



ASX/Media Announcement

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LANDMARK DEAL WITH POSCO CEMENTS PILBARA'S GROWTH RUNWAY AND OPENS UP KOREAN LITHIUM MARKET

Multi-pronged agreement includes binding off-take from Stage 2 5Mtpa Pilgangoora operation, an immediate A\$79.6M direct equity investment into Pilbara to accelerate Stage 2 and participation in a proposed downstream lithium chemicals facility in the rapidly growing South Korean market

Highlights

- Landmark agreements executed with multi-billion dollar South Korean conglomerate POSCO, establishes long-term strategic relationship and secures first-mover position for Pilbara Minerals in the fast-growing South Korean lithium raw materials market.
- Binding life-of-mine Off-take Agreement with POSCO for an initial 80,000tpa of chemical grade spodumene concentrate (SC6.0 basis) from the Pilgangoora Stage 2 (5Mtpa) project, increasing to 240,000tpa upon Pilbara's joint venture participation in a downstream 30,000tpa lithium carbonate/lithium hydroxide conversion plant in South Korea.¹
- New off-take agreement further diversifies Pilbara Mineral's concentrate sales, with up to ~30% of its entire proposed production from Stage 1 and 2 to be sold in the South Korean market.
- Spodumene concentrate pricing will be on commercial terms based on battery grade hydroxide and carbonate pricing in South Korean import and (future) export markets.
- Binding Subscription Agreement executed with POSCO and its wholly-owned subsidiary, POSCO Australia Limited (POSCO), for an immediate upfront A\$79.6M equity investment at A\$0.97/share in Pilbara Minerals, with the proceeds to contribute towards accelerating the Stage 2 (5Mtpa) development this year.
- Key Joint Venture principles agreed with POSCO for Pilbara Minerals to be a 30% participant (at Pilbara's election) in a Downstream Joint Venture with POSCO for the development (and subsequent operation) of a 30,000tpa lithium carbonate/lithium hydroxide conversion plant from 2019, to be located in South Korea and utilising both POSCO's proven, state-of-the-art PosLX conversion technology and their strengths as a technology and operations partner in the development of downstream chemical conversion capacity.
- In addition, Convertible Bond Agreement executed on attractive terms with POSCO for the provision of A\$79.6M in unsecured convertible bonds to fund Pilbara's 30% participation in the Downstream Joint Venture.

¹ Refer to ASX announcement "Updated PFS Announcement" dated 13 February 2018. The Company confirms that all material assumptions underpinning the Stage 2 5Mtpa PFS continue to apply and have not materially changed.

Australian lithium developer, Pilbara Minerals Limited (ASX: PLS) ("Pilbara" or "the Company"), is very pleased to announce that it has entered into a broad-based strategic relationship with leading South Korean industrial conglomerate POSCO encompassing long-term off-take, strategic funding and joint venture participation in a downstream conversion plant in South Korea which provides Pilbara a first-mover position in this fast-growing market.

The landmark agreements encompass binding off-take for an initial 80,000tpa of chemical grade spodumene concentrate from the 5Mtpa Stage 2 Pilgangoora Project, increasing up to 240,000tpa on Pilbara's participation in the Downstream Joint Venture conversion plant, and an immediate upfront A\$79.6 million direct equity investment by POSCO – the first by a South Korean manufacturer of lithium-ion battery materials into an upstream spodumene concentrate producer. With Stage 1 of Pilgangoora fully funded, the proceeds from the A\$79.6 million equity investment will be applied to accelerate plans to bring the 5mtpa Stage 2 expansion of the project into production as soon as possible.

Pilbara Minerals Limited

With a market capitalisation of ~US\$29.5 billion, POSCO is one of South Korea's largest conglomerates, listed on the Korean Stock Exchange and with operations spanning the steel, engineering & construction, trading and battery minerals sectors. POSCO has extensive operations across the globe, including in Australia, with more than 132,000 employees.

POSCO is rapidly expanding its capabilities in the production of battery grade products and cathode materials for the burgeoning battery materials market in the Asian region.

The relationship is significant for both POSCO and Pilbara. For POSCO, it represents the first direct investment by a South Korean manufacturer of lithium-ion battery materials into an upstream supplier of spodumene concentrate, facilitating the further commercialisation of its proven PosLX extraction technology.

For Pilbara Minerals, the relationship marks an important strategic expansion into North Asia, diversifying its customer base outside of the Chinese market and further expanding its global network of Tier 1 strategic partners to support its growth objectives to become a leading global supplier of lithium raw materials.

