

ASX / MEDIA ANNOUNCEMENT

4 September 2019

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## **Pilbara Minerals introduces CATL as a strategic investor to underpin a A\$91.5m equity raising**

*Company executes Share Subscription Agreement with China's largest EV battery manufacturer (CATL) who will emerge with a 8.5%<sup>1</sup> stake in Pilbara Minerals following completion of a A\$55.0 million strategic placement, further supporting the Company's strategic objectives and validating the quality of the world-class Pilgangoora Project*

### **HIGHLIGHTS**

- Equity raising comprises a A\$55.0 million strategic placement to CATL and a A\$36.5 million underwritten institutional placement for a total of A\$91.5 million
- CATL to invest in Pilbara Minerals through a placement of A\$55.0 million equating to an 8.5%<sup>1</sup> ownership interest. Agreement provides for the possibility of further customer diversification with an established participant in the lithium-ion supply chain
- CATL is China's largest battery manufacturer for electric vehicles and has strong existing relationships with leading global EV manufacturers, including Toyota, BMW, Volkswagen and Honda
- A Share Purchase Plan (SPP) will also be offered to eligible shareholders to raise up to an additional A\$20.0 million
- Equity raising will strengthen the Company's balance sheet and provide increased working capital during the remaining ramp-up of the Pilgangoora operation to nameplate capacity, as well as funding for Pilbara Minerals' participation in the POSCO Downstream JV chemical conversion plant, Stage 1 improvement projects and Stage 2 expansion studies

Pilbara Minerals Limited ("**Pilbara Minerals**" or the "**Company**") (ASX: PLS) is pleased to announce an equity raising comprising a strategic placement of A\$55.0 million to the leading Chinese battery manufacturer for electric vehicles, Contemporary Amperex Technology (SZSE: 300750) ("**CATL**"), together with an institutional placement of A\$36.5 million to raise approximately A\$91.5 million in total ("**Placement**"). The Placement will comprise the issue of approximately 305.1 million new Pilbara Minerals ordinary shares at a price of A\$0.30 per share ("**Placement Price**").

In addition to the Placement, a SPP is expected to raise up to an additional A\$20.0 million from eligible shareholders, for potential total raising proceeds of A\$111.5m.

Pilbara Minerals' Managing Director, Ken Brinsden, described the raising as a formative time in the Company's development:

*"While there has been commentary talking down the current state of lithium markets, it has belied the significant interest we have continued to see from the strategic players in the lithium-ion supply chain and their focus on lithium raw material supply. In particular, the focus is on the quality and security of the lithium raw material supply*

<sup>1</sup> Subject to CATL Placement conditions being satisfied. Percentage holding excludes those shares issued under the SPP which may reduce CATL's holding to approximately 8.2%.

and matching the raw material demand growth to growth downstream in the lithium-ion battery supply chain.

*“These factors have continued to influence our thoughts on the Company’s future growth and funding mechanisms. We welcome CATL as a new investor in Pilbara Minerals and we are pleased with their support of our fundraising initiative. We also look forward to introducing further institutional investors to our share register alongside our supportive retail shareholder base.”*

## EQUITY RAISING

The equity raising comprises a placement for approximately 305.1 million new Pilbara Minerals ordinary shares to raise A\$91.5 million at a Placement Price of A\$0.30 per share, and a SPP which is expected to raise up to A\$20.0 million.

The Placement will take place in two parts: an initial A\$36.5 million unconditional and underwritten placement to eligible institutional and sophisticated investors (“**Institutional Placement**”) and a A\$55.0 million conditional strategic placement to CATL (“**CATL Placement**”).

The CATL Placement will be settled in two tranches, split according to the relevant approval conditions:

- **Tranche 1** for A\$20.0 million is within Pilbara Minerals’ placement capacity under ASX Listing Rule 7.1 and will only be subject to customary regulatory approvals from the People’s Republic of China (“**PRC Approvals**”) (“**Tranche 1**”).
- **Tranche 2** for A\$35.0 million will require both PRC Approvals and Pilbara Minerals’ shareholder approval (“**Tranche 2**”) given the number of shares to be issued<sup>2</sup> under Tranche 2 will be above the Company’s existing placement capacity under ASX Listing Rule 7.1.

CATL expects PRC Approvals to be received within approximately 6 weeks.

