



ASX/Media Announcement

2 May 2017

## **PILBARA SIGNS BINDING LONG TERM OFF-TAKE AND FINANCING SUPPORT AGREEMENT WITH GANFENG LITHIUM**

*Off-take agreement encompasses balance of Stage 1 production (160,000tpa SC6.0 product) plus participation in up to 50% of off-take and longer-term funding support for Stage 2*

### **HIGHLIGHTS:**

- Long-term off-take agreement executed with leading integrated Chinese lithium producer, Jiangxi Ganfeng Lithium Co Ltd and its subsidiary (“Ganfeng Lithium”) for Stage 1 (2Mtpa operation) of Pilbara’s flagship Pilgangoora Lithium-Tantalum Project in WA.
- The Stage 1 off-take agreement comprises 160,000tpa of chemical grade spodumene concentrate (SC6.0 basis) over an initial 10-year term, with two five year options to extend for up to a further 10 years.
- Upon a decision to develop Stage 2 (4Mtpa), Pilbara will supply Ganfeng Lithium with an additional 25% of the Pilgangoora Project’s expanded Stage 2 production of chemical grade spodumene concentrate.
- Up to 50% of Stage 2 production (maximum 150,000tpa of Stage 2 expanded production in total) to be provided in off-take, contingent on Ganfeng Lithium providing Stage 2 funding commitments commensurate with its final off-take position.
- Complementary funding commitments from Ganfeng Lithium include:
  - Firm participation of not less than US\$20 million as an investor in Pilbara’s remaining financing to complete Stage 1 of the Pilgangoora Project; and
  - Provision of debt funding or off-take pre-payment to support the development of the Stage 2 expansion (4Mtpa) for the Pilgangoora Project, with the funding amount to be commensurate with its final off-take position under Stage 2.
- Pilbara’s Stage 1 chemical grade spodumene concentrate (SC6.0 basis) is now fully sold to both General Lithium and Ganfeng Lithium, paving the way for the Company to complete the balance of funding required for Stage 1 of the Pilgangoora Project.
- Both off-take agreements include downside price protections to provide Pilbara with confidence that it can operate profitably above its expected operating cost base, as well as an attractive off-take pricing formula based on market reference data for battery grade lithium carbonate pricing comprising both Chinese domestic and import price outcomes. This is designed to ensure that Pilbara benefits from both the current and expected future demand for lithium carbonate in China.

Australian lithium developer, Pilbara Minerals Limited (ASX: PLS) (“Pilbara” or “the Company”), is pleased to announce that it has taken a major step towards its objective of becoming a leading low-cost global lithium producer after completing final off-take arrangements for its chemical grade spodumene concentrate production (SC6.0 basis) from its 100%-owned Pilgangoora Project in the Pilbara region of Western Australia.

Today’s announcement, together with the previously announced binding off-take agreement with General Lithium Corporation (see ASX announcement of 4 July 2016) supports sales of not less than 300,000tpa of spodumene concentrate (SC6.0 basis) from the Pilgangoora Project, representing 100% of the mine’s Stage 1 chemical grade spodumene concentrate production.

Founded in 2000, Ganfeng Lithium is listed on the Shenzhen Stock Exchange (SHE: 002460), and has a market capitalisation of approximately US\$4.6 billion. It is one of China’s largest integrated lithium producers, with a total capacity of around 30,000tpa of LCE (lithium carbon equivalent), and a product suite including lithium metal, lithium hydroxide, lithium carbonate, lithium fluoride, and lithium chloride.

### **Pilbara Minerals Limited**



As part of Ganfeng Lithium's commitment to Stage 1 development of the Pilgangoora Project, it has also signed a financing agreement to contribute not less than US\$20 million to the financing of Stage 1.

The completion of the Stage 1 off-take will enable the Company to work towards the final financing for the Pilgangoora Project in the near term, which is proposed to be underpinned by debt financing. This together with receipt of the final Mining Proposal approval from the Department of Mines and Petroleum (DMP) (expected shortly), will pave the way for the commencement of major site works.

