



MINING

RECOMMENDATION



PLS:ASX
November 2024

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MINING RECOMMENDATION - LITHIUM

Pilbara Minerals Limited PLS:ASX

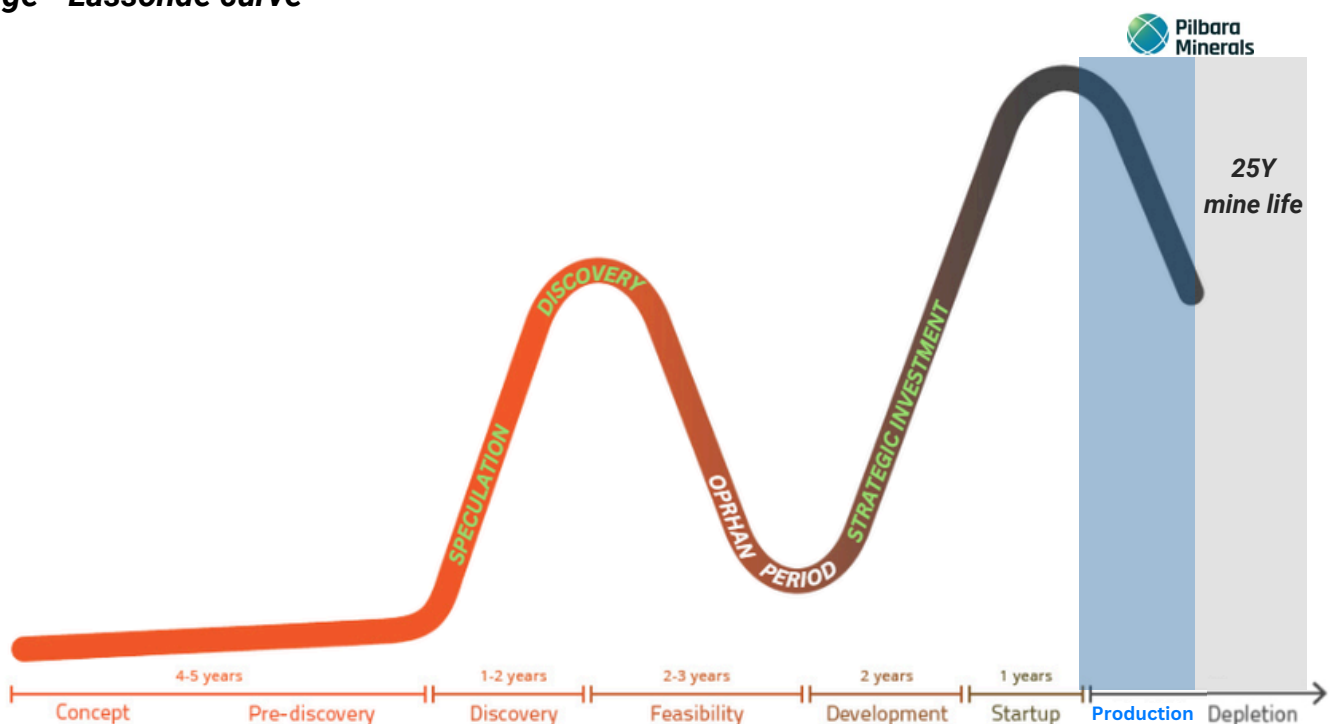
Pilbara Minerals is a leading lithium producer, owning 100% of the world-class Pilgangoora Lithium-Tantalum Project in Western Australia. The company produces spodumene and tantalite concentrate, key materials for lithium-ion batteries and clean energy technologies. Pilbara's Pilgangoora operation is one of the largest hard rock lithium deposits globally, with a 33-year mine life and 209Mt Ore Reserve at 1.2% Li₂O

The company is currently expanding production capacity to 1 million tonnes per annum (Mtpa) through its P1000 project, with potential to reach 2Mtpa in the future

Pilbara is also diversifying into downstream processing through joint ventures and partnerships. This includes an 18% stake in a lithium hydroxide plant in South Korea with POSCO, with an option to increase to 30%

The company is also developing a mid-stream demonstration plant to produce a higher-grade lithium salt product. These initiatives position Pilbara to capture more value along the battery materials supply chain as the electric vehicle and energy storage markets continue to grow rapidly.

Stage - Lasso curve



INVESTMENT CONSIDERATIONS

Leadership

Pilbara Minerals is led by an experienced management team and board with deep expertise in the lithium and mining sectors. CEO Dale Henderson brings over 20 years of mining industry experience, including senior roles at BHP and Roy Hill. He has been with Pilbara since 2017, initially as Chief Operating Officer before becoming CEO in 2022. Chairman Anthony Kiernan provides strong governance and strategic oversight, with over 35 years of experience in the resources sector. The board includes directors with backgrounds in mining, finance, and sustainability.