Under the Share Subscription Agreement, CATL has agreed to provide Pilbara Minerals with a A\$5.0 million deposit, demonstrating CATL’s commitment to the CATL Placement and their confidence in closing the transaction.

Following completion of the Institutional Placement, Pilbara Minerals also plans to conduct a SPP to facilitate retail shareholder participation of up to A\$30,000 per eligible shareholder, subject to an overall cap of A\$20.0 million (the Placement and SPP collectively comprising the “**Equity Raising**”).

## USE OF PROCEEDS

Pilbara Minerals is undertaking the Equity Raising to strengthen the Company’s balance sheet and bolster working capital to support the continued ramp-up of the Pilgangoora Project.

Pilbara Minerals intends to use proceeds from the Equity Raising for the following purposes:

- **General working capital to strengthen balance sheet** – enhanced financial flexibility to provide support for the Company’s Pilgangoora Project as it ramps-up to Stage 1 spodumene concentrate nameplate capacity;
- **POSCO JV** – assist with funding Pilbara Minerals’ initial 21% equity interest in the proposed POSCO Downstream JV, involving a primary lithium hydroxide downstream chemical processing facility in South Korea which will process spodumene concentrate from the Pilgangoora Project and integrate Pilbara Minerals further into the downstream value-add supply chain (as announced to the ASX on 27 August 2019)<sup>3</sup>;

<sup>2</sup> Shares to be issued under Tranche 2 subject to PRC Approvals and Pilbara Minerals’ shareholder approval.

- **Pilgangoora Project Stage 1 Process Plant works** – Stage 1 rectification and improvement projects. Rectification projects include the installation of additional low-intensity magnetic separation (LIMS)<sup>4</sup> units that will assist in improved recovery. Further improvement projects include wet high intensity magnetic system (WHIMS) upgrades, replacement of valves (and piping) and classification process improvements (as previously announced in the June 2019 quarterly report); and
- **Pilgangoora Project Revised Stage 2 Expansion studies** - engineering studies required to complete the Revised Stage 2 Expansion Feasibility Study by December 2019 and the completion of long-lead orders, paving the way for a final investment decision in early 2020 for an incremental staged ramp-up of Stage 2 aligned with customer requirements (refer ASX announcement dated 27 August 2019).

## PLACEMENT DETAILS

The Placement will be for a total of approximately A\$91.5 million at a price of A\$0.30 per share. The Placement Price represents a 14.3% discount to the Company's closing price of A\$0.350 per share on Wednesday 28 August 2019<sup>5</sup>. The new shares issued under the Placement will rank equally with existing Pilbara Minerals' shares.

### Institutional Placement

The Institutional Placement comprises the issue of approximately 121.7 million shares (for A\$36.5 million) to eligible sophisticated, professional and other institutional investors located in both Australia and select international jurisdictions. The Institutional Placement is underwritten<sup>6</sup> by Macquarie Capital (Australia) Limited at a price of A\$0.30 per share.

The Institutional Placement, representing approximately 6.6% of shares on issue, is within Pilbara Minerals' remaining placement capacity of 188.4 million shares under ASX Listing Rule 7.1 and accordingly no shareholder approval is required in connection with the Institutional Placement.

Settlement of the Institutional Placement is expected to occur on Monday 9 September 2019, with the new shares expected to be allotted through ASX and commence trading on Tuesday 10 September 2019.

### CATL Placement

The CATL Placement is conditional and places approximately 183.3 million shares (for A\$55.0 million) to CATL at A\$0.30 per share and has been split into the following two tranches pursuant to the Share Subscription Agreement. Following completion of the CATL Placement and assuming all conditions are satisfied, CATL is expected to hold 8.5% of Pilbara Minerals' issued shares (excluding those shares to be issued under the SPP).

**Tranche 1** for 66.7 million shares (for A\$20.0 million) falls within Pilbara Minerals' remaining placement capacity under ASX Listing Rule 7.1 after settlement of the Institutional Placement. Consequently Tranche 1 is only subject to PRC Approvals which is expected to be received within approximately 6 weeks.

**Tranche 2** for 116.7 million share (for A\$35.0 million) is above the Company's existing placement capacity under ASX Listing Rule 7.1 and therefore Pilbara Minerals will be required to hold an Extraordinary General Meeting ("EGM") to approve the issue of the Tranche 2 shares to CATL and ratify the issue of the shares under the

<sup>3</sup> Refer to 27 August 2019 ASX announcement. Equity proceeds, together with subscription monies of A\$79.6 million from the POSCO convertible bond, is expected to fund Pilbara Minerals' participation in the POSCO JV, assuming a 50:50 external debt to equity funding of the POSCO JV by participants. POSCO JV remains subject to respective board approvals of the parties and final cost estimates being approved by the parties in a final budget for the JV.

