



**Pilbara
Minerals**

...Powering a Sustainable Energy Future

ASX / MEDIA ANNOUNCEMENT

2 January 2019

PILBARA MAINTAINS GROWTH MOMENTUM WITH STRONG CUSTOMER SUPPORT TO UNDERPIN FUNDING PACKAGE FOR STAGE 2 PILGANGOORA EXPANSION

Terms agreed with both Ganfeng and Great Wall to cornerstone Stage 2 funding package as Pilbara Minerals contemplates potential for a further Stage 3 expansion in response to strong customer demand

HIGHLIGHTS

- Pilbara Minerals is pleased to announce the proposed funding package, supported by its key customers, to provide the balance of funding required for the Stage 2 - 5Mtpa expansion of its Pilgangoora lithium-tantalum project.
- The funding package will comprise:
 - A US\$25M (~A\$35.5M) offtake pre-payment facility to be provided by Great Wall Motor Company ("Great Wall"), satisfying its Stage 2 funding commitment;
 - A A\$50M equity placement to Jiangxi Ganfeng Lithium Co. Ltd ("Ganfeng"), satisfying its Stage 2 funding commitment and further aligning Pilbara Minerals as a key supplier to Ganfeng's rapidly expanding and high-quality customer base; and
 - A proposed new US\$50M (~A\$70.9M) Nordic bond to be issued in accordance with the terms and conditions of the Company's existing Nordic Bond ("Tap Issue"), to be implemented with bondholder consent in the current Qtr.

Once completed, the funding package, together with Pilbara Minerals' existing cash reserves and future cash-flow from Stage 1 operations, would see the Stage 2 expansion being fully-funded.

- In recognition of the timing of its customers' requirements including the ramp-up of their respective supply chains, Pilbara Minerals is now targeting commissioning of Stage 2 from the March Quarter 2020.
- Stage 2 to be engineered and built to facilitate a potential future Stage 3 expansion to unlock future processing capacity up to 6.2Mtpa and ultimately 7.5Mtpa.
- The ramp-up of the Stage 1 Pilgangoora processing plant continues to plan, with production for the month of December 2018 being ~23,500 dry metric tonnes of spodumene concentrate, equivalent to ~85% of the plant's Stage 1 design capacity.

Australian lithium producer Pilbara Minerals Limited (ASX: PLS) ("Pilbara Minerals" or "the Company") is pleased to announce details of a proposed multi-pronged funding package to provide the balance of the funding required to support the development of the Stage 2 expansion of its 100%-owned Pilgangoora lithium-tantalum project in Western Australia to 5Mtpa.

The funding package is underpinned by two of Pilbara Minerals' key customers, Jiangxi Ganfeng Lithium Co. Ltd and Great Wall Motor Company, demonstrating a high level of customer support for its rapid growth trajectory –

which will see Pilbara Minerals become one of the major global lithium raw materials producers by early next decade.

The announcement of this proposed funding package follows successful customer site visits to the Stage 1 operations, where the ramp-up of production is on track with strong indications of customer support for a potential future expansion of the Pilgangoora project beyond Stage 2.

Pilbara Minerals' Managing Director and CEO, Ken Brinsden, said;

"We're out of the blocks early in the New Year with the announcement of a funding package which once completed should ensure that our next major growth step, to 5Mtpa, is fully-funded. Upon completion of the expansion by the March quarter of 2020, Pilgangoora will be elevated to an annualised production rate of up to 850,000tpa of spodumene concentrate, putting us firmly on track to become one of the world's major global lithium raw material producers.

The quality of the products we are producing, the sheer scale of the resource and the speed at which production is ramping-up means that Pilgangoora is rapidly being recognised as one of the most important new lithium raw material projects globally.

Our key customers have recently visited site and they clearly like what they have seen. They are now fulfilling their commitments by providing capital to underpin the Stage 2 expansion in order to secure their full Stage 2 offtake allocations. At the same time, they have made it clear that they would like to see the project grow further, prompting us to undertake studies to evaluate a potential Stage 3 expansion to at least 6.2Mtpa and potentially up to 7.5Mtpa, as part of the engineering work currently contributing to our Stage 2 project.

