



ASX/Media Announcement

20 December 2017

## **PILBARA ENTERS MINE GATE SALE AGREEMENT WITH ATLAS TO SUPPLY DIRECT SHIPPING ORE FROM PILGANGOORA**

*Arrangement set to deliver near-term revenue and cash-flow during the ramp-up phase of the main Pilgangoora Stage 1 Project, with DSO sales to Atlas scheduled to commence from March 2018*

- Mine Gate Sale Agreement finalised with Pilbara iron ore miner Atlas Iron (ASX: AGO) encompasses proposed sale of a minimum 1.0Mt of run-of-mine lithium-tantalum ore from the Pilgangoora Project.
- Atlas will utilise its existing processing infrastructure and logistics chain in the Pilbara to crush the ROM material and supply it as Direct Shipping Ore (DSO) to the final customer.
- MoU executed with Sinosteel Australia Pty Ltd contemplates offtake for up to 1.5Mt under an agreement to be entered into between Atlas and Sinosteel.
- Mine gate sale pricing is underpinned by an attractive US\$ fixed base price per wet metric tonne to Pilbara, subject to adjustments in respect of material specifications and final shipping costs.
- A USD\$3M prepayment facility (“Mine Gate Commitment”) is a pre-condition to the commencement of DSO sales to Atlas.
- The innovative arrangement, which is targeted to commence in March 2018, will allow Pilbara to generate upfront revenue and operating cash-flow while it commences the commissioning and ramp-up of the Pilgangoora Stage 1 Project in Q2 next year, with concentrate exports to follow shortly thereafter.

Australian lithium developer Pilbara Minerals Limited (ASX: PLS) (“**Pilbara Minerals**” or “**the Company**”) is pleased to announce that it has entered into a Mine Gate Sale Agreement (“**MGSA**”) with Atlas Iron Limited (ASX: AGO) (“**Atlas**”) for the supply of direct shipping ore from its Pilgangoora Lithium-Tantalum Project, located near Port Hedland in Western Australia’s Pilbara region.

The innovative mine gate sale and DSO arrangement will enable Pilbara Minerals to capitalise on current strong demand for lithium feedstock in the Chinese market and generate an early source of revenue and cash-flow from the Pilgangoora Project with minimal additional capital expenditure.

Under the MGSA, Pilbara Minerals will deliver a minimum of 1.0 million tonnes of unprocessed run-of-mine lithium-tantalum material from the Pilgangoora mine to Atlas on a mine gate sale basis, based on a delivery schedule which is designed to allow Atlas to ship 100,000 tonnes of DSO per month to off-take customers, commencing in the June 2018 Quarter.

Atlas will utilise its existing processing and logistics infrastructure in the Pilbara to crush the material at its Mt Dove operations and ship the DSO to customers through its Utah Port shipping facilities in Port Hedland, under one or more off-take agreements to be entered into separately between Atlas and Sinosteel Australia Pty Ltd and other potential off-take parties.

The overall agreement delivers an attractive fixed US\$ base price per wet metric tonne of mine gate material sold, subject to adjustments in respect of the final product specifications shipped and the actual shipping costs realised. It is envisaged that the arrangement will deliver a healthy operating cash margin to Pilbara Minerals during the life of the DSO program.

Under the terms of the MGSA, Atlas will pay to Pilbara Minerals a Mine Gate Commitment fee of US\$3 million to fund the Company’s upfront establishment costs associated with the DSO program. This fee will be repaid by way of US\$500,000 offsets against the first six invoices issued to Atlas for material sales.



Pilbara Minerals' Managing Director and CEO, Mr Ken Brinsden, said the arrangement would deliver very positive outcomes for both parties and represented an outstanding example of cooperation between two Pilbara miners, to meet the burgeoning raw material requirements of an exciting new industry.

*"From Pilbara's perspective, this is an opportunity to generate upfront revenue and cash-flow in the early stages of commissioning and ramp-up of the Pilgangoora Project, without detracting from our core focus on building a long-term spodumene concentrate business.*

*"The ability to generate early cash-flow is a significant bonus for any resource company in the commissioning and ramp-up phase, and this arrangement with Atlas allows us to leverage off Atlas' established infrastructure and logistics chain to do so with minimal additional capital outlay," he said.*

*"This agreement is also consistent with our desire to support the rapid growth of the lithium-ion supply chain, and to benefit from the very strong prices being realised in the lithium DSO market.*

*"We have made it very clear that the longer term big picture for us and our customers is the supply of a consistent, secure and high-quality 6% spodumene concentrate product from Pilgangoora – which we firmly believe will be the critical raw material that will underpin the long-term future and economic viability of the lithium-ion battery industry."*

The MGSA is subject to a number of conditions precedent, including Pilbara Minerals obtaining a waiver from Global Advanced Metals Greenbushes Pty Ltd in relation to GAMG's right of first refusal and royalty rights over the tantalum at Pilgangoora, Atlas obtaining all required approvals and authorisations to transport and export the material through its Utah Point port facilities, construction of relevant haulage roads to facilitate material transport and the execution by Atlas of one or more off-take agreements.

#### **Mt Francisco JV**

As part of the DSO deal, Atlas and Pilbara have agreed to extend the deadline by which Pilbara is required to invest \$1 million on exploration at the Mt Francisco project to October 2018. Pilbara purchased a 51% interest in the project from Atlas earlier this year (see ASX release dated 29 March 2017). Access agreements are targeted to be complete by approximately March 2018 with on-the-ground works commencing shortly thereafter. Drilling is expected to commence in the June 2018 Quarter.

#### **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.

##### **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.

#### **Contacts:**

##### **Investors / Shareholders**

Ken Brinsden  
Managing Director and CEO  
Ph. +61 (0)8 6266 6266

##### **Media**

Nicholas Read  
Read Corporate  
Ph. +61 (0)8 9388 1474