



ASX/Media Announcement

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PILBARA SIGNS OFF-TAKE AGREEMENT TO SUPPLY DIRECT SHIPPING ORE TO LEADING CHINESE LITHIUM GROUP

Innovative off-take deal will see mining commence at Pilgangoora ahead of schedule in Q2 2017 with first ore deliveries targeted by mid-year, bringing forward project revenues and cash-flow

HIGHLIGHTS:

- Off-take agreement signed with Chinese lithium carbonate (Li_2CO_3) producer Shandong Ruifu Lithium Co. Limited (Shandong Ruifu) for the supply of crushed but unprocessed Direct Shipping Ore (DSO).
- DSO to be supplied, at Pilbara's election, from either its 100%-owned Pilgangoora Lithium-Tantalum Project in Western Australia, or the adjoining higher grade Lynas Find Lithium Project (subject to completion of its acquisition by the Company).
- The innovative agreement is for the supply of 1.9Mt of run-of-mine (ROM) 1.5% lithia ore over approximately a 2-year term, targeting first deliveries from July 2017.
- The agreement includes a US\$10M pre-payment by Shandong Ruifu.
- Off-take pricing is fixed at an attractive \$US price per dry metric tonne of ore to Pilbara (1.5% Li_2O , CIF China basis) delivering a healthy operating margin, with final pricing outcomes subject to certain credits or penalties as determined by the shipped grade (minimum specification, 1.4% Li_2O).
- Shandong Ruifu is an established supplier of lithium products and materials to the fast-growing lithium-battery industry in China, producing lithium carbonate products in East China, with lithium hydroxide production planned in the near future.
- Pilbara is also negotiating a separate off-take agreement for the supply of spodumene concentrate to Shandong Ruifu, which is hoped to be finalised shortly, in addition to the existing off-take agreement with General Lithium Corporation for 140,000tpa of spodumene concentrate.
- The ROM off-take agreement represents a mutually beneficial outcome, providing significant early stage project revenues for Pilbara during the construction and ramp-up phase and providing for the early delivery of lithia units for Shandong Ruifu to assist in their production expansion plans.

Australian lithium developer Pilbara Minerals Limited (ASX: PLS) ("Pilbara" or "the Company") is pleased to advise that it has taken another major step towards financing and development of its 100%-owned **Pilgangoora Lithium-Tantalum Project**, located near Port Hedland in Western Australia, after signing a second off-take agreement with a Chinese lithium group for the early supply of direct shipping ore (DSO).

The off-take agreement with Shandong Ruifu provides for the delivery of crushed but unprocessed ROM ore from either the Pilgangoora Project or, at Pilbara's election, the adjoining higher grade Lynas Find Lithium Project (upon completion of its acquisition by the Company), from as early as July 2017. This will provide significant revenues during project construction and ramp-up phase and paves the way for a further off-take agreement with Shandong Ruifu for spodumene concentrate which is currently being finalised.

Under the agreement, Pilbara will supply a total of 1.9 million tonnes of unprocessed ROM product with a specification of 1.5% Li_2O and 5% moisture level (shipment rejection below 1.4% Li_2O).



The off-take agreement provides for an attractive fixed price in US dollars per dry metric tonne (1.5% Li₂O, CFR China basis), which will provide a healthy operating margin for Pilbara and allow it to supply ROM product at a rate of approximately 100,000 tonnes per month until December 2018 (unless a contract extension is mutually agreed).

The off-take agreement represents significant value for the Company in early stage project revenues over the 2-year term of the contract.

The agreement also includes a US\$10 million cash pre-payment to be provided by Shandong Ruifu to Pilbara to assist in funding project construction and mine start-up costs. This pre-payment will be made on the commencement of major mine construction works. The pre-payment will be secured by a second ranking security (subordinated behind senior debt) and offset against Shandong Ruifu's payment obligations under the agreement.

Under the agreement, the ROM product will be shipped to Shandong Ruifu's existing local port facility on the eastern seaboard of China, where it proposes to carry out relatively minor modifications to an existing processing plant to concentrate the run-of-mine ore delivered by Pilbara from mid-next year.