This should send a clear message about the robust outlook for the lithium market as far as our Tier-1 customer base is concerned and demonstrates the secure position the world-class Pilgangoora project commands as part of a global lithium-ion supply chain that is growing rapidly. We are looking forward to playing a key role in that growth and continuing to work closely with our customers to deliver their requirements.

An important consideration in the financing of Stage 2 is the interplay between the new customer financing and the existing Bond facility. We believe the combination of a proposed "Tap Issue" under the existing Bond and parallel engagement with existing Bondholders to seek their consent to expand the permitted debt required under the terms of the Bond, will both simplify the approvals process and achieve the lowest overall cost of financing for the proposed funding streams required to finance the Stage 2 expansion," he added.

Funding Package Overview and Background

The proposed financing package to fund the Stage 2 capital expenditure of A\$231 million and related working capital will be a combination of:

- a US\$25 million pre-payment from Great Wall Motor Company;
- a A\$50 million equity placement to Ganfeng utilising Pilbara Minerals' Listing Rule 7.1 placement capacity;
- a proposed US\$50 million (~A\$70.9 million) "Tap Issue" in accordance with the terms and conditions of the Company's existing Nordic Bond;
- existing cash (largely related to the previous equity placement to POSCO of South Korea); and
- future cash-flow generated from Stage 1 operations.

The financing provided by Great Wall and Ganfeng allows these customers to secure their full Stage 2 offtake envisaged in the original offtake agreements.

The proposed 'Tap Issue' under the existing Nordic Bond is planned for completion during the March quarter, at the same time that bondholder consent is sought to expand the required quantum of permitted debt (including the proposed offtake prepayments), supporting the continued growth of the business.

In October 2017, the Company completed a A\$28 million equity placement and signed an offtake agreement with Great Wall to supply 75,000tpa of spodumene concentrate from Stage 2 production for an initial 5-year term, with Great Wall having the right to extend this quantum of supply for up to an additional 10 years via two 5-year options.

Under the agreed offtake terms, Great Wall also had the ability to secure an additional 75,000tpa of Stage 2 product (for a total of 150,000tpa) subject to providing Pilbara with up to US\$50 million of debt financing to fund the Stage 2 expansion via a secured debt or offtake prepayment facility.

Pilbara Minerals and Great Wall have now executed a binding terms sheet to secure the additional 75,000tpa of Stage 2 offtake, in exchange for a second ranking secured US\$25 million offtake pre-payment facility. The reduced finance facility with Great Wall facilitates Pilbara Minerals' engagement with the existing Bondholders for a proposed "Tap Issue" to the existing Bond, as part of simplifying their consent to expand the permitted debt required under the Bond.

In June 2017, the Company completed a ~A\$27 million equity placement with Ganfeng, having also signed a 10-year offtake agreement for the supply of 160,000tpa of 6% spodumene concentrate from Stage 1 production, with Ganfeng having the ability to extend the term for a further 10 years through two 5-year options.

In addition, if a decision was made to proceed with Stage 2, Pilbara Minerals agreed to provide Ganfeng with an additional offtake agreement to supply 75,000tpa of spodumene concentrate from Stage 2 production; Ganfeng also having the ability to secure a further 75,000tpa of Stage 2 product (for a total of 150,000tpa), by providing Pilbara with a funding commitment of not less than A\$65 million to fund the Stage 2 expansion via a debt or offtake prepayment facility.

After considering the combination of the significant offtake relationship with Ganfeng, the aforementioned Bondholders' consent and prudent balance sheet management, Pilbara Minerals and Ganfeng have now agreed to execute a Subscription Agreement for a A\$50 million equity placement, in lieu of a debt or pre-payment facility, in order for Ganfeng to secure the additional 75,000tpa of Stage 2 offtake.

The equity subscription does not require shareholder approval as it will utilise Pilbara Minerals' placement capacity under Listing Rule 7.1. The equity subscription will comprise 77,663,871 shares at an issue price of \$0.6438 per share (being the 5-day VWAP prior to the execution of the subscription agreement), and is subject only to Ganfeng obtaining regulatory approvals in China, which are expected to be received by no later than 31 March 2019. A break fee of A\$2 million will be payable by Ganfeng should Ganfeng be unable to satisfy the conditions precedent in a timely manner.

