



ASX / MEDIA ANNOUNCEMENT

28 March 2019

PILBARA MINERALS TO COMMENCE STAGE 3 PARTNERING PROCESS

Partners to be considered for Stage 3 offtake, chemical plant participation and potential minority interest sell-down of the Pilgangoora Project, supporting both the continued expansion of Pilgangoora via Stages 2 and 3 and Pilbara Minerals' downstream participation strategy

HIGHLIGHTS

- Partnering process commenced to consider Stage 3 offtake, further vertically integrated chemical facilities and the potential sale of a minority project level interest in the Pilgangoora Project of between 20% to 49%.
- Recent transactions in the lithium raw materials industry highlight the value in interconnecting mine ownership, product offtake and downstream chemical facilities.
- Pilbara Minerals has received interest from third parties in respect of project ownership and product offtake at Pilgangoora, indicating the potential strategic value in owning an interest in a large, world-class operating lithium mine.
- Outcome from partnering process expected in mid-2019. Pilbara Minerals will only introduce a partner should it enhance the value of the project and support the Company's strategy and growth aspirations.
- Existing downstream POSCO JV to remain separate and will be excluded from the minority partnering process.
- Compelling Stage 3 Scoping Study on the proposed expansion of Pilgangoora to 7.5Mtpa, together with the partnering process being announced today, expected to support an optimised funding package for the combined Stage 2 and 3 Pilgangoora expansions.
- Recent A\$50 million equity placement to Ganfeng provides immediate funds to support continued preliminary works for the Stage 2 expansion.

Australian lithium and tantalum producer, Pilbara Minerals Limited (ASX: PLS) ("Pilbara Minerals" or "the Company"), is pleased to announce that it has commenced a partnering process to interconnect uncommitted Stage 3 Pilgangoora offtake with future JV chemical conversion facilities. At the same time, the Company is considering the sale of a minority interest of between 20% to 49% in its world-class **Pilgangoora Lithium-Tantalum Project** ("Pilgangoora") in Western Australia.

This represents a key part of Pilbara Minerals' long-term strategy to unlock the full value of the Pilgangoora deposit and position the Company as a fully integrated participant in the lithium raw materials and chemicals value chain.

The partnering and offtake process follows the recently completed positive Stage 3 Scoping Study (ASX announcement: 26 March 2019) which highlighted the Project's robust long-term growth pathway.

The proposed Stage 3 project will see Pilgangoora's processing capacity expand to 7.5Mtpa, delivering an average of 1.2Mtpa of ~6% spodumene concentrate and ~1.1Mlbspa of 30% tantalite concentrate over an estimated 15-year mine life (based on the existing project Reserves), with the potential to extend beyond 15 years.

Following the development of Stage 3, it is anticipated that between ~270ktpa and 400ktpa of additional SC6.0 spodumene concentrate will become available as either offtake to an incoming

participant in the partnering process or for the development of an additional chemical conversion facility in conjunction with a downstream partner. The available uncommitted spodumene concentrate tonnes (beyond 270ktpa), will be subject to the uptake of any expanded offtake agreements with existing customers.

The partnering process will consider a range of potential transactions including the sale of a minority interest of between 20% and 49% in Pilgangoora, offtake arrangements for the Stage 3 expansion and/or the creation of a newly established joint venture to develop a second chemical conversion facility, either locally or internationally.

The commencement of the partnering process follows enquiries from a range of lithium industry participants including lithium processors, battery manufacturers, trading companies, mining companies and automakers seeking opportunities for offtake, investment and/or partnering at Pilgangoora.

Pilbara Minerals intends to engage with credible parties who show strong interest in partnering at Pilgangoora, and who can meaningfully enhance the value of the project for Pilbara shareholders through additional financing support, technical capability including potential downstream processing expertise and/or marketing support.

Commenting on the commencement of the partnering process, Pilbara Minerals' Managing Director Ken Brinsden said:

"The Pilgangoora project's Tier-1 status means that it is attracting significant interest from participants across the global lithium-ion supply chain – and we believe this interest has the potential to be converted into a transaction that can help support the long-term growth of our business.

"Several recent transactions in the global lithium industry have highlighted the substantial value that can be unlocked through introducing strategic partners to product offtake and project level interests.

"With production of high quality spodumene concentrate well underway and significant plans to expand production from the current 2Mtpa up to 7.5Mtpa, Pilgangoora is a world-class, low-cost asset which is expected to play a major role in the rapidly growing electric vehicle and energy storage markets," he added.

