



PILBARA SIGNS BINDING OFF-TAKE AND DOWNSTREAM PROCESSING AGREEMENTS WITH MAJOR CHINESE LITHIUM CHEMICALS COMPANY

Landmark 6-year agreement for annual supply of 140,000tpa of spodumene concentrate includes partnership in future downstream processing joint venture and ~A\$18M cash injection in PLS

HIGHLIGHTS:

- Binding off-take agreement signed with a leading Chinese producer of lithium carbonate (Li_2CO_3) and lithium hydroxide monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$), and key supplier of lithium products and materials to the fast-growing lithium-battery industry in China.
- The Off-take Agreement is for the supply of 140,000tpa of 6% chemical-grade spodumene concentrate from Pilbara's 100%-owned Pilgangoora Lithium-Tantalum Project from Q1 2018 for an initial 6-year period, with the option to extend for a further 4 years.
- This represents over 40% of Pilgangoora's anticipated initial annual output of ~330,000tpa of concentrate (inclusive of technical grade spodumene), from the phase 1 project.
- Off-take pricing mechanism to be based on the price of Lithium Carbonate, so that Pilbara can share in pricing outcomes derived from carbonate deliveries to higher volume contracts with cathode makers in China.
- A binding Memorandum of Understanding (MOU) has also been executed with the off-taker to participate in the evaluation and development of a future offshore spodumene conversion plant, to process spodumene concentrates from the Pilgangoora Project.
- Under this binding MOU, the off-taker will provide technology, technical expertise and intellectual property, and will build and operate the lithium chemicals production facility through an incorporated joint venture, which is likely to be located outside China.
- Pilbara is expected to have a 50% share of the equity in the proposed Joint Venture. This would position Pilbara to move up the lithium value chain and establish its pre-eminence as a vertically integrated participant in the rapidly developing global lithium industry, via the high-quality Pilgangoora resource.
- A binding Equity Subscription Agreement has also been executed with the off-taker. Under the Subscription Agreement, the off-taker has agreed to invest A\$17.75M into Pilbara Minerals via a 3% placement at 50c per share; with settlement to occur after the conditions precedent to the Off-take Agreement terms have been satisfied. A further 2% placement is proposed (for a total stake of ~5% in Pilbara Minerals), once a formal investment decision has been made to proceed with the development of the lithium chemicals facility.

Australian lithium developer Pilbara Minerals Limited (PLS: ASX) ("Pilbara" or "the Company") is pleased to announce that it signed its first major binding Off-take Agreement for its 100%-owned **Pilgangoora Lithium-Tantalum Project** in Western Australia.

The Off-take Agreement, which has been signed with a leading Chinese lithium chemicals company, is for the supply of 140,000tpa of 6% chemical grade spodumene concentrate over a six-year period from Q1 2018, with the option to extend for a further four years.

Pilbara Minerals Limited



This represents over 40 per cent of the Pilgangoora Project's anticipated initial annual output of spodumene concentrate, underpinning its production profile and cementing Pilbara's strategy to fast-track the financing and development of the Pilgangoora Project as a major new low-cost supplier to the global lithium market. The concentrate is to be delivered on a CIF (Cost, Insurance and Freight) basis to the customer's nominated port of delivery.

The binding Off-take Agreement converts the first of a series of non-exclusive MOU's signed by Pilbara with its prospective customer base last year. Additional off-take agreements are currently at an advanced stage of negotiation, with further announcements expected in the short term that will largely cover the balance of Pilgangoora's anticipated initial output of over 300,000tpa of chemical spodumene concentrate.

The demand experienced during Pilbara's product marketing, combined with the potential for an integrated future chemical facility means that the Company will consider further Pilgangoora expansion studies over the coming months.

The off-take party is a leading Chinese producer of lithium carbonate (Li_2CO_3) and lithium hydroxide monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$). It is therefore a key supplier of lithium products and materials to the fast-growing lithium-battery industry in China which is also renowned for its product quality.