Having secured customer funding from both Ganfeng and Great Wall in exchange for additional Stage 2 product, the Company will now proceed to undertake a "Tap Issue" under the existing Nordic Bond of US\$50 million to complete the balance of funding required for the development and construction of the Stage 2 expansion at the Pilgangoora project.

At the same time as undertaking the "Tap Issue", the Company will also seek the consent of existing bondholders to increase the size of the permissible debt allowed under the terms of the Bond to facilitate the Stage 2 expansion, including the new pre-payment facility with Great Wall.

The Company anticipates obtaining the consents and completing the bond raising during the March 2019 quarter. A further market update will be made about the agreed terms of the Tap Issue once finalised with the bondholders. This is expected to complete the balance of funding required for the Stage 2 expansion.

In recognition of customer requirements for the delivery of tonnes consistent with their expansion plans, Pilbara Minerals is targeting the commissioning of the Stage 2 project from the March quarter of 2020.

Potential Stage 3 Expansion

Included in the Subscription Agreement executed with Ganfeng, Pilbara Minerals has agreed to provide a further 50,000tpa of spodumene concentrate to Ganfeng from any Stage 3 expansion, in exchange for a product prepayment facility of not less than US\$20 million.

In addition, Pilbara Minerals and POSCO have entered into a non-binding MoU to evaluate an increase to the proposed jointly owned South Korean chemical conversion facility up to 40ktpa LCE, from 30ktpa LCE (Refer ASX announcement dated 2nd January 2019). This MoU with POSCO commensurately recognises an increase in the existing spodumene concentrate offtake agreement from Pilgangoora project from 240,000tpa to 315,000tpa to support the larger chemical facility.

In response to these customer enquiries (and others) for further spodumene concentrate supply, the Company has commenced evaluating expansion opportunities for a potential "Stage 3" project, increasing processing capacity above the proposed Stage 2 run-rate of 5Mtpa.

Work to date indicates that utilising latent capacity in the existing Stage 1 circuit, alternate key component selection for Stage 2 and overall plant optimisation has the potential to unlock processing capacity in the range of approximately 6.2Mtpa (million tonnes per annum), which in turn could deliver a target of up to 1Mtpa of SC6.0 spodumene concentrate (underpinned solely by the existing Pilgangoora project Ore Reserve).

Envisaged overall capacity over time of a final Stage 3 project expansion is estimated to be up to 7.5Mtpa of ore processing capacity delivering up to 1.2Mtpa of SC6.0 spodumene concentrate (underpinned solely by the existing Pilgangoora project Ore Reserve). The decision and timing for delivery of any proposed Stage 3 expansion is subject to a range of factors including final customer demand, financing, environmental approvals and further economic and technical analysis. It is not envisaged that any Stage 3 expansion would be commissioned any sooner than early 2021.

The Ore Reserves underpinning the above production targets have been prepared by a Competent Person in accordance with the JORC Code (2012 Edition) and were released by the Company to ASX on 17 September 2018 ("Pilgangoora Reserve and Resource Upgrade"). The relevant proportions of proven Ore Reserves and probable Ore Reserves that underpin the production targets are 20% proven Ore Reserves and 80% probable Ore Reserves. The Company confirms that it is not aware of any new information or data that materially affects the information included in that release and that all material assumptions and technical parameters underpinning the Ore Reserve estimate continue to apply and have not materially changed.

Stage 1 Operations Update

The performance of the Stage 1 Pilgangoora plant, including the product quality being achieved, continues to provide the Company and its customers with the confidence to pursue growth strategies based on the Stage 2 expansion and beyond.

The ramp-up of the plant has continued in a positive trajectory, in line with expectations with steady improvements being achieved in both recovery and plant utilisation (plant run-time) with product consistently adhering to or outperforming the customers grade and impurity requirements.

Production for the month of December 2018 was 23,500 dry metric tonnes (dmt) of spodumene concentrate (at or above customer grade specifications), which is in line with the project ramp-up plan and is equivalent to an annualised production run rate of ~280,000tpa of spodumene concentrate, or over 85% of the plant's Stage 1 design capacity.

The production challenges encountered to date have been primarily related to water supply and re-circulated process water quality. A number of improvements have already been made to the plant to address these challenges which are yielding immediate benefits.

