



**Pilbara
Minerals**

...Powering a sustainable energy future

ASX / MEDIA ANNOUNCEMENT

28 OCTOBER 2020

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CONDITIONAL AGREEMENT TO ACQUIRE ALTURA LITHIUM OPERATIONS

Following the appointment of KordaMentha as the Receiver of Altura Mining Limited ("**Altura**")¹ on 26 October 2020, Pilbara Minerals Limited ("**Pilbara Minerals**" or the "**Company**") (ASX: PLS) has entered into an Implementation Deed with the senior secured loan noteholders of Altura ("**Loan Noteholders**") which provides it with a path to potentially acquire the Altura Lithium Project ("**Altura Project**") through the purchase of the shares in Altura Lithium Operations Pty Ltd ("**ALO**") for approximately US\$175 million, subject to completion of the receivership process.

ALO is a wholly-owned subsidiary of Altura Mining Limited and owns and operates the Altura Project.

Under the Implementation Deed, Loan Noteholders have agreed to vote in favour of the Pilbara Minerals sponsored Deed of Company Arrangement ("**DOCA**") for ALO should the acquisition proceed.

Furthermore, Pilbara Minerals has procured the right to match any competing proposal offered for the Altura Project, and has secured payment of a break fee in the event that the Receiver accepts a competing proposal, or the Loan Noteholders fail to vote in favour of the DOCA.

The Altura Project is a producing hard rock spodumene concentrate operation located on an adjoining tenement package immediately to the west of Pilbara Minerals' Pilgangoora Lithium-Tantalum Project ("**Pilgangoora Project**").

The operation is part of the same mineralised system that underpins the Pilgangoora Project and uses similar open-pit mining methods, processing flowsheets and mining equipment. The combination of these factors along with the proximity of both operations provides a unique opportunity for Pilbara Minerals (should it complete the acquisition) to realise tangible synergies, both immediately following the acquisition and over time.

Pilbara Minerals has agreed to pay an upfront cash payment of US\$155 million and deferred consideration of approximately US\$20 million² (total consideration of US\$175 million) for the shares in ALO upon the successful completion of the transaction.

The upfront cash consideration would be predominantly funded through a future equity capital raising which is being supported by binding equity funding commitments from both AustralianSuper Pty Ltd in its capacity as trustee for AustralianSuper ("**AustralianSuper**") and Resource Capital Fund VII L.P. ("**RCF VII**") for a total A\$240 million.

¹ Refer to Altura ASX announcement 'Appointment of Receivers and Managers' (26 October 2020).

² Deferred consideration represents the value of approximately 69 million Pilbara Minerals shares (at a deemed issued price of A\$0.4072) payable 12 months after the signing of the Share Sale Agreement (**Maturity Date**). The deferred consideration has an implied minimum value of A\$28 million today and can be settled by Pilbara Minerals on or before the Maturity Date with cash in equivalent value (at the date of payment) in lieu of shares at Pilbara Minerals' election.



STRATEGIC RATIONALE

The acquisition of the Altura Project would provide Pilbara Minerals with a unique opportunity to realise tangible operational synergies by consolidating the two neighbouring projects into a single integrated operation. Of particular interest to the Company is the opportunity to mine that section of the Altura orebody that is otherwise sterilised without access being granted to Pilbara Minerals' ground to undertake mining activities.

Should Pilbara Minerals be the successful acquirer at the end of the Receivership Process, it will acquire the Altura Project on an unencumbered basis free of pre-administration claims, providing the Company with maximum flexibility when integrating and consolidating the enlarged Pilgangoora operation.

Commenting on today's announcement, Pilbara Minerals' Managing Director, Ken Brinsden, said:

"This potential acquisition represents a logical consolidation of two neighbouring operations to unite the greater Pilgangoora orebody, unlocking tangible synergies in both the short and long term."

"If successful, the acquisition will cement Pilbara Minerals' position as the largest pure-play ASX-listed lithium company by enterprise value and will provide strong leverage to the expected recovery in lithium prices, driven by the increasing demand for electric vehicles and energy storage applications evident across the world."

"We believe this will help safeguard jobs in the Western Australian lithium sector and ultimately create some exciting new growth opportunities that will deliver a range of benefits for the local economy."

As Receiver, KordaMentha has announced that it intends to place the Altura Project on care and maintenance to preserve near-term cash flow whilst trying to maximise proceeds to creditors. The receivership process will provide the Pilbara Minerals technical team with time to further assess the optimal management plan for a combined lithium mining operation, including the full extent of potential operational synergies and savings from the acquisition. Pilbara Minerals will provide shareholders with a more detailed operational plan should it be successful in the formal sale process and the acquisition reach completion.

