

ASX ANNOUNCEMENT

12 August 2015

## **PILBARA SIGNS EXCLUSIVE DISTRIBUTION AGREEMENT AND MOU FOR OFF-TAKE OF PILGANGOORA LOW-IRON SPODUMENE CONCENTRATE INTO CHINA**

*STRATEGIC AGREEMENTS SECURED WITH A LEADING CHINESE LITHIUM COMPANY AFTER TESTS CONFIRM THAT LOW-IRON HIGH GRADE SPODUMENE CONCENTRATES CAN BE PRODUCED FROM THE PILGANGOORA PROJECT*

### **HIGHLIGHTS:**

- **Exclusive Distribution Agreement (EDA) and Memorandum of Understanding (MOU) signed with Chinese industrial group Shantou Fancy Mining Industry Co., Ltd (SFM) affiliated to Chinese Fancy (International) Resource Corporation Limited for approximately 25% of the planned capacity output from Pilbara's flagship Pilgangoora Lithium-Tantalum Project in WA.**
- **SFM is a leading Chinese processor and supplier of spodumene and other raw materials to the Chinese glass and ceramics industry.**
- **Under the EDA, the parties have agreed that SFM will be Pilbara's exclusive distributor of low-iron spodumene concentrates in China for supply to glass, ceramics, foundry and metallurgical manufacturing industries.** The agreement excludes direct sales to lithium chemical converters and producers.
- **Under the MOU, 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 with a floor price and cap price to be agreed for the first year of supply.**
- **The MOU envisages first delivery of spodumene concentrate from the Pilgangoora Project in 2017, with annual tonnages ramping up rapidly thereafter.**
- **These agreements with SFM follow the recent signing of MOU's with two leading Chinese lithium carbonate producers (announced 29 July 2015) for more than 70% of future Pilgangoora concentrate sales.** The agreements collectively highlight the **strong level of interest and demand from potential customers and potential future off-take partners in the Pilgangoora Project**, and reinforce 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 concentrates to the glass, ceramic and metallurgical sector.**

Australian strategic metals company Pilbara Minerals Ltd (ASX: PLS) is pleased to announce that it has taken another important second step towards establishing long-term off-take arrangements with key international customers for its 100%-owned **Pilgangoora Lithium-Tantalum Project** in Western Australia, after signing an Exclusive Distribution Agreement (EDA) and non-binding Memorandum of Understanding (MOU) for the future sale of low-iron spodumene concentrate into China.

The EDA and non-binding MOU are for the future supply of low iron high-grade spodumene concentrate from the Pilgangoora Project and were signed with SFM, a significant Chinese industrial group that has the know-how and capabilities to upgrade lithium concentrates to specification for the glass and ceramic industries in China. SFM is highly regarded and well known in the Chinese glass/ceramics market.

Pilbara supplied a one tonne bulk sample of Pilgangoora spodumene, derived from representative drill-hole samples, to SFM earlier this year. SFM has recently completed its analysis and metallurgical testing of the bulk sample and confirmed that the spodumene can be readily upgraded to very high grade specifications for their customers.

Pilbara intends to complete the upgrading/concentrating process on site at Pilgangoora, and will then supply the upgraded product to end-users through SFM in China.

Subsequent to the positive test results and a visit to SFM's Shantou operations by Pilbara executives in late June, the parties have successfully negotiated the EDA and MOU, which are expected to form the foundation for a long-term strategic relationship between the companies.

Under the MOU, Pilbara has agreed to commence confidential negotiations with SFM, as its Exclusive Distributor in PRC, for an off-take agreement covering the supply of low-iron 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 will become legally binding once Pilbara secures financing to commence development and construction of the Pilgangoora Lithium-Tantalum Project.

Pilbara is currently fast-tracking the development of the Pilgangoora Project, and recently commenced a Pre-Feasibility Study and a major resource in-fill and expansion drill program.

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

These latest agreements with SFM, together with the MOU's signed with two leading Chinese lithium carbonate producers for more than 70% of the planned capacity output announced on 29 July 2015, demonstrate the high level of early-stage interest from customers and potential off-takers in the high quality spodumene concentrate expected to be produced at Pilgangoora.

This gives the Company confidence in its development strategy for Pilgangoora, which represents Pilbara's cornerstone strategic metals asset, 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.

### **Management Comment**

Pilbara's Executive Director, Neil Biddle, said the signing of the EDA and MOU with one of China's leading industrial groups and a key player in its fast-growing lithium industry was a very positive development for the Pilgangoora Project.

"We have made rapid early progress with our ongoing proactive marketing process for the Pilgangoora Project, which is expected to play a key role in our financing and development strategy for the project," he said. "We are very pleased by the strong early interest being shown in Pilgangoora's lithium product, which has delivered outstanding results from early metallurgical testwork.

"These latest agreements with SFM continue our strategy of building long-term strategic relationships with lithium suppliers and customers, which we believe will be a vital component of the project's successful development.

"The recent testwork conducted by ANZAPLAN, Nagrom and SFM clearly demonstrates Pilgangoora's potential to supply low iron, high grade spodumene, paving the way for it to emerge as the second largest global supplier of high quality spodumene concentrates. This will allow us to diversify our target market to include areas such as glass, ceramics, metallurgy and, importantly, lithium batteries – currently one of the fastest growing sectors.

"This builds on the MOU's announced last month, adding another Tier One group in SFM to our growing portfolio of strategic off-take partners. SFM are highly respected and well-connected in their field, and have demonstrated a high level of interest in securing a 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 stands out in terms of grade, quality and potential," Mr. Biddle said.

"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 to see 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.