Valuation

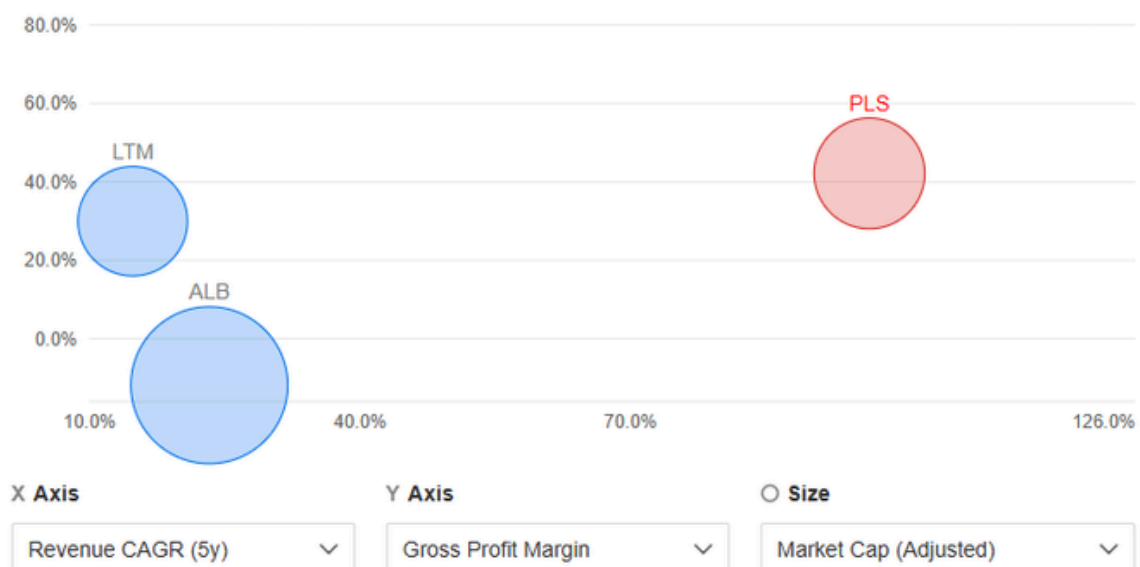
Pilbara Minerals is currently trading at an attractive valuation relative to its peers and future growth potential. As of November 2024, the company has a market capitalization of approximately A\$8 billion. It is trading at a forward EV/EBITDA multiple of 5.5x for FY2025, which represents a significant discount to other major lithium producers

This valuation does not fully reflect Pilbara's strong market position, expansion potential, and vertical integration strategy. The company's P1000 expansion project is set to increase production capacity by 37%, from 730,000 tonnes in FY2024 to 1 million tonnes per annum

This growth, combined with potential further expansion to 2Mtpa and downstream integration, provides substantial upside potential. Pilbara's strong balance sheet, with A\$1.6 billion in cash as of September 2024, provides ample funding for growth initiatives

The company's low-cost production profile and long mine life also support a premium valuation. As the lithium market recovers from current cyclical lows, Pilbara is well-positioned to benefit from improving prices, which could drive significant share price appreciation.

Relative Value vs Peers



UNDERLYING - LITHIUM

Lithium is crucial for the global shift to clean energy, primarily used in lithium-ion batteries for electric vehicles (EVs), electronics, and energy storage. As sustainable energy adoption grows, lithium demand is expected to surge.

Key uses include:

- EV batteries (projected 80% of demand by 2030)
- Consumer electronics
- Grid-scale energy storage
- Ceramics and glass manufacturing
- Lubricating greases
- Aerospace alloys

Price forecasts:

After a 2023 decline, lithium prices may stabilize and recover gradually. Analysts expect \$11,000-\$12,000 per tonne in 2024-2025 due to oversupply, rising to an average of \$30,000 per metric ton from 2026-2030 as demand increases.

Long-term prices are likely to remain above historical averages.

Supply & Demand outlook:

Supply:

- Medium-term (2025-2027): Supply may lag demand, creating shortages
- Long-term (post-2028): Increased investments may help balance the market

Demand:

Demand is projected to reach 1.5 million metric tons of lithium carbonate equivalent (LCE) by 2025, over 3 million tons LCE by 2030, and potentially 3.8 million tons LCE by 2035, driven by EV growth.

In conclusion, the lithium market is poised for significant growth driven by the global energy transition. While short-term oversupply may pressure prices, the medium to long-term outlook remains bullish. Investors and industry stakeholders should closely monitor supply-demand balances, technological developments, and regulatory landscapes to navigate this dynamic market effectively.

RISKS

Investing in Pilbara Minerals carries several key risks that investors should consider:

Underlying Commodity prices - The most significant is lithium price volatility, which can have a substantial impact on the company's revenues and profitability. Lithium prices have been highly cyclical, influenced by supply-demand imbalances and market sentiment. A prolonged period of low prices could affect Pilbara's financial performance and growth plans.