Due to confidentiality provisions associated with the binding Off-take Agreement, Pilbara is unable to name the off-take party at this stage pending the resolution of unrelated commercial arrangements by the off-taker, but expects to be able to identify the party to the agreements in the coming weeks when the confidentiality restrictions are likely to fall away.

The signing of this landmark off-take deal – which is the first binding sales agreement to be secured by the Company – represents a major step forward for the Pilgangoora Project and a significant vote of confidence in Pilbara's ability to rapidly bring Pilgangoora on stream to meet the burgeoning demand for chemical grade spodumene concentrate as the lithium industry in China gears up for a transformational phase of growth.

Management Comment

Pilbara's Managing Director, Ken Brinsden, said the landmark agreement – encompassing off-take, an equity investment and a potentially lucrative joint venture opportunity in downstream processing – represented a major milestone for the Company, underlining the importance of the Pilgangoora Project as a globally significant hard rock spodumene resource.

"This is Pilbara's first binding off-take agreement – a huge milestone for the Company and an exciting development for the rapidly growing lithium industry in Australia. This crystallises the strong relationship we have developed with key off-takers over the past year, and cements a long-term partnership with one of the significant players in China's rapidly evolving lithium chemicals and battery industry.

"It also underpins the financial and commercial fundamentals of the project, providing us with certainty around a large portion of our product sales and imparting significant momentum to our product marketing process, as we look to finalise additional binding off-take agreements in the coming weeks and months.

"We are very excited by the downstream processing opportunity contemplated by the binding MOU signed as part of this agreement.

"The ability to manufacture high-value battery-grade lithium products through downstream processing has the potential to deliver significant additional value for Pilbara in the years ahead, with global demand for lithium-ion batteries expected to experience unprecedented growth over the coming decades.

"The equity investment also represents a significant vote of confidence in the Company, the Project and our development strategy, and we look forward to welcoming them as a shareholder. The proceeds from this investment will further strengthen our balance sheet as we move rapidly to complete the Definitive Feasibility Study on the Pilgangoora Project by mid-August and complete the project financing process in the current half.

"This is a landmark agreement and a major milestone for the Company. Pilbara and the Pilgangoora Project are set to become globally significant players in the lithium raw materials industry", stated Ken Brinsden.



FURTHER AGREEMENT DETAILS

Binding Off-take

The binding off-take agreement is for over 40 per cent of the anticipated annual production of spodumene concentrate from the Pilgangoora Project (approximately 140,000 tonnes per annum). The agreement has an initial 6-year term with an option to extend for a further four years.

Pricing is to be set on a 6-month basis by a pricing mechanism (formula) based on the price of lithium carbonate, as defined by term contracts to substantial cathode makers in the Chinese market. The carbonate price reference will be determined via a combination of Chinese import and export prices of Lithium Carbonate, that are published via reputed websites for commercial access. The off-taker is well positioned to take advantage of the strength in demand for lithium raw materials in key Asian markets.

Conditions precedent under the Off-take Agreement include:

- All relevant PRC (Peoples Republic of China) government approvals;
- The waiver or non-exercise of the right of first refusal to the spodumene concentrates held by Global Advanced Metals Wodgina Pty Ltd under earlier agreements to which Pilbara Minerals is a party; and,
- The satisfaction or waiver of all the conditions contained in Subscription Agreement and the MOU.

In addition to the conditions precedent:

- Pilbara's obligations to supply product to the off-take party is subject to a final investment decision being made for the development of the Pilgangoora mine and supporting infrastructure, receipt of all necessary approvals and available funding for the development of the Pilgangoora project ("Conditions Subsequent"); and
- Pilbara is required to commence construction of the mine within one year of satisfaction of the Conditions Subsequent.

Downstream Processing Joint Venture

Pilbara has also signed a binding Memorandum of Understanding (MOU) with the off-take party to establish a downstream processing joint venture to produce a minimum of 20,000 tonnes per annum of lithium carbonate and lithium hydroxide.