<sup>4</sup> As announced to ASX on 28 March 2019, the Company exercised step in rights under the EPC Contract to perform rectification works which were disputed by RCR. The Company has since settled all claims under the EPC contract with the liquidator of RCR.

<sup>5</sup> Being the last trading day prior to announcement of the Placement

<sup>6</sup> The Underwriting Agreement is subject to conditions precedent, termination events, representations and warranties customary for a transaction of this nature. Only the Institutional Placement is underwritten.

Institutional Placement and Tranche 1 shares. The EGM is currently expected to take place in early October 2019 with further details on the EGM time and venue to be provided shortly. Tranche 2 is also subject to PRC Approvals.

The Directors have indicated their intention to recommend that shareholders at the EGM approve the issue of shares to CATL under Tranche 2 and their intention to vote their holdings in favour of such a resolution subject to their statutory and fiduciary duties.

### SHARE PURCHASE PLAN DETAILS

The SPP is expected to open to Pilbara Minerals' shareholders as at 7.00pm (Sydney time) on the record date of Tuesday 3 September 2019 ("**Record Date**") and whose registered address is in Australia or New Zealand ("**Eligible Holders**"). Eligible Holders will be invited to invest up to a maximum of A\$30,000 per shareholder in the SPP, subject to an overall cap of A\$20.0 million (or approximately 66.7 million shares).

New shares issued under the SPP will be offered at the lower of:

- the Placement Price (being A\$0.30 per share); and
- a 1.0% discount to the VWAP<sup>7</sup> of Pilbara shares traded during the five ASX trading days immediately prior to and including the SPP closing date.

No brokerage will be payable by subscribing shareholders.

Further details on the SPP will be distributed to Eligible Holders shortly and released on the ASX.

### STRATEGIC RELATIONSHIP WITH CATL

Pilbara Minerals is pleased to announce it has executed a Share Subscription Agreement with CATL, China's largest battery producer for electric vehicles. CATL is listed on the Shenzhen Stock Exchange (SZSE:300750) with a market capitalisation of US\$22.1 billion<sup>8</sup>, available cash of US\$4.7 billion<sup>9</sup> and currently has three manufacturing facilities in China and two main R&D centres in China and Germany.

Pilbara Minerals' Managing Director, Ken Brinsden, outlined the benefits of the relationship:

*"We are thrilled to welcome CATL as a new investor in Pilbara Minerals. CATL is well known to us, with our relationship dating back over three years. The execution of the Share Subscription Agreement follows a 5-month period of thorough technical and commercial due diligence undertaken by CATL on the Pilgangoora Project, including a site visit, and represents a strong vote of confidence in the long-term future of the Pilgangoora Project and Pilbara Minerals.*

*"The strategic relationship combines Pilbara Minerals' expertise in mining, development and upstream spodumene production with CATL's expertise in downstream processing and its strong customer relationships with electric vehicle manufacturers. The CATL partnership further diversifies Pilbara Minerals' strategic shareholder base, adding a battery manufacturer to the existing converters, and aligns Pilbara Minerals with a key player in the battery market with a robust balance sheet to support our long-term growth trajectory.*

*"This relationship further enhances Pilbara Minerals' downstream integration strategy, which remains a key focus for us given the recently announced execution of binding terms for the downstream POSCO joint venture in South Korea. The POSCO joint venture remains a central part of our growth strategy and the introduction of CATL does not impact Pilbara Minerals' existing commitments to this joint venture.*

*"Moreover, CATL is supportive of the phased expansion strategy now contemplated for Pilgangoora. As a result of this landmark agreement, we now have five world-class partners (including POSCO and CATL) which support the*

<sup>7</sup> Volume weighted average price

<sup>8</sup> As at 3 September 2019 based on Class A Common shares

<sup>9</sup> As at 30 June 2019

development of Stage 2, which we plan to progress in line with the revised expansion plans outlined last week, subject to improved lithium market sentiment, customer demand and the outcomes of feasibility studies.