The partnering process is designed to support Pilbara Minerals in potentially funding both the Stage 2 expansion of Pilgangoora and the proposed Stage 3 development, as well as supporting further growth in the Company's downstream initiatives. Further, it could also introduce additional technical expertise as Pilbara Minerals considers a second chemical conversion facility in response to increasing global demand for battery grade lithium hydroxide and carbonate.

The partnering process is not anticipated to have any impact on our existing offtake customers, who have supported the Company's developments to date and our nearer-term expansion initiatives.

DETAILS ON THE PARTNERING PROCESS

The partnering process will not include Pilbara Minerals' interest in the proposed POSCO JV for a potential ~40ktpa lithium hydroxide facility in South Korea (ASX announcements: 3 January and 18 March 2019), which the Company intends to retain as a separate legal entity within its corporate structure. The proposed joint chemical conversion plant will be supported by the existing offtake arrangements from Pilgangoora.

The Company recently completed an updated Scoping Study on the potential for a second 30-60ktpa lithium hydroxide conversion facility that identified several Australian and international site locations that are economically viable (ASX announcement: 25 March 2019). The partnering process will explore the potential to jointly progress further studies on this lithium facility with a view to future project development utilising spodumene concentrate from the Stage 3 expansion.

Pilbara Minerals is targeting a decision in respect of a potential transaction in mid calendar year 2019. However, shareholders should be aware that there is no certainty that any transaction will be announced or completed. Pilbara Minerals does not intend to provide any further updates until the conclusion of the partnering process.

Pilbara Minerals will only enter into a transaction if it is value accretive and in the best interests of shareholders. The Company believes that neither its Stage 3 expansion nor its downstream value-adding strategy are reliant upon a sell-down at the project level.

Pilbara Minerals has appointed Macquarie Capital (Australia) Limited and Allen & Overy to assist in managing the partnering process.

STAGE 2 AND 3 FUNDING UPDATE

The positive Scoping Study on the Stage 3 project expansion, in conjunction with the partnering and offtake process announced today, provides the Company the opportunity to pursue an optimised funding package for the combined Stage 2 and Stage 3 Pilgangoora expansions.

The Stage 2 and Stage 3 expansions have capital cost requirements of A\$231 million and A\$226 million respectively.

Pilbara previously announced a 3-part funding package for Stage 2 comprising:

- A\$50 million equity placement to Ganfeng to secure an additional 75Ktpa of spodumene concentrate under its Stage 2 offtake agreement (for a total of 150Ktpa under the Stage 2 offtake agreement) – this equity placement was completed on 26 March 2019;
- A US\$25 million pre-payment from Great Wall Motor Company to secure 75Ktpa of spodumene concentrate from Stage 2 – binding term sheet executed in January 2019, with draw-down expected upon completion of the balance of the Stage 2 financing; and
- Additional debt funding, with the preferred source being a proposed US\$50 million “Tap Issue” in accordance with the terms and conditions of the Company’s existing Nordic Bond.

Pilbara Minerals has had initial engagement with bondholders on the tap issue with strong interest received and has continued to assess a range of alternative debt funding options in support of the Stage 2 development. However, the Company has decided to defer the process to source the additional debt funding required for the balance of Stage 2 funding until the partnering process is further progressed. This will provide greater clarity on the Company’s outstanding funding requirements so that a complete funding solution can be pursued across both Stages 2 and 3 if desired.

In light of the potential to revise the Company’s funding structure through the partnering process being contemplated and in consideration of the needs of our customers (who in turn are developing or commissioning their own chemical facilities), commissioning of the Stage 2 project will be delayed by approximately six months to the September quarter of 2020.

A final investment decision and delivery schedule for Stage 3 is dependent on further feasibility studies, market conditions and customer requirements. The timing of its delivery may also be dependent on the outcomes of the partnering process and/or any associated chemical conversion facility and project funding requirements. Notwithstanding these points, it is currently estimated construction of Stage 3 could commence late in the second quarter of the 2020 calendar year with commissioning commencing early in the second quarter of the 2021 calendar year.

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ABOUT PILBARA MINERALS

Pilbara Minerals Limited (Pilbara Minerals – 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 Minerals owns 100% of the world class Pilgangoora Lithium-Tantalum project 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 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 semi-conductors, 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.

NO NEW INFORMATION OR DATA

The Company confirms it is not aware of any new information or data that materially affects the information included in the announcements dated 25 March 2019 "Stage 3 Scoping Study Outcomes" and 17 September 2018 Pilgangoora Resource and Reserve Estimates, and that all material assumptions and technical parameters underpinning the targets and estimates in those announcements continue to apply and have not materially changed.

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