The Stage 2 off-take agreement accounts for up to 30% of the expanded production capacity from the Pilgangoora Project following the Stage 2 expansion – and is earmarked for supply into a jointly-owned downstream processing conversion facility located in South Korea, in which Pilbara would hold an investment of 30%.

Commenting on the agreement, Pilbara Minerals' Chairman, Tony Kiernan, said:

"We are delighted to have secured a wide-ranging strategic relationship with a blue-chip partner such as POSCO, giving us a strong first-mover position in the rapidly growing North Asian lithium markets. This represents the culmination of extensive discussions during which we have established a strong relationship, which I am confident will bring significant benefits to both parties. We look forward to welcoming POSCO as a strategic investor, a long-term off-take partner and a joint venture partner in a future downstream chemical conversion facility in South Korea."

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

"This multi-faceted agreement sets the foundations for a strategic partnership which delivers a number of really exciting outcomes for Pilbara. The upfront A\$79.6 million investment by POSCO will further strengthen our balance sheet as we accelerate Stage 2 and complete the Stage 1 project this year and introduce a quality new cornerstone investor to our register. The binding off-take agreement further diversifies our spodumene concentrate sales portfolio and means that output from Stage 2 will be directly linked to Pilbara's participation in the Downstream JV."

"At the same time, this deal provides the basis to effectively transform Pilbara Minerals into a vertically integrated producer of lithium-ion battery materials – helping to achieve one of our key longer-term growth objectives and allowing us to capture value across both the mining and downstream processing stages of the raw materials supply chain. We see POSCO as a strong and reliable long term partner with whom we can proceed in joint venture in downstream processing to supply the rapidly growing North Asian markets – where the pace of expansion of the lithium-ion battery sector is probably not fully appreciated by Western analysts."

"POSCO's further investment by way of an unsecured convertible bond, which is linked to our future decision to participate in the Downstream Joint Venture, will fund a large majority of our joint venture commitments as the joint venture moves towards 30,000tpa of lithium carbonate and lithium hydroxide production capacity."

FURTHER DETAIL ON POSCO AGREEMENTS

Pilbara Minerals' off-take agreement with POSCO provides the Company with an opportunity to further diversify its sales of spodumene concentrates into another rapidly developing market in South Korea. To date, the vast majority of lithium raw materials supplied to South Korea have been via brine sources of supply.

Through the relationship with Pilbara Minerals, POSCO has been able to secure a stable and long term source of high-quality raw material supply from a geopolitically safe jurisdiction, which in turn supports its objective of

establishing a very cost competitive supply of battery raw materials to the rapidly expanding battery industry in the Asian region.

At Pilbara's election and subject to the Pilbara Board making a final investment decision for Stage 2, the Company will hold a 30% joint venture interest in a downstream conversion plant located in South Korea, which will commence with production capacity of 30,000tpa lithium carbonate and/or lithium hydroxide during the first half of 2020. The formation of the joint venture will be subject to conditions precedent including regulatory and construction approvals for the conversion plant, a licence agreement being entered into for POSCO's PosLX technology on commercial terms and both parties finalising and approving joint venture documentation in line with the agreed joint venture principles.

Lithium chemicals production is proposed to be targeting primarily lithium hydroxide markets, taking full advantage of the envisaged quality, cost and price advantages of the chemical conversion of spodumene concentrates provided by the PosLX process.

An initial 80,000tpa of off-take will grow to 240,000tpa with the development of the 30,000tpa LCE joint venture downstream processing facility in South Korea, at which time POSCO will invest a further A\$79.6M by way of an unsecured convertible bond on attractive terms to fund Pilbara's investment in this conversion plant.

POSCO is considered a strong technology and operations partner in joint downstream chemical development given their extensive research and development and operating expertise in lithium raw materials technologies, cathode materials production and their significant growth aspirations in this sector.

The PosLX conversion technology developed by the POSCO team is an industry-leading process that creates very high-quality battery grade materials, recycles reagents and in turn lowers the cost of spodumene chemical conversion. This is particularly the case when targeting the high-growth battery grade hydroxide market, which is being increasingly favoured by South Korean battery manufacturers for the manufacture of high nickel cathode materials. POSCO is the first company and chemical plant in South Korea to commercially produce 2,500tpa battery grade lithium carbonate and hydroxide. The PosLX technology can also produce battery grade or ultra-high purity lithium carbonate for both cathode and electrolyte material production.