Further demonstrating the strength of demand for the Company's product, Ganfeng has also committed to take delivery of 25% of the expanded concentrate production capacity from Stage 2 of the Pilgangoora Project, should that expansion be supported by final feasibility studies and should Pilbara choose to proceed with an expansion to 4Mtpa production capacity.

In addition, Ganfeng has agreed to provide financing support for up to 50% of the Project's Stage 2 development and capital costs, and upon financing terms being agreed, will be offered up to a total of 50% of the additional production from the Stage 2 expansion.

Pilbara's Managing Director, Ken Brinsden said the agreements with Ganfeng Lithium and General Lithium underscore the importance of the Pilgangoora Project as a world class leading supply solution for burgeoning lithium raw material demand.

"We are delighted to have reached agreement with one of the world's pre-eminent and fastest growing integrated lithium companies, and we welcome Ganfeng as a long-term partner at Pilgangoora.

"Their investment is a major endorsement for the Pilgangoora Project and the Company," he said.

"With the chemical grade spodumene off-take now completed, the Pilbara team together with our financial advisors, BurnVair Corporate Finance, are fully focussed on arranging the balance of the Pilgangoora Project's development funding. In that regard, we are well advanced and with the support of our major customers we look forward to announcing a successful funding solution in the near term," Mr Brinsden added.

### **Key Terms of Agreements**

The key terms of the off-take agreement with Ganfeng Lithium may be summarised as follows:

- 160,000tpa of chemical grade spodumene product representing over 50% of the anticipated production from Stage 1 of the Pilgangoora Project.
- 10-year term, with two, five year options for Ganfeng Lithium to extend for up to a further 10 years.
- The agreement and the obligation to deliver product is subject to conditions precedent, including Ganfeng Lithium completing its contractual participation of not less than US\$20 million in the Pilgangoora Project final financing, the Pilbara Board making a final investment decision for Stage 1 of the Pilgangoora Project, the Company obtaining all necessary authorisations for construction and operation of the Project, successful commissioning and commencement of production and shipment of product.
- Pricing is on a CIF basis (cost plus insurance and freight) and is reset every 6 months by a pricing formula based on the price of lithium carbonate. The price of lithium carbonate is defined by historical data for import and export pricing in China as determined by major cathode makers and for battery grade lithium carbonate.
- The agreement provides for pricing reviews in certain limited circumstances by either party, where there are fundamental changes in market pricing.
- Delivery and payment obligations are suspended for typical force majeure events which are outside the control of the parties.
- Upon completion of a Definitive Feasibility Study and a decision being made by Pilbara to proceed with Stage 2 (4Mtpa) of the Pilgangoora Project, the parties will enter into a new off-take agreement for an additional 25% of the expanded production of Stage 2, capped at 75,000tpa. In addition, Ganfeng Lithium has agreed to offer a cash pre-payment or debt facility to help fund the development of the Stage 2 expansion in return for an additional 25% and up to a total of 50% of Stage 2 expanded production, capped



at 150,000tpa. The additional 25% of Stage 2 production is conditional on the parties entering into a facility agreement on terms acceptable to Pilbara.

In a separate subscription agreement, Ganfeng Lithium's subsidiary has also agreed to subscribe for shares in Pilbara for not less than US\$20 million in any equity placement to be undertaken by the Company to contribute towards the funding of Stage 1 of the Pilgangoora Project. Ganfeng may also subscribe for additional shares in the placement provided that the total number of shares in the Company does not exceed 4.9%. The obligation of Ganfeng Lithium's subsidiary to subscribe in the placement is guaranteed by Ganfeng Lithium.

Ganfeng Lithium has agreed to a standstill of 12 months and will not acquire any additional shares in the Company except in limited circumstances.

**Upon the release of this announcement, the Company requests the reinstatement in the trading of its 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 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 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.