*“We see the execution of the Share Subscription Agreement as the start of a long-term relationship with one of China’s leading battery manufacturers for EVs. CATL’s investment is a strong vote of confidence in the quality of Pilbara Minerals’ Pilgangoora Project, its important role as a cornerstone supplier in the global lithium-ion supply chain and the growth of the industry in both the medium and long-term.”*

As part of the relationship, CATL has indicated its willingness to provide commercial support to the Company by purchasing Pilbara Minerals’ spodumene concentrate product which may become available under its existing offtake agreements or otherwise, subject to mutual commercial agreement and parties entering into an offtake agreement. Further, the parties have recognised as part of this relationship that the Company can benefit from CATL’s technical and strategic expertise and financial capacity and broaden the Company’s exposure to a wider range of investors, financiers and other commercial partners. CATL may also be able to assist with feasibility studies and the future development of its projects.

In recognition of the strategic relationship, CATL has been granted certain rights and obligations under the Share Subscription Agreement, including:

- **Board representation:** CATL can nominate one person for appointment to the Pilbara Minerals’ Board as a non-executive director, who will remain in place whilst CATL continues to hold an interest in the Company of at least 7.5%;
- **Anti-dilution right:** subject to the Company obtaining an ASX waiver under Listing Rule 6.18, CATL will have the right to participate in future equity offers to ensure they are not diluted for a period of 18 months following the completion of the entire placement;
- **Securities dealing restrictions:** including a standstill for 18 months on future acquisitions of shares in the Company in excess of 14.9%; and
- **Other:** for a period of 18 months should CATL increase its holding above 10%, then it has agreed to sell its shares into any control transaction which has been accepted by shareholders holding more than 50% of shares and recommended by at least 75% of PLS directors.

## ADDITIONAL INFORMATION

Additional information regarding the Equity Raising is contained in the investor presentation released to the ASX today.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

Macquarie Capital (Australia) Limited is acting as Sole Lead Manager, Bookrunner and Underwriter<sup>10</sup> to the Institutional Placement and Financial Adviser to Pilbara Minerals on the CATL Placement. Hartleys is acting as Co-Lead Manager to the Institutional Placement. CMB International is acting as Sole Financial Adviser to CATL.

## INVESTOR CONFERENCE CALL

The Company is hosting an investor conference call at 11:00am (Sydney time) today, Wednesday 4 September 2019. Dial-ins for the investor conference call are set out below:

Australia toll: +61 2 8038 5221

<sup>10</sup> The Underwriting Agreement is subject to conditions precedent, termination events, representations and warranties customary for a transaction of this nature. Only the Institutional Placement is underwritten.

Australia toll-free: 1800 123 296

For those joining the call, the Conference ID is 2666728.

## **VOLUNTARY SUSPENSION FROM OFFICIAL QUOTATION**

The Company requests that the current voluntary suspension from official quotation remains in place until the Company makes a further announcement on Thursday 5 September 2019.

## **CONTACTS**

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## **ABOUT PILBARA MINERALS**

Pilbara Minerals Limited (Pilbara Minerals – ASX: PLS) is a mining company listed on the ASX, specialising in the exploration and development of the specialty metals lithium and tantalum. Pilbara Minerals owns 100% of the world class Pilgangoora Lithium-Tantalum project which is which is one of the world's premier lithium development projects. Pilgangoora is also one of the largest pegmatite hosted tantalite resources in the world and Pilbara Minerals produces a tantalite by-product of its spodumene production.

## **ABOUT CATL**

Contemporary Amperex Technology Limited (CATL – SZSE: 300750) is a world-leading developer, manufacturer and distributor of lithium-ion battery systems for hybrid and electric vehicles as well as energy storage systems. CATL is listed on the Shenzhen stock exchange with a market capitalisation of US\$22bn and in 2018 generated revenue of approximately A\$6bn. CATL is headquartered in Ningde, China and its global operations include three manufacturing facilities in China, two main R&D centres in China and Germany, and offices in mainland China, Tokyo, Hong Kong, Paris, Berlin, Munich and the United States. CATL employs more than 24,000 people worldwide, including 4,000 highly qualified R&D specialists.

## **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 total global demand of approximately 1,700 tonnes of tantalum metal per year. Tantalum is primarily used in the electronics industry in the manufacture of capacitors for high-end applications like telecommunications and data storage. It is also used in semiconductors, engine turbine blades and medical implants. As well as providing ductility, toughness, corrosion resistance, thermal conductivity and heat resistance to various other applications.

## **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 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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