



ASX/Media Announcement

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CHINA'S GREAT WALL MOTOR COMPANY BACKS PILGANGOORA STAGE 2 EXPANSION WITH LANDMARK OFF-TAKE, FUNDING DEAL AND EQUITY INVESTMENT

Binding terms for off-take agreement for 75,000tpa of Stage 2 production with ability to secure a further 75,000tpa on provision of Stage 2 debt funding, plus upfront A\$28M equity subscription

- Binding terms sheet executed with Great Wall Motor Company and its wholly-owned subsidiary, Hong Kong-registered Billion Sunny Development Limited ("Great Wall"), one of China's largest automotive manufacturers, for Stage 2 (5Mtpa) off-take from Pilbara's flagship Pilgangoora Lithium-Tantalum Project in Western Australia.
- Off-take pricing is largely consistent with existing off-take agreements, using a market-linked price reference to Battery Grade Lithium Carbonate sold in China to determine spodumene pricing.
- Great Wall's Stage 2 off-take to comprise 75,000tpa of chemical grade spodumene concentrate (SC6.0 basis) over an initial 5-year term, with the ability to extend for up to a further 10 years via two 5-year options.
- Under the agreed off-take terms, Great Wall has the ability to secure a further 75,000tpa of Stage 2 off-take, for a total off-take volume of 150,000tpa, by providing Pilbara with US\$50 million of debt financing for its Stage 2 expansion either via a debt or off-take pre-payment facility.
- Together, the Great Wall and Jiangxi Ganfeng Lithium Co Ltd ("Ganfeng Lithium") off-take arrangements will underpin the Stage 2 expansion of the Pilgangoora Project, while also providing an off-take-linked debt financing solution for a significant proportion of the Stage 2 capital requirements.
- Subscription Agreement also executed with Great Wall for an upfront A\$28M equity investment in Pilbara Minerals with the proceeds to contribute towards completion of Stage 1 of the Pilgangoora Project and financing of the Stage 2 Definitive Feasibility Study ("Stage 2 DFS").
- This equity subscription will be completed when the parties formalise the binding off-take terms and enter into a more comprehensive off-take agreement, which is to occur by no later than 30 October 2017, after which Great Wall will indirectly own approximately 3.5% of the current issued shares in Pilbara.

Australian lithium developer, Pilbara Minerals Limited (ASX: PLS) ("Pilbara" or "the Company"), is pleased to announce that it has executed a binding terms sheet with Great Wall Motor Company, one of China's largest automotive manufacturers, to further underpin the Stage 2 expansion of its 100%-owned **Pilgangoora Lithium-Tantalum Project** in Western Australia.

The agreement – encompassing up to 150,000tpa of Stage 2 chemical grade spodumene concentrate off-take, Stage 2 debt financing support and a \$28 million upfront equity subscription for Pilbara shares – represents the first direct investment by an automobile manufacturer into an upstream supplier of lithium raw materials.

"This marks an important milestone for Pilbara and the Pilgangoora Project and is a significant development for the rapidly evolving lithium-ion raw materials supply chain globally," said Pilbara's Managing Director and CEO, Ken Brinsden.

"It highlights the strategic importance for the global automotive sector of securing access to large scale, consistent, high quality sources of battery raw materials in low-risk jurisdictions. Attracting a company of Great Wall's size and calibre as a long-term off-take and funding partner is a strong endorsement for the Pilgangoora Project and the Company. We are also delighted that they will be joining our share register as a strategic investor."

“While this deal reflects the remarkable progress being made in China, we are also witnessing increasing interest from battery and automobile manufacturers outside of China looking to secure their future lithium requirements, in response to an increasing global market shift towards electric vehicles and off-grid storage.

“In conjunction with the rapid expansion in spodumene conversion capacity currently being rolled out in China to supply the battery market beyond electric vehicles, these themes highlight the fundamental demand for lithium, which comes at an opportune time for the Company as we look to complete our Stage 1 development at Pilgangoora and pursue further growth via the Stage 2 expansion,” Mr Brinsden added.

Great Wall is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with a market capitalisation of approximately US\$18.1 billion. Great Wall is one of China’s largest vehicle manufacturers, with more than 60,000 employees and four vehicle manufacturing bases.

As part of Great Wall’s commitment to the Pilgangoora Project, it has also signed a binding Subscription Agreement to provide A\$28 million in consideration for 56 million fully-paid ordinary shares, with proceeds to be applied towards the construction of Stage 1 and the recently commenced Stage 2 DFS.

The Great Wall Subscription Agreement replaces the previously announced General Lithium Subscription Agreement (A\$17.75 million), which has been unable to proceed due to regulatory constraints. The additional \$10 million funding provided by Great Wall facilitates the completion of the expedited Stage 2 feasibility studies the Company is currently pursuing to grow Pilgangoora production.

The equity subscription will be completed once the parties have formalised the binding off-take terms in a more comprehensive off-take agreement, which is to occur by 30 October 2017. The subscription price of A\$0.50 per share represents a 4% premium to the Company’s 30 day VWAP per share.

The General Lithium off-take agreement for 140,000tpa of Stage 1 production remains in place and the Company remains engaged with General Lithium as a key customer for tonnes delivered from Q2 2018.