THE IMPLEMENTATION DEED AND RECEIVERSHIP PROCESS

Before Pilbara Minerals is able to proceed, KordaMentha, as Receiver and Manager of Altura, has announced it will conduct a formal process to market ALO and its assets for sale and recapitalisation opportunities which is expected to take approximately five weeks ("**Receivership Process**").

Should the acquisition proceed following the completion of the Receivership Process, the Receiver will enter into a Share Sale Agreement with Pilbara Minerals. The Loan Noteholders have agreed to vote in favour of a Pilbara Minerals sponsored Deed of Company Arrangement ("**DOCA**") for ALO. The approved DOCA will be the final step prior to completion of the Share Sale Agreement, at which point Pilbara Minerals would acquire ALO and the Altura Project on an unencumbered basis.

Under the Implementation Deed, Pilbara Minerals has the right to match any competing proposal offered to the Receiver during the Receivership Process. Pilbara Minerals has also



secured a break fee in the event the Receiver accepts a competing proposal, or the Loan Noteholders fail to vote in favour of the Pilbara Minerals sponsored DOCA.

COMMITTED ACQUISITION FUNDING

In the event Pilbara Minerals' proposal is accepted by the Receiver, the Company proposes to fund the acquisition through a combination of a future A\$240 million equity raising and existing cash reserves (after allowing for transaction costs and working capital requirements). Pilbara Minerals has received binding equity funding commitments from AustralianSuper and RCF VII for a total of A\$240 million in support of the future equity raising.

These binding equity commitments include AustralianSuper and RCF VII in aggregate agreeing to subscribe for a A\$119 million placement and sub-underwrite a A\$121 million non-renounceable entitlement offer at a fixed price of A\$0.36 per share, which represents a 7.7% discount to Pilbara Minerals' last traded price of A\$0.39 per share and a 11.4% discount to the 5 day VWAP (both calculated at market close on 27 October 2020). The equity raising will only be launched if Pilbara Minerals' proposal is ultimately accepted by the Receiver.

TIMETABLE AND NEXT STEPS

Assuming Pilbara Minerals is successful in acquiring the Altura Project through the Receivership Process, the Company would then expect that the Share Sale Agreement would be executed in early December 2020, with any equity raising to be formally launched immediately following this event.

Pilbara Minerals notes that there is no guarantee that it will be successful in acquiring the Altura Project via the Receivership Process and that there is a risk that the transaction and related future equity raising outlined in this announcement may not occur.

Further information will be provided in due course.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

For further information on the transaction, Pilbara Minerals shareholders should read:

- a summary of the Implementation Deed included in Appendix A; and
- a summary of the Subscription Agreements in Appendix B.

Macquarie Capital (Australia) Limited and Allen & Overy are acting as financial and legal advisers to Pilbara Minerals in relation to the acquisition of the Altura Project.

Release authorised by Ken Brinsden, Pilbara Minerals Limited's Managing Director.

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INFORMATION REGARDING THE ALTURA PROJECT

The information regarding the Altura Project in this announcement has been prepared by the Company using publicly available information and has not been independently verified. The Company has undertaken only limited due diligence in relation to the Altura Project and may not be aware of all the material information, facts and circumstances. Accordingly, the Company does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on the Altura Project in this announcement should not be considered comprehensive.

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.

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This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.



APPENDIX A: SUMMARY OF THE IMPLEMENTATION DEED

Following the appointment of KordaMentha as the Receiver of Altura Mining Limited, Pilbara Minerals and Loan Noteholders holding security over the assets of the Altura Group (being Altura Mining Limited (ACN 093 391 774) (**Altura Group**), Altura Lithium Operations (ACN 095 384 491) (**ALO**) and Altura Minerals Pty Ltd (ACN 154 549 550) (**AMPL**)) have entered into a binding Implementation Deed to implement a potential acquisition of certain assets of the Altura Group relating solely to the Altura Project. Other assets owned by the Altura Group are not included.