Execution Risk - Execution risks associated with expansion projects, such as P1000 and potential future expansions, could lead to delays or cost overruns. Pilbara diversifies into downstream processing, it faces new technical and market risks in areas where it has less experience

Competition - The company also faces increasing competition from other lithium producers, both in Australia and globally, which could pressure market share and pricing.

Geopolitical risks - Geopolitical risks, particularly in key end markets like China, could affect demand for Pilbara's products. Changes in government policies, such as electric vehicle subsidies or trade restrictions, could impact the lithium market.

Operational risks - Operational risks include potential disruptions to mining or processing activities due to equipment failures, labor issues, or natural disasters.

Environmental and regulatory - Environmental and regulatory risks are also present, with the potential for stricter regulations or increased costs related to sustainability compliance.

WHY HOLD THE COMPANY?

Investors should consider owning shares in Pilbara Minerals for several compelling reasons.

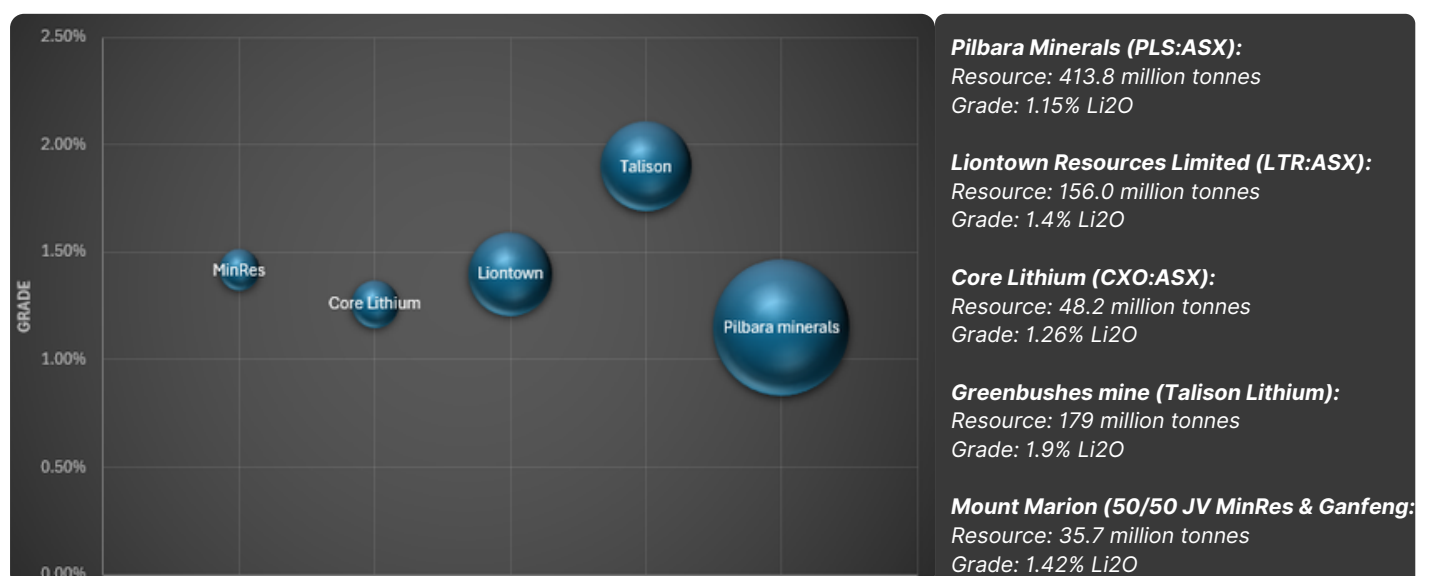
Pure play Lithium - the company offers pure-play exposure to the lithium thematic, which is set to benefit from the accelerating adoption of electric vehicles and energy storage systems globally. Pilbara's world-class Pilgangoora asset, with its long mine life and expansion potential, provides a stable foundation for long-term growth.

Financial health - The company's low-cost production profile and ongoing efficiency initiatives position it to generate strong cash flows even in challenging market conditions. The company's strong balance sheet, with A\$1.6 billion in cash, provides financial flexibility to fund growth initiatives and weather market downturns.

Vertical integration strategy - Pilbara's vertical integration strategy, including downstream processing ventures, offers potential for margin expansion and reduced earnings volatility.

Valuation - The current valuation, at a discount to peers, presents an attractive entry point for investors. As the lithium market recovers and Pilbara's expansion projects come online, there is significant potential for share price appreciation.

ESG - the company's strong ESG credentials and contribution to the clean energy transition align with the growing focus on sustainable investing



Glossary

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