Figure 1 – PosLX Lithium Chemicals Manufacturing Facility in Gwangyang, South Korea

POSCO is also the world's first company to patent and commercially produce High Nickel (more than 80% Ni) NCM Cathode powder and the only South Korean company to produce LTO (Lithium Titanium Oxide) anode material for electric vehicles.

In other developments related to battery materials, POSCO will build two new facilities in China to produce materials for use in lithium-ion batteries. Under the terms of a joint venture agreement with Zhejiang Huayou Cobalt, POSCO will establish two sites in Chengxiang, Zhejiang province for the production of battery precursors and anodes. Production from the sites is expected to begin in the second half of 2020, each with an output capacity of 4,600tpa. Zhejiang Huayou Cobalt will provide nickel, cobalt and manganese metal for production, as will POSCO Energy Storage Materials' Gumi cathode plant in South Korea.

POSCO Group is striving to ready itself for development, mass production and further materials supply in support of the growth in electric vehicle sales and energy storage markets.

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.

ABOUT POSCO

Founded in 1968, POSCO, headquartered in Pohang, is one of South Korea's largest conglomerates with operations across Steel, Engineering and Construction, Trading and Battery Materials. POSCO has extensive operations across the globe, including in Australia, with more than 132,000 employees. The company is listed on the Korea Exchange with a market capitalisation of approximately US\$29.5Bn.

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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.

KEY TERMS OF THE PILBARA – POSCO STRATEGIC RELATIONSHIP

1. A\$79.6 million Equity Subscription

POSCO has executed a binding Subscription Agreement to provide A\$79.6 million in consideration for 82,065,000 fully-paid ordinary shares (“Initial Investment”). With Stage 1 of Pilgangoora being fully funded, the proceeds from this Initial Investment are to be applied towards the Stage 2 5mtpa expansion of the Pilgangoora Project. The subscription price of A\$0.97 per share represents the Company’s 40-day VWAP per share as at the close of trading on 26 February 2018. Following the Initial Investment, POSCO will own 4.75% of the issued shares in Pilbara.

The equity subscription is to be completed by 31 March 2018.

Under the terms of the Subscription Agreement, POSCO has committed to a 2 year standstill on acquiring further shares in the Company and a 2 year escrow restriction on disposal of subscription shares, subject to certain exceptions.

The Initial Investment will be within the Company’s placement capacity under ASX Listing Rule 7.1 and accordingly no shareholder approval is required in connection with the placement.

Approval under the Foreign Acquisition and Takeovers Act 1975 (Cth) (FIRB approval) is not expected to be required for the Initial Investment or the Convertible Bond (see below).

2. Binding Offtake Agreement

The key terms of the Stage 2 Offtake Agreement with POSCO are summarised below:

- an initial 80,000tpa of chemical grade spodumene concentrate (SC6.0 basis) to be supplied to POSCO from the 5Mtpa Stage 2 expanded production volumes of the Pilgangoora Project (“Initial Offtake”).
- The Initial Offtake will increase by up to an additional 160,000tpa of chemical grade spodumene concentrate (SC6.0 basis) from the Stage 2 expanded production volumes from the Pilgangoora Project (for a total of 240,000tpa), upon formation of the Downstream Joint Venture (discussed below). The Offtake Agreement will be assigned to the Downstream Joint Venture at this time.
- The term of the Offtake Agreement (both 80,000tpa and 240,000tpa) will be for life of mine of the Pilgangoora Project, subject to certain exceptions.
- Spodumene pricing under the Offtake Agreement will be based on a market-linked price reference to Battery Grade Lithium Carbonate and Lithium Hydroxide sold in the South Korean market.
- The obligation to deliver product under the Offtake Agreement is subject to certain conditions precedent, including POSCO completing the A\$79.6 million Initial Investment in the Company, Pilbara completing the 5Mtpa Stage 2 definitive feasibility study and the Pilbara Board making a final investment decision to proceed with the Stage 2 expansion by 31 December 2018, receipt of all necessary approvals, authorisations and consents for the Stage 2 expansion by 31 March 2019 and first production of spodumene concentrate from the Stage 2 expansion by 31 March 2020 (or such other dates as agreed).

3. A\$79.6 million Convertible Bond

Upon Pilbara proceeding with the Stage 2, 5mtpa expansion of the Pilgangoora Project and electing to participate in the Downstream Joint Venture, POSCO will invest a further A\$79.6M by way of an unsecured convertible bond.

