CURRENT ASSETS	\$A m	10	8	104	101	95	139
TOTAL ASSETS	\$A m	13	15	123	183	186	248
Payables	\$A m	0	1	1	8	8	14
Debt	\$A m	2	0	11	18	20	15
Other	\$A m	0	0	0	0	0	0
CURRENT LIABILITIES	\$A m	2	1	12	26	28	29
Long Term Debt	\$A m	0	0	55	37	17	2
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
NON-CURRENT LIABILITIES	\$A m	0	0	55	37	17	2
TOTAL LIABILITIES	\$A m	2	1	67	63	45	26
NET ASSETS	\$A m	11	14	56	120	141	220
Accumulated Profit (Loss)	\$A m	(13)	(12)	(7)	36	68	96
Reserves	\$A m	3	2	4	23	11	(4)
Contributed Equity	\$A m	20	23	59	61	61	61
Minority Interest	\$A m	11	14	56	120	141	153
Total Equity	\$A m	11	14	56	120	141	250
Section 4 - Cashflow							
Net Cashflow from operations	\$A m	(4)	3	(25)	50	50	(2)
Net Interest Paid	\$A m	0	0	(0)	(5)	(4)	(2)
Taxes Paid	\$A m	0	0	0	(8)	(22)	(31)
Change in Working Capital	\$A m	(2)	(4)	(11)	(71)	(9)	(75)
OPERATING CASHFLOW	\$A m	(6)	(1)	(36)	(34)	16	(12)
Exploration Expenditures	\$A m	2	3	0	0	0	0
Maintenance Capex	\$A m	0	0	1	3	3	5
Expansion Capex	\$A m	2	1	100	0	0	21
PPE Acquisitions (Total Capex)	\$A m	3	4	101	3	3	26
PPE Divestments	\$A m	0	(3)	0	0	0	0
INVESTING CASHFLOW	\$A m	3	1	101	3	3	26
Change in Equity	\$A m	4	1	36	3	0	0
Dividends Paid	\$A m	0	0	0	(21)	(27)	(14)
Change in Debt	\$A m	0	(2)	66	(11)	(18)	(20)
FINANCING CASHFLOW	\$A m	4	(1)	102	(8)	(39)	(29)
Free Cashflow	\$A m	(3)	(0)	65	(32)	(3)	50
Net Cashflow	\$A m	1	(1)	166	(40)	(21)	(6)
Shareholdings							
Neil Biddle		34.438m	4.9 %				
Vaughan Blank		33.333m	4.8 %				
Commodity price assumptions							
Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
AUD/USD	0.836	0.706	0.700	0.700	0.700	0.700	0.700
Tantalite	\$A / lb	83	83	83	83	83	83
Spodumene, Chemical grade	USD /t	400	400	400	400	400	400
Spodumene, Industrial grade	USD /t	600	600	600	600	600	600
Mine Production / Sales, contained product							
Tabba Tabba Ta2O5	'000 lb	0	179	217	272	260	260
Pilgangoora Ta2O5	'000 lb	0	0	8	289	362	362
Spodumene, chemical grade, tonnes		0	170	6,399	8,008	8,008	8,008
Spodumene, industrial grade, tonnes		0	73	2,742	3,432	3,432	3,432
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				
Total Reserves	133 kt	1,290 ppm	378k lb				
Pit Design	162 kt	1,240 ppm	443k lb				
Tabba Tabba 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				
TOTAL	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	626 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				
TOTAL	2,217 kt	589 ppm	2,881k lb				
Pilgangoora Mineral Resources							
		Ta2O5		Li2O			
Category		grade	contained	grade	contained		
Indicated	Ta2O5	10.9 Mt	229 ppm	5.5 Milb			
	Li2O	7.8 Mt			1.29 %	100,000 t	
Inferred	Ta2O5	22.1 Mt	210 ppm	10.2 Milb			
	Li2O	44.4 Mt			1.28 %	568,000 t	
Beer & Co estimated mining inventory, Pilgangoora							
		grade		grade			
Indicated	10.0 Mt	200 ppm	1.43 %				
Inferred	30.7 Mt	220 ppm	1.43 %				
Northern Mineralisation	30.0 Mt	217 ppm	1.19 %				
Southern Mineralisation	37.2 Mt	167 ppm	1.19 %				
TOTAL	70.70 Mt	199 ppm	1.28 %				
Asset based Valuation							
discount rate = 12.0 %		30 June 2015				6-Oct-15	
	risk :	100%	Value	per share			
Tabba Tabba Resources	85 %	\$ 12m	\$ 11m	1.1 c	1.0 c		
Tabba Tabba Extensions	60 %	\$ 7m	\$ 4m	0.4 c	0.5 c		
Strelly	35 %	\$ 7m	\$ 2m	0.2 c	0.3 c		
franking credits	30 %	\$ 4m	\$ 1m	0.1 c	0.2 c		
Pilgangoora Indicated	55 %	\$ 207m	\$ 114m	11.3 c	12.5 c		
Pilgangoora Inferred	40 %	\$ 465m	\$ 186m	18.5 c	20.9 c		
Pilgangoora Extension	25 %	\$ 141m	\$ 35m	3.5 c	4.3 c		
franking credits	16 %	\$ 346m	\$ 72m	7.2 c	9.0 c		
Corporate	100 %	(\$8m)	(\$8m)	(0.8c)	(0.7c)		
Cash / debt	100 %	\$ 4m	\$ 4m	0.4 c	0.4 c		
cash raised	100 %	\$ 31m	\$ 31m	3.1 c	3.1 c		
TOTAL		\$ 1,216m	\$ 453m	45.0 c	51.2 c		
Shares on issue		700.6m	FPO shares	134.5m options			
		145.9m	to be issued	134.5m op. ex'd			
		25.2m	CN conversion				
Financial Ratios							
Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	\$A m	0	15	22	147	178	178
EBITDA	\$A m	(1)	(1)	8	12	78	96
EBIT	\$A m	(1)	(1)	1	7	67	82
NPAT (reported)	\$A m	(1)	(1)	1	5	43	54
Adjusted EPS (c)		(0.3c)	(0.1c)	0.1 c	0.5 c	4.3 c	5.5 c
EPS Growth (%)			60 %	189 %	313 %	768 %	27 %
DPS (c)		0.0 c	0.0 c	0.0 c	1.0 c	2.6 c	2.8 c
Dividend Yield (%)		0 %	0 %	0 %	4 %	10 %	11 %
PE adj. (x)	x	(6)	(185)	208	50	6	5
EV / EBITDA (x)	x	(7)	(185)	22	25	3	2
EV / EBIT (x)	x	(7)	(185)	136	40	4	3
Gearing (%)		12 %	0 %	54 %	30 %	20 %	10 %
Return on Assets		(6%)	9 %	6 %	36 %	44 %	46 %
Return on Equity		(7%)	6 %	8 %	35 %	38 %	36 %
EBITDA Margin (%)		n/a	n/a	52 %	56 %	53 %	54 %
Interest Cover (x)	x	n/a	n/a	n/a	9.4	11.3	18.0

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Analyst Certification

The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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