These improvements have included additional water supply and the installation of water solids removal equipment within the process plant. A second tier of improvements are currently being implemented and are expected to be completed by the March quarter of 2019, which will facilitate further plant optimisation and production enhancements in the second half.

DSO Program

In light of the strong performance of the Stage 1 spodumene concentrate operations and softer market conditions in the Chinese domestic market, the Company has re-assessed the benefits of continuing the Direct Shipping Ore (DSO) operation.

The DSO program was instigated during the early stages of Stage 1 construction to provide early cashflow to provide protection to the business during the Stage 1 construction period when peak cash outflows were forecast.

Given that this period has now passed and the relative benefits of maintaining a separate DSO operation are no longer as material as they once were, Pilbara Minerals has commenced discussions with its customer (Atlas Iron) and end customer (Sinosteel) to determine whether or not to continue with the operation.

Pending a final outcome from these discussions, the DSO operation is currently suspended.

Contacts:

Investors / shareholders

Ken Brinsden
Managing Director and CEO
Ph. +61 (0)8 6266 6266

Media

Nicholas Read
Read Corporate
Ph. +61 (0)8 9388 1474

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.

GREAT WALL MOTOR COMPANY STAGE 2 PREPAYMENT FACILITY MATERIAL TERMS

Seller	Pilgangoora Operations Pty Ltd, a wholly-owned subsidiary of Pilbara Minerals
Buyer	Great Wall Motor Company Limited through a wholly owned subsidiary
Guarantor	Pilbara Minerals Limited
Facility Type	A prepayment facility of USD 25 million (Prepayment Amount) to be repaid and offset against the Buyer's payment obligations for future deliveries of Product under the Stage 2 Offtake Agreement.
Purpose	To assist in funding the development costs of the Stage 2 Expansion of the Pilgangoora Lithium Tantalum Project and for general corporate costs and working capital purposes.
Product	Spodumene concentrates
Availability Period for Drawdown	3 years after satisfaction of Conditions Precedent - with no obligation on the Seller to drawdown all or any part of the Prepayment Amount
Repayment Term	4 years from commencement of supply from the Stage 2 Expansion or 2 years from first drawdown - whichever is the later.
Interest Rate	9% per annum with interest capitalised annually in arrears.
Repayment Obligations	Based on a fixed amount per tonne of Product delivered under the Stage 2 Offtake Agreement as calculated to represent straight line amortization to achieve full repayment at the end of the Repayment Term.
Conditions Precedent	<ul style="list-style-type: none"> (a) All funding requirements for the Stage 2 Expansion in place. (b) All necessary approvals, authorisations and consents for commencement of the Stage 2 Expansion and the Prepayment Facility including from Pilbara Minerals financiers, bondholders and third parties including government / regulatory authorities. (c) A final investment decision from the Company's Board in relation to the Stage 2 Expansion becoming unconditional and remaining in place. (d) Execution of an amended Stage 2 Offtake Agreement that incorporates the Prepayment Facility and the increase in the annual quantity of Product by a further 75,000tpa. (e) Security arrangements in place for the Prepayment Facility. <p>Conditions Precedent must be satisfied or waived by the Seller by 31 March 2019 or such later date as agreed by the parties.</p>
Security	Second ranking security behind the bondholders and other first ranking creditors.

GANFENG EQUITY PLACEMENT MATERIAL TERMS

Issuer	Pilbara Minerals Limited
Subscriber	GFL International Co Limited, a HK wholly owned subsidiary of Jiangxi Ganfeng Lithium Co Ltd
Purpose	For the development and expansion of the Pilgangoora Project, corporate costs and general working capital
Conditions Precedent	Regulatory approvals in the PRC to be obtained by the Subscriber by no later than 31 March 2019
Issue Price	\$0.6438 per share
Subscription Amount	A\$50,000,000
Subscription Shares	77,663,871 ordinary fully paid shares
Completion	5 Business Days after satisfaction of Conditions Precedent

MORE INFORMATION

About Pilbara Minerals

Pilbara Minerals (Pilbara Minerals – ASX: PLS) is a mining and exploration company listed on the ASX, specialising in the exploration, development and production of lithium and tantalum bearing minerals. 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 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 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.