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ASX ANNOUNCEMENT

29<sup>th</sup> July 2015

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## PILBARA SIGNS MOU'S FOR MORE THAN 70% OF ITS FUTURE CONCENTRATE SALES FROM PILGANGOORA LITHIUM PROJECT

*STRATEGIC AGREEMENTS WITH TWO CHINESE GROUPS DEMONSTRATES STRONG MARKET DEMAND FOR THE HIGH QUALITY SPODUMENE CONCENTRATES TO BE PRODUCED FROM THE PILGANGOORA PROJECT*

**HIGHLIGHTS:**

- **Memorandums of Understanding (MOU's) signed with two leading Chinese lithium carbonate producers for more than 70% of the planned capacity output.**
- **Under the MOU's, the parties have agreed to commence discussions to work towards signing binding off-take agreements** with prices to be negotiated based on global market prices and a floor price and cap price to be agreed for the first year of supply.
- **The MOU's envisage first delivery of spodumene concentrate from the Pilgangoora Project in 2017**, with annual tonnages ramping up rapidly thereafter.
- The signing of the MOU's highlights the **strong level of interest and demand from potential customers and potential future off-take partners in the Pilgangoora Project**, and reinforces the robust outlook for lithium in global markets.
- **Pilgangoora has already been confirmed as one of the world's largest hard-rock lithium deposits**, with favourable metallurgical characteristics making it potentially the second largest global supplier of low-iron high-grade **Spodumene** to the glass, ceramic and metallurgical sectors.

Australian strategic metals company Pilbara Minerals Ltd (ASX: PLS) is pleased to announce that it has taken an important first step towards establishing off-take arrangements with key international customers for its 100%-owned **Pilgangoora Lithium-Tantalum Project** in Western Australia after signing two non-binding MOU's for the future sale of spodumene concentrate.

Pilbara has recently commenced a Pre-Feasibility Study on the Pilgangoora Project, where a major resource in-fill and expansion drill program is underway.

As part of its fast-track development strategy, the Company has also recently engaged with potential customers and off-take partners in China, North America, Europe, Far East and SE Asia that is expected to soon result in the signing of additional non-exclusive and non-binding MOU's that will pave the way to progress to more formal binding sales agreements.



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These initial strategic agreements demonstrate the high level of early-stage interest from customers and potential off-takers in the high quality spodumene concentrate which Pilbara expects to be able to produce at Pilgangoora.

This gives the Company confidence in its development strategy for Pilgangoora – its cornerstone strategic metals asset in the Pilbara region of WA – and represents the first step in establishing a portfolio of strategic relationships with Tier One partners that could also potentially assist with the financing, development and future operation of the Pilgangoora Project.

Pilbara’s development timeframe envisages operations commencing at Pilgangoora in 2017.

### **MOU Details**

Pilbara has signed two non-binding MOU’s for the future supply of spodumene concentrate from the Pilgangoora Project. Both companies are leading producers of lithium carbonate in China and are well reputed and well known in their regions.

Under the MOU’s, the parties have agreed to commence discussions on a non-exclusive, confidential basis to negotiate an off-take agreement covering the supply of spodumene concentrates, commencing in 2017. As part of this process, the parties have agreed to provide all relevant information, data and materials required to undertake this evaluation.

The parties will seek to negotiate an off-take agreement in good faith. The volume of various grades required and the prices will be negotiated on an annual basis based on global market prices, with a floor price and a cap price to be agreed for the first year of supply.

The off-take agreement would become legally binding once Pilbara secures financing to commence development and construction of the Pilgangoora Lithium-Tantalum Project.

### **Management Comment**

Pilbara’s Executive Director, Neil Biddle, said the signing of the MOU’s marked the start of a proactive marketing process for the Pilgangoora Project which was expected to play a key role in the Company’s financing and development strategy for the project.

“The lithium industry is dominated by long-term strategic relationships between producers, suppliers and customers, and it is absolutely vital that we begin the process of establishing those relationships right at the front end of the project’s development,” Mr Biddle said.

We are very excited with the potential of the Pilgangoora project after the recent test-work conducted by ANZAPLAN (ASX announcement 25 May 2015 refers). It clearly demonstrates the potential to supply low-iron, high-grade Spodumene, making us potentially the second largest global supplier of high-quality spodumene concentrates. This allows us to diversify our markets i.e. glass, ceramics, metallurgy and lithium battery markets.



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“Both parties represent Tier One partners, highly respected and well-connected in their fields, who have demonstrated a high level of interest in securing long term Off Take Agreements.

They share our view that Pilgangoora is a unique asset, with the ability to be a 20-year plus supplier of low-iron high-grade, high-quality spodumene concentrate to global markets from a deposit which is outstanding in terms of grade, quality and potential.”

“Given the extremely robust outlook for lithium in the coming years as the rapidly growing battery sector increasingly drives demand for lithium compounds and minerals, supplementing traditional demand from the glass and ceramics sectors, we expect a lot more interest developing in this project.”

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## About Pilbara Minerals

Pilbara Minerals (Pilbara) is a mining and exploration company listed on the ASX, specialising in the exploration and development of the specialty metals tantalum and lithium. Pilbara is currently developing the Tabba Tabba Tantalum deposit, located approximately 50km south-east of Port Hedland through a 50% Joint Venture. Pilbara is also drilling and developing the advanced 100%-owned Pilgangoora tantalum-lithium deposit close to Tabba Tabba.

The primary source of tantalum is from minerals such as tantalite, columbite, wodginite and microlite contained in pegmatite ore bodies. The largest deposits are located in Australia, Brazil and Africa. Tantalum’s **major use is** in the production of electronic components, **especially for capacitors**, with additional use in components for chemical plants, nuclear power plants, airplanes and missiles. It is also used as a substitute for platinum.

The tantalum market is boutique in size with around 1,300 tonnes required each year. However the market is rapidly growing due to capacitor use in wireless and handheld devices. PLS’s Tabba Tabba Project could supply approximately 7% of the annual market consumption over two years. There are two major buyers of tantalum raw product worldwide: HC Stark and Global Advanced Metals.

Lithium is a soft silvery white metal and has the highest electrochemical potential of all metals. In nature it occurs as compounds within hard rock deposits and salt brines. Lithium and its chemical compounds have a wide range of beneficial properties 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 electric bikes, motor vehicles, buses, trucks and taxis.