Demand for Stage 2 Off-take

A Pre-Feasibility Study released by the Company in September 2016 (see ASX announcement of 2 May 2017) contemplated an expansion of the Pilgangoora Project from 2Mtpa to 4Mtpa nameplate capacity, resulting in chemical grade spodumene concentrate (SC6.0 basis) production increasing from 314,000tpa to 564,000tpa over the current life-of-mine (existing reserve basis).

In response to market demand for lithium and the strong appetite for spodumene concentrate globally, Pilbara has commenced a Stage 2 DFS in respect of a 5Mtpa expansion case, targeting chemical grade spodumene concentrate (SC6.0 basis) production of more than 800,000tpa.

Today’s announcement, combined with the previously announced off-take agreement with Ganfeng Lithium (see ASX announcement of 2 May 2017) supports sales of between 150,000tpa and 300,000tpa of additional chemical grade spodumene concentrate from the proposed Stage 2 expansion of the Pilgangoora Project, together with a potential funding solution (to be negotiated with both off-takers on commercial terms following completion of the Stage 2 DFS) for 100% of the capital requirements for the development of Stage 2.

Under the binding terms agreed with Great Wall, Pilbara has also secured a first opportunity to participate in the ownership of a spodumene conversion plant by negotiating and entering into any potential joint venture with Great Wall or one of its subsidiaries, consistent with Pilbara’s downstream strategy. The agreement contemplates that Stage 2 chemical grade spodumene concentrate will be supplied to such a jointly owned plant.

Key Binding Off-take Terms

The key binding terms for the off-take with Great Wall are summarised below:

- 75,000tpa of chemical grade spodumene concentrate (SC6.0 basis) from the Stage 2 expanded production volumes of the Pilgangoora Project.



- An additional 75,000tpa of chemical grade spodumene concentrate (SC6.0 basis) from the Stage 2 expanded production volumes from the Pilgangoora Project (for a total of 150,000tpa), following negotiation and agreement of binding terms with respect to a US\$50 million debt or offtake prepayment funding facility within 60 days of completion of the Stage 2 DFS. The facility would be subject to all necessary approvals including from the Company's existing financiers.
- 5-year term, with two 5-year options for Great Wall to extend for up to a further 10 years, with the parties to negotiate in good faith any further extensions having regard to the remaining life of the project.
- Pricing is consistent with existing Ganfeng Lithium and General Lithium off-take agreements. It is a CIF (cost plus insurance and freight) price which is re-set by a pricing formula which references the price of lithium carbonate. The price of lithium carbonate in the off-take agreement is defined by historical import data and domestic pricing in China as determined by major cathode makers and for high grade lithium carbonate. The agreement provides in certain circumstances for pricing to be based on market pricing or by reference to a market index, should one develop over the term of the off-take agreement.
- Pilbara has also secured a first right to negotiate and participate in future spodumene conversion capacity with Great Wall or one of its subsidiaries via joint venture ownership of a process plant, and supply it with spodumene concentrate equivalent to Pilbara's percentage interest in the plant.
- The agreement and the obligation to deliver product under the offtake is subject to conditions precedent, including Great Wall completing the A\$28 million equity placement in the Company, Pilbara completing the Stage 2 DFS, receipt of all necessary approvals, authorisations and consents for the Stage 2 expansion, and the Pilbara Board making a final investment decision to proceed with the Stage 2 expansion.

Formal documentation (in the form of a more comprehensive Stage 2 Off-take Agreement) is to be completed by 30 October 2017.

Equity Subscription Agreement - Key Terms

The key terms of the Subscription Agreement are as follows:

- An equity placement to Billion Sunny Development Limited, a Hong Kong domiciled, wholly owned subsidiary of Great Wall, of 56 million fully paid ordinary shares at A\$0.50 per share for total proceeds of A\$28 million.
- The placement is conditional on execution of a more comprehensive Stage 2 off-take agreement being entered into by the parties. Importantly, the A\$28 million equity subscription is not subject to People's Republic of China exchange control or other governmental approvals.
- Completion of the placement is to occur three business days after satisfaction of the conditions precedent, which must occur on or before 30 October 2017 (or such other date as agreed by the parties).
- Billion Sunny Development Limited will have the right to appoint one director to the Company's board of directors if Billion Sunny Development Limited acquires and holds a minimum of 15% of the issued shares of Pilbara Minerals.
- The placement will be within the Company's placement capacity under ASX Listing Rule 7.1 and accordingly no shareholder approval is required in connection with the placement.

Pilbara Minerals' financial adviser for negotiating and completing these arrangements was BurnVair Corporate Finance.

Upon the release of this announcement, the Company requests the reinstatement of trading of the Company's securities.

Additional 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 among the largest Spodumene (Lithium Aluminium Silicate) projects 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 GREAT WALL MOTOR COMPANY

Founded in 1984, Great Wall Motor Company Limited ("Great Wall"), headquartered in Baoding, is China's largest pickup and sport-utility vehicle manufacturer. The company listed on the Hong Kong Stock Exchange (HK:2333) in 2003 and the Shanghai Stock Exchange (CH:601633) in 2011. With a market capitalisation of US\$18.1Bn, it has over 30 holding subsidiaries, more than 60,000 employees, and four vehicle manufacturing bases.

FORWARD LOOKING STATEMENTS AND IMPORTANT NOTICE

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 are indicative and 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.

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