The ROM off-take agreement is subject to regulatory approvals in China; Pilbara securing access to the bulk export facilities in Port Hedland (being Utah Point) for the nominated capacity and the obtaining of authorisations for shipment of the ROM product; Pilbara's Board approval; and a final investment decision for project development and the commencement of mine construction. In relation to any ROM product elected by Pilbara to be mined from the Pilgangoora Project (as opposed to the Lynas Find Lithium Project), Pilbara will work with Global Advance Metals Greenbushes Pty Ltd (GAMG) in respect of the minor tantalum content within the ROM ore as a result of GAMG's first right of refusal and royalty rights over the tantalum.

Pilbara and Shandong Ruifu are also advanced in negotiating a further off-take agreement for the supply of spodumene concentrate, commencing in 2018. It is envisaged that deliveries of ROM ore will be wound-down by the end of 2018, to be replaced by increasing deliveries of Pilgangoora spodumene concentrate by the end of 2018. This concentrate off-take agreement will be in addition to the off-take agreement announced on 4 July 2016 with General Lithium Corporation, for the supply of 140,000tpa of 6% chemical grade spodumene concentrate from Pilgangoora from Q1 2018.

Pilbara's Managing Director, Mr Ken Brinsden, said the ROM off-take agreement with Shandong Ruifu delivered multiple benefits for both parties.

"The delivery of early run-of-mine ore to interim processing facilities in China represents a fantastic innovation for the lithium industry, providing earlier access to raw material for our customer while at the same time supporting Pilbara's fast-track development strategy by providing early cash-flows from the project."

"This will provide the opportunity to mobilise the mining fleet earlier than had been otherwise planned, accelerate the development of the open pit, construct the tailings facility and prepare the ore stockpiles for subsequent process plant commissioning."

"With DSO shipments targeted to commence in July next year, this will provide us with the opportunity to generate early revenue – well ahead of our original timetable – which should deliver important strategic benefits as we complete the construction, commissioning and ramp-up of the Concentrator," Mr Brinsden said.

"Importantly, the delivery of early run-of-mine ores will not impact the delivery of the overall 2Mtpa ore processing and spodumene concentrate plant, as presented in our recent DFS study release. Pilbara remains on track for commissioning of the full mine site facilities from late 2017, establishing the Company as a leading low-cost supplier of spodumene concentrate to global markets."



"It is also worth noting that the attractive pricing and terms we have achieved, including the ability to ship run-of-mine ore to China for further processing are indicative of the very strong demand for lithia raw materials in China as the chemical conversion industry seeks security of raw material supply over the coming years," Mr Brinsden added.

About Shandong Ruifu

Shandong Ruifu is an established lithium carbonate producer in China, based in Tai'an City, Shandong Province in the country's eastern seaboard. Shandong Ruifu commenced lithium carbonate production in Oct 2013, with a nominal capacity of 5,000tpa and completed expansion in 2015 to 8,000tpa.

In April 2016, it commenced further expansion of a new 20,000tpa lithium carbonate plant in the same location. In addition, Shandong Ruifu plans to add another 10,000tpa of lithium hydroxide capacity adjacent to its existing facilities which is about to commence construction in November 2016 at same location. At full capacity, Ruifu is expected to produce 38,000tpa of lithium products requiring around 300,000tpa of spodumene concentrate.

More Information:

ABOUT PILBARA MINERALS

Pilbara Minerals ("Pilbara" – ASX: PLS) is a mining and exploration company listed on the ASX, specialising in the exploration and development of the specialty metals Lithium and Tantalum. Pilbara owns 100% of the world class Pilgangoora Lithium-Tantalum project which is the second largest Spodumene (Lithium Aluminium Silicate) project in the world. Pilgangoora is also one of the largest pegmatite hosted Tantalite resources in the world and Pilbara proposes to produce Tantalite as a by-product of its Spodumene production.

ABOUT LITHIUM

Lithium is a soft silvery white metal which is highly reactive and does not occur in nature in its elemental form. It has the highest electrochemical potential of all metals, a key property in its role in Lithium-ion batteries. In nature it occurs as compounds within hard rock deposits and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. A key growth area is its use in lithium batteries as a power source for a wide range of applications including consumer electronics, power station-domestic-industrial storage, electric vehicles, power tools and almost every application where electricity is currently supplied by fossil fuels.

ABOUT TANTALUM

The Tantalum market is boutique in size with around 1,300 tonnes required each year. Its primary use is in capacitors for consumer electronics, particularly where long battery life and high performance is required such as smart phones, tablets and laptops.

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FORWARD LOOKING STATEMENTS

This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. All references to dollars (\$) and cents in this announcement are to Australian currency, unless otherwise stated.

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