



## **PILBARA PROGRESSES PILGANGOORA DSO OPTION AND UPDATES CAPITAL FORECASTS**

*Project on track for commissioning from Q2 2018 and first concentrate from June 2018*

- DSO sales targeted to commence from April 2018 following progression of further discussions on logistics and sales arrangements with a reliable customer to support an initial DSO program of ~1Mt over 12 months.
- Minor additional capital investment of \$4.5M intended for road improvements to support larger truck formats that add value both to the DSO program and ongoing concentrate exports.
- Pilgangoora Stage 1 CAPEX updated to \$274M, reflecting proposed EPC contract acceleration costs, scope changes at the Company's direction (including exclusions and inclusions) and further investment to add value to the final Pilgangoora concentrate quality.
- Pilbara has committed to additional works at Pilgangoora that support the near-term Stage 2 development including additional bulk civil earthworks, engineering and owner's costs, resulting in an additional \$5.5M capital expenditure. This will ensure that Pilbara can move swiftly to capitalise on growing global demand for lithia raw materials.
- Additional capital investment is expected to be funded from existing sources including project contingency, management reserve, previously raised equity capital, along with DSO product sales and product pre-payments.

Australian lithium developer Pilbara Minerals Limited (ASX: PLS) ("**Pilbara Minerals**" or "**the Company**") is pleased to announce further progress towards the execution of a DSO sales program at its Pilgangoora Lithium-Tantalum Project in Western Australia and provide an updated capital investment forecast.

This reflects a number of initiatives designed to facilitate early cashflow and the expansion of the concentrate project in Stage 2, to enhance product quality and to deal with certain increased project costs. Pilbara is positioning Pilgangoora as a premier long-term supplier of both chemical and technical grade spodumene concentrates to global markets.

### **DSO Program**

Pilbara has continued to progress discussions on DSO sales arrangements from the Pilgangoora site and, subject to finalising binding agreements, is targeting commencement of shipments from April 2018.

The Company has continued to receive significant enquiry from customers regarding the potential for further DSO sales. Against this backdrop, Pilbara has continued to progress this opportunity and is in advanced discussions with a reliable customer while also progressing suitable commercial arrangements for downstream logistics (including access to Utah Point for bulk mineral ship- loading). Final arrangements are expected to be completed and announced in the coming weeks.

As part of the expedited DSO program, the Company has already made some commitments to progress mining outcomes at site utilising the recently mobilised MACA mining fleet.

The DSO program requires additional capital investment on the access road (relating to a future RAV7 network rating) in order to increase truck pay-loads. The estimated capital cost of these road improvements is approximately \$4.5 million, with the upfront investment having the additional benefit of reducing haulage costs for concentrate haulage for over the balance of mine life.

## **Updated Capital Forecasts**

In light of a number of scope changes, plant improvements and investment to enhance product quality, Pilbara has revised the forecast Stage 1 capital investment for the Pilgangoora Project to \$274 million, representing an increase of 17% compared with the most recent capital cost estimate.

The increase reflects the following factors:

- A commitment to additional investment in the processing plant aimed at further enhancing the quality of the final product, consistent with the Company's strategic objective of becoming a quality long-term supplier of SC6.0 spodumene concentrate to the chemical conversion market. This investment – which includes additional investment for iron removal on both the coarse and fine product streams, additional attritioning in the circuit pre-float and the inclusion of reflux classifiers – reflects the outcomes of the Company's pilot-scale testwork and detailed EPC engineering (subsequent to the award of the EPC contract);
- Acceleration costs which will be incurred to ensure that project commissioning remains largely consistent with the original project delivery schedule. This is a result of some additional time consumed by the detailed engineering design program arising from additional scope items and minor extension-of-time claims. The timing of first concentrate is targeted for June for fines concentrate with balance of commissioning and production ramp up to follow shortly thereafter; and
- Some outright cost increases which have been evident in the camp relocation package and Stage 1 bulk earthworks package including rock removal and foundation preparations for some of the major plant components.

The additional scope items and acceleration costs have been partially offset by the award of a crushing contract to CSI Pty Ltd (a division of Mineral Resources) in lieu of Pilbara undertaking the primary and secondary crushing works itself. Given CSI's recent successful experience at Mt Marion and Wodgina, this significantly de-risks the crushing component of the Pilgangoora plant works.

Additional investments are also being made in support of the Stage 2 expansion, primarily relating to the required earthworks. Additional scope has been included within the NRW earthworks package that provides increased elevation to the plant site, additional drainage and road accesses to the Stage 2 plant pads. Capital costs allocated to the Stage 2 development are approximately \$5.5 million.

In total, the additional forecast expenditure in the period through to the sales of first spodumene concentrate is approximately \$50 million. The Company expects to finance the additional expenditure from existing available sources including project contingency, management reserve, additional equity capital previously raised (A\$20M), along with DSO product sales and customer pre-payments.

## **Management Comment**

Pilbara Minerals' Managing Director and CEO, Mr Ken Brinsden, said the additional capital represented an investment both in the near-term benefits to be generated by DSO sales and the longer-term benefits of a Tier-1 spodumene concentrate operation with the ability to rapidly scale-up to meet demand.

"Demand for DSO products reflects the current shortage of lithium units in China. We are in a position to meet this demand in the near term through a DSO program which will facilitate further investment in downstream processing capacity in China, that will ultimately benefit our longer-term spodumene concentrate business," he said.

"With respect to capital investment elsewhere in the plant, we are investing in facilities and future expansions that will provide the highest quality lithium raw material for decades to come. It's important that we differentiate our product quality from our peers and I am confident that we have designed and are now delivering the plant that can achieve these goals," Mr Brinsden added.

**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:**

<b><i>Investors / Shareholders</i></b>	<b><i>Media</i></b>
Ken Brinsden Chief Executive Officer, Managing Director Ph. +61 (0)8 6266 6266	Nicholas Read Read Corporate Ph. +61 (0)8 9388 1474