As outlined above, the off-take party has substantial expertise and experience in downstream processing in the lithium industry, including the capability to construct and operate a downstream processing or spodumene conversion plant that draws on the latest available technology in this field.

Under the MOU, it is envisaged that the off-take party would provide its existing technology, technical expertise and intellectual property, and would build and operate the envisaged lithium chemicals production facility, which would likely be located in Asia but outside China. Pilbara Minerals will supply chemical grade spodumene concentrate from the Pilgangoora Project to the proposed joint venture. Pilbara Minerals would have a 50% equity position in the downstream processing joint venture and co-fund the lithium chemicals plant's development.

The MOU contemplates the immediate commencement of a desktop scoping study of the project, which if positive will proceed to a definitive feasibility study applying our partner's technology, with completion during the second quarter of 2017. If it is determined to proceed, an incorporated joint venture will be formed to develop the project ("Joint Venture").

It is anticipated that the construction of the lithium chemical plant under the Joint Venture would start in 2017-2018, with the production of the value-added materials allowing Pilbara Minerals to move up the lithium value-chain in the future, diversifying and enhancing its product offerings. That said, the Company remains focused on achieving its initial key corporate objective of establishing itself in the market as a globally significant new hard rock spodumene concentrate producer.

Pilbara had recently received positive results from an independent Scoping Study to assess the potential construction of a spodumene conversion plant at Port Hedland in Western Australia utilising conventional technology for the production of high-value battery-grade lithium carbonate (Li_2CO_3) and lithium hydroxide monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$), with a notional production level of 10,000 tonnes per annum of each product.

This work was initiated as part of a broader strategy to evaluate the Company's future participation in downstream chemical processing of the Pilgangoora spodumene. With a key off-take agreement now in place with a leading industry player and provider of chemical conversion expertise, the Company has secured the right partner to progress towards further downstream processing creating value-added products.

Joint venture arrangements such as those described above provide a reasonable framework for the Company to progress relatively low-risk vertical integration through positive commercial relationships and applying existing technology, expertise and marketing channels.

The binding downstream processing joint venture MOU is conditional upon satisfaction or waiver of the conditions precedent to the Offtake Agreement.

Pilbara is also investigating other technologies and R&D opportunities considering the potential to become involved in further downstream processing in the future. One such opportunity was outlined last week (refer to the Company's announcement regarding its joint venture with Lithium Australia dated 28th June, 2016).

Equity Investment

As part of the binding off-take agreement, the off-taker has executed a binding Equity Subscription Agreement ("Subscription Agreement") under which it has agreed to invest approximately A\$17.75 million directly into Pilbara Minerals to acquire an initial 3% stake in the Company. This subscription, of 35.5million fully-paid Pilbara shares at an issue price of 50 cents per share, will be undertaken within Pilbara's existing placement capacity.

The price payable per share represents a 7.2% discount to the volume weighted average price of ordinary shares in Pilbara calculated over the five trading days before 27 June 2016. The shares to be issued under the Subscription Agreement will be subject to escrow for a period of 12 months from the date of issue.

The conditions precedent to the Subscription Agreement include receipt of FIRB approval (if required), approval by the off-taker's shareholders, as well as satisfaction of all conditions precedent contained in the Off-take Agreement.

A subsequent investment to increase its holding to a maximum of 4.99% is proposed, which would be made once a formal investment decision has been made to proceed with the construction of the joint venture lithium chemicals facility.

Pricing of the second equity investment will be determined based on the volume weighted average price (VWAP) of Pilbara shares, less a 10% discount, in the twenty days prior to a Final Investment Decision (FID) in relation to the proposed lithium chemical plant that is being contemplated under the MoU.

The funds raised from these placements will used to fund the Company's development projects and for general working capital.

Reinstatement of Trading

Following the issue of this release, it is requested that the trading halt be lifted and trading in the Company's securities be reinstated.



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 in electronics, automotive, aerospace, chemical manufacturing and other industries.

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