The key terms of the convertible bond are set out below:

Feature	Comment
Term and Repayment	<ul style="list-style-type: none"> • 5 years from date of issue.

	<ul style="list-style-type: none"> • Payable on maturity (i.e. no amortisation during term of convertible bond). • Redeemable at Company's election at any time without premium.
Interest	<ul style="list-style-type: none"> • Priced at 1.5% above the RBA (Reserve Bank of Australia) cash rate (indicatively 3% pa in total). • Interest accrues 6 monthly and is payable at maturity.
Security	<ul style="list-style-type: none"> • Unsecured.
Conversion	<ul style="list-style-type: none"> • The bonds are convertible to Pilbara fully paid ordinary shares, calculated by reference to the lesser of the 30-day VWAP or the 5-day VWAP of Pilbara shares 2 trading days prior to the date of the conversion notice, in each case less a 7.5% discount. • The bonds can be redeemed or converted by Pilbara at any time during the term of the convertible bond or at maturity. The power to convert the bonds resides with Pilbara only.
Conditions Precedent	<p>The issue of the convertible bond is subject to certain conditions precedent including the following by 31 March 2019:</p> <ul style="list-style-type: none"> • Pilbara achieving a Final Investment Decision to proceed with the Stage 2 expansion of the Pilgangoora Project. • Consent of the Nordic Bond Trustee and Bondholders in relation to the Company's US\$100 million senior secured bonds. • Pilbara electing to participate in the Downstream Joint Venture, finalising and approving the full form documentation for the Downstream Joint Venture and satisfaction of any conditions precedent in the Downstream Joint Venture documentation (refer to Downstream Joint Venture below).

The proceeds from the issue of the unsecured convertible bond will be applied by Pilbara to fund the majority of its share of contributions to the Downstream Joint Venture as the joint venture moves towards construction of a 30,000tpa lithium carbonate/ lithium hydroxide production plant.

If consent from the Bond Trustee and Bondholders is withheld, POSCO has agreed to subscribe for an additional 82,065,000 Pilbara shares on the same pricing and terms as the Initial Investment.

4. Downstream Joint Venture

The key commercial principles of the proposed Downstream Joint Venture are as follows:

- Pilbara has the right to elect to participate in the Downstream Joint Venture at any time up to 30 November 2018. The Downstream Joint Venture is subject to certain conditions precedent including:
 - the Company making a Final Investment Decision to proceed with the 5Mtpa, Stage 2 expansion of the Pilgangoora Project;
 - the Offtake Agreement increasing to 240,000tpa and being assigned to the Downstream Joint Venture;
 - a licence agreement being entered into with the Downstream Joint Venture for use of POSCO's PosLX technology on commercial terms;
 - regulatory and construction approvals for the downstream conversion plant; and

- both parties completing due diligence on the downstream conversion plant and parties finalising and approving (including board approvals) a formal joint venture agreement and formation of the joint venture by no later than 31 March 2019 (or such other dates as agreed).
- The joint venture will design, fund, construct and operate a 30,000tpa chemical conversion plant located in South Korea to produce lithium carbonate, lithium hydroxide and other lithium products. Lithium chemicals production is proposed to be targeting primarily lithium hydroxide markets taking full advantage of the envisaged quality, cost and price advantages of the chemical conversion of spodumene concentrates provided by POSCO's PosLX process.
- Pilbara's ownership interest in the joint venture will be 30%. POSCO will initially hold a 70% interest but will maintain a minimum 51% interest in the joint venture.
- On the parties entering into the Downstream Joint Venture, the 80,000tpa spodumene concentrate under the Initial Offtake to POSCO will be assigned and supplied to the Downstream Joint Venture, together with an additional 160,000tpa offtake, for a total of 240,000tpa for the life of mine of the Pilgangoora Project.
- POSCO as majority joint venture participant will be responsible for the day to day management of the joint venture operations, with more substantial matters being reserved and requiring approval of both POSCO and Pilbara.
- POSCO will licence its PosLX conversion technology to the Downstream Joint Venture on commercial terms.
- POSCO and Pilbara agree to maximise dividends and distributions from the Downstream Joint Venture.
- Pilbara may continue to supply spodumene concentrates to other converters in South Korea and globally – however the parties will consult together in considering future expansions of the jointly owned conversion plants.

Pilbara Minerals' financial adviser for negotiating and completing these arrangements was BurnVoir Corporate Finance.

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