



UPDATE ON RIGHT OF FIRST REFUSAL

- **PLS has issued a dispute notice for expert determination in relation to the validity of its sale notice issued to Mineral Resources**
- **Matter to be resolved by final and binding expert determination within 28 days of expert's appointment**
- **Right of first refusal only entitles Mineral Resources to purchase Pilbara's lithium on no less favourable terms or take a royalty**

Pilbara Minerals Limited (ASX:PLS) ("**Company**" or "**PLS**") wishes to advise that today it has served on Mineral Resources Limited ("**MRL**") a dispute notice in accordance with the terms of the Pilgangoora Asset Sale Agreement ("**Asset Sale Agreement**"). The dispute notice concerns MRL's right of first refusal and the Company's sale notice dated 15 September 2016 that was issued in relation to the Company's proposed sale of lithium under the General Lithium Offtake Agreement ("**GL Offtake Agreement**").

Under the dispute resolution provisions of the Asset Sale Agreement, either party may refer a dispute in relation to the right of first refusal to an independent expert for a final and binding determination within 28 days of the expert's appointment. Both parties are contractually obliged to follow this dispute resolution procedure in accordance with the Asset Sale Agreement and must comply promptly with any request by the expert for further information.

Despite being provided with a full and complete copy of the GL Offtake Agreement to enable MRL to make a fully informed decision, MRL continues to dispute the validity of the sale notice given by PLS. PLS considers the decision as to whether or not MRL wishes to elect to make an offer to purchase its lithium product on no less favourable terms than those offered by General Lithium under the GL Offtake Agreement to be fairly straightforward and is confident that the claims made by MRL regarding the validity of the sale notice are misconceived. The Company has taken legal advice and it believes that the independent expert to be appointed will determine the sale notice to be valid.

The Company also wishes to clarify further the rights that MRL have under the Asset Sale Agreement and what the impact of MRL exercising, or not exercising, those rights would be.

- MRL has a right of first refusal to purchase any lithium mined by PLS from certain tenements comprising the Pilgangoora Project on no less favourable terms than those offered to PLS by a third party;
- MRL has 45 days from the date of PLS's sale notice to exercise its rights of first refusal – in this instance 45 days from 15 September 2016.
- Should MRL elect to exercise its right of first refusal, it must agree to purchase the relevant lithium from PLS on no less favourable terms than those offered by the third party.



- Should MRL not elect to exercise its right of first refusal, then PLS will be obliged to pay a royalty on the equivalent tonnes calculated as a net smelter royalty of 2.5%.

In either scenario (that is, the sale of spodumene concentrates to General Lithium or a sale to MRL), PLS will achieve a no less favourable economic outcome.

Shareholders should understand that MRL does not have any rights to comment on, to amend or to require PLS to renegotiate the terms of the GL Offtake Agreement with General Lithium. It simply has a right to offer terms which are no less favourable than those offered by General Lithium or receive a 2.5% net smelter royalty. These rights must be exercised within 45 days from the date the Company served its sale notice (i.e. by 31 October 2016).

The Company will continue to update the market on any further materials developments.

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