The Implementation Deed provides for the potential acquisition to be conducted through a series of steps as follows:

1. **Sale Process** – the Receiver is to complete a sale process conducted for the purpose of performance of the Receivers' obligations. It is envisaged that this be by way of a share sale agreement in relation to ALO Shares.
2. **Receiver Loan Facility** – Pilbara Minerals has agreed to make available to the Receiver a A\$7 million overdraft facility to fund the Receiver's costs, expenses and remuneration and its working capital requirements during the Receivership Process. Interest at 15% p.a. is payable on funds advanced. The facility is repayable from cash on hand, sales stockpiles, shipping proceeds or proceeds of a Competing Proposal. As is customary, the Receiver's liability is limited in recourse to the Receiver's right of indemnity from the assets of the Group.
3. **Competing Proposal** – to the extent that any Competing Proposal is received by the Receiver or the Loan Noteholders, the Loan Noteholders will or will cause the Receiver to, notify Pilbara Minerals within 24 hours of receipt of a Competing Proposal and provide Pilbara Minerals with the key terms of the Competing Proposal. Pilbara Minerals will have the option to match any Competing Proposal within 5 business days of receiving notice of the Competing Proposal (**Matching Offer**). If Pilbara Minerals does not make a Matching Offer, the Implementation Deed will be terminated and a break fee will be payable to Pilbara Minerals.
4. **DOCA Proposal** – Pilbara Minerals must propose deed(s) of company arrangement in respect of ALO (and if voluntary administrators are appointed, in respect of AMPL) by 11 November 2020. Pilbara Minerals shall contribute A\$4 million to a DOCA Fund along with any surplus cash or proceeds of ALO for the purpose of paying pre-administration claims due by ALO (and if applicable, AMPL). The Loan Noteholders have agreed to vote in favour of the DOCA Proposal at meetings of creditors of ALO, unless amongst other things a Competing Proposal is received and Pilbara Minerals does not propose a Matching Offer.
5. **Termination and Break Fees** – The Implementation Deed contains a break fee equal to 2% of total consideration, which is payable both ways in certain circumstances. Both parties have a right to terminate the Implementation Deed on limited grounds. Notably, the Loan Noteholders may terminate the Implementation Deed if the RCF VII FIRB condition (contained in the RCF VII Subscription Agreement) is not satisfied or waived by 21 November 2020.

Customary representations and warranties are contained in the Implementation Deed.



APPENDIX B: SUMMARY OF THE SUBSCRIPTION AGREEMENTS

AustralianSuper and RCF VII (each a **Subscriber**) have each agreed to subscribe for shares in Pilbara Minerals on the terms and conditions set out in their respective share subscription agreements, the key terms of which are summarised below.

	RCF VII Subscription Agreement	AustralianSuper Subscription Agreement
Subscriber	Resource Capital Fund VII L.P.	AustralianSuper Pty Ltd as trustee for AustralianSuper
Subscription Amount	Approximately A\$61.4 million	Approximately A\$57.5 million
Subscription Shares	170,545,924 Shares	159,722,221 Shares
Subscription Price	A\$0.36 per Share	A\$0.36 per Share
Conditions Precedent	<ul style="list-style-type: none"> FIRB approval – conditional on the Subscriber being able to rely on FIRB exemption certificate that it already holds Altura Asset Acquisition – the Company securing a binding agreement for the acquisition of the Altura Project 	Altura Asset Acquisition – the Company securing a binding agreement for the acquisition of the Altura Project
Completion timing	Entry into the sale agreement in respect of the Altura Project and all conditions precedent to the sale of the Altura Project being satisfied or waived.	
Entitlements under the Placement	Each Subscriber undertakes to subscribe for its entitlement under the proposed accelerated, non-renounceable entitlement offer (Rights Issue) in respect of the shares they receive in the placement which will provide the balance of the \$240 million raising.	
Sub-underwriting undertaking	The Subscriber undertakes to subscribe for up to A\$30.00m of shortfall shares in the Rights Issue	The Subscriber undertakes to subscribe for up to A\$74.86m of shortfall shares in the Rights Issue.
Board Rights	Following Completion and provided the Subscriber holds at least 6.5% of Pilbara Minerals' shares (or such lesser amount that results from involuntary dilution), the Subscriber may from time to time nominate one person for appointment to the Board of Pilbara Minerals as a non-executive director	Following Completion and provided the Subscriber holds at least 15% of Pilbara Minerals' shares, the Subscriber may from time to time nominate one person for appointment to the Board of Pilbara Minerals as a non-executive director
Information and access rights	The Subscriber shall be entitled to receive copies of Pilbara Minerals' monthly and quarterly operating reports and financial information. The Subscriber will be entitled to at least 2 site visits a year	The Subscriber will be entitled to at least 2 site visits a year
Standstill and equity participation right	<p>The Subscriber is subject to a standstill of 18 months subject to common exceptions.</p> <p>The Subscriber is to be given a reasonable opportunity to participate in any future equity offer while it holds at least 6.5% of Pilbara Minerals' shares (or</p>	N/A



	such lesser amount that results from involuntary dilution).	
Warranties	Customary representations and warranties for the transactions contemplated	