

# **PILBARA MINERALS LIMITED**

**ACN 112 425 788**

**FINANCIAL REPORT FOR THE YEAR ENDED  
30 JUNE 2014**

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## CHAIRMAN'S LETTER

Dear Shareholders,

By all measures the 2014 Financial Year has been an extremely exciting and busy one for Pilbara. Against the backdrop of a difficult capital market environment, 2014 saw excellent progress for Pilbara as it prepares for its imminent transition from a pure exploration company to a tantalum and income producing company.

Key milestones during the year included the acquisition of the Tabba Tabba and Pilgangoora projects in the Pilbara of Western Australia, as well as securing more than \$5 million equity funding via a Share Purchase Plan to our dedicated and supportive shareholders and various placements during the year to sophisticated investors.

The core focus of the management team during the year has been to transform the company through the acquisition of projects with world class potential in rare metals and minerals. These achievements have resulted in a significant increase in your company's market capitalisation.

The support and funding from of our new and existing shareholders has enabled the Company to enter into a joint venture with Nagrom to co-fund the building of the tantalum processing plant at Tabba Tabba which we expect to bring into production in late 2014. Through Tabba Tabba, Pilbara aspires to supply more than 10% of the world's requirement for Tantalum. At the date of this report the Tabba Tabba plant is 95% complete and we are eagerly awaiting the necessary government permits to enable the mobilisation of the plant to site.

The future looks promising for Pilbara and the significant highlights and milestones of the past year are a direct result of the hard work of Executive Director Neil Biddle, Exploration Manager John Young and their staff, as well as the ongoing loyal support of the company's shareholders and advisors.

Your board expects to build on the achievements and successes of 2014 and looks forward to sharing similar success with its shareholders in 2015 and beyond.

Tony Leibowitz  
Chairman  
Pilbara Minerals Limited

**PILBARA MINERALS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**DIRECTORS REPORT**

Your Directors present their report together with the financial statements of the Group consisting of Pilbara Minerals Limited (or "the Company") and the entities it controlled during the period for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

**1. DIRECTORS**

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

<b>Directors</b>	<b>Position</b>	<b>Duration of Appointment</b>
Tony Leibowitz	Non-Executive Chairman	(Appointed 11 June 2013)
Neil Biddle	Non-Executive Director	(Appointed 30 May 2013)
Robert Adamson	Non-Executive Director	(Appointed 1 July 2010)
Gavan Farley	Executive Director	(Appointed 12 February 2010, Retired 29 November 2013)

**2. INFORMATION ON DIRECTORS**

**Tony Leibowitz**  
**Non- Executive Chairman**  
**FCA**

Mr Tony Leibowitz is a Fellow of The Institute of Chartered Accountants in Australia and has more than 30 years of corporate finance, investment banking and broad commercial experience. He has a strong track record in capital raisings, mergers and acquisitions, business restructuring and corporate governance and was previously a global partner at PricewaterhouseCoopers based in Perth and Sydney for 12 years.

**Neil Biddle**  
**Non-Executive Director, Consultant Geologist**  
**BAppSc (Geology), MAusIMM**

Mr Neil Biddle is a geologist and Corporate Member of the Australasian Institute of Mining and Metallurgy. He has over 30 years professional and management experience in the exploration and mining industry and since 1987 has served on the Board of several ASX listed companies. Mr Biddle was Managing Director of TNG Ltd from 1998-2007, Border Gold NL from 1994-1998 and Consolidated Victorian Mines 1991-1994. He is currently a Director of Arunta Resources Ltd.

**Robert Adamson**  
**Non-Executive Director, Consultant Geologist**  
**BSc, MSc (Hons), MAusIMM, CP(Geo), MAIMVA (CMV), MMICA**

Mr Robert (Bob) Adamson's professional career spans some 46 years, (1966-present). The first 25 of which he was employed with several international mining houses, and in managerial and board positions with listed exploration and mining companies in Australia and overseas. Mr Adamson has been an independent mineral industry consultant since 1993. He has an extensive background in mineral exploration and mining for gold, base metals, diamonds and semi-precious stones, principally in Australia, southern Africa, New Zealand, South Korea, Canada and the Philippines. Significant achievements include technical and managerial participation in the discovery and resource definition of several operating gold and base metal mines. Mr Adamson has most recently served as the Group's consultant geologist and manages the exploration program for the Group's tenements in the West Pilbara, Western Australia.

**Gavan Farley (Resigned 29 November 2013)**  
**Executive Director**  
**Dipl. Bus, MBA, MAICD**

Mr Gavan Farley has over 35 years in international business experience, ranging from the hospitality industry in Europe, Africa and the Caribbean, to more than 20 years managing a high technology engineering solutions company in the United Kingdom, Germany and the United States of America. Mr Farley is currently a consultant of Empire Securities Group Pty Ltd, a boutique corporate advisory firm based in Sydney that specialises in raising capital for companies in the resources and technology sectors. Mr Farley also serves as a Non-Executive Director of Indochine Resources Ltd, .

### 3. INFORMATION ON COMPANY SECRETARY

**Zane Lewis**  
**Joint Company Secretary**  
**BEC**

Mr Zane Lewis has held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 25 years relevant industry experience. Mr Lewis also serves on the board of GRP Group (ASX: GRP) and is a Company Secretary and CFO for various listed and unlisted public companies. Mr Lewis studied a Bachelor of Economics at the University of Western Australia and is a member of Chartered Secretaries Australia. Mr Lewis has been responsible for the corporate, treasury, finance, accounting and administration functions for these companies.

**Robert Waring (Resigned 31 October 2013)**  
**Joint Company Secretary**  
**BEC (Sydney), CA, FCIS, FFin, MAusIMM, FAICD**

Mr Robert Waring's experience has been gained over 35 years in financial and corporate roles including over 20 years in company secretarial roles for ASX listed companies and 17 years as a Director of ASX listed companies. Mr Waring has had 30 years' experience in the mining industry and prior to that, nine years with an international firm of chartered accountants. He is a Director of the Oakhill Hamilton Pty Ltd, which provides corporate advisory and company secretarial services to a range of listed and unlisted companies.

### 4. INTEREST IN THE SHARES AND OPTIONS OF THE GROUP

The following relevant interests in shares and options of the company or a related body corporate were held by the Directors as at the date of this report.

	Share holding	Option holding
Tony Leibowitz	17,089,933	1,666,666
Neil Biddle	34,437,506	3,333,333
Robert Adamson	3,684,335	-
Gavan Farley <sup>1</sup>	185,000	-
Robert Waring <sup>2</sup>	975,728	-
<b>Total</b>	<b>56,372,502</b>	<b>4,999,999</b>

<sup>1.</sup> Balance at resignation as a Director on 29 November 2013

<sup>2.</sup> Balance at resignation as Company Secretary on 31 October 2013

No ordinary shares were issued by the company during or since the end of the financial year as a result of the exercise of an option. There are no unpaid amounts on the shares issued.

At the date of this report unissued ordinary shares of the Company under option are 49,999,991 options issued as per the table below:

Grant Date	Number of options issued	Exercise Price	Expiry Date	Fair Value per option
26 March 2014	8,223,332	\$0.03	25 March 2017	\$0.00588
30 May 2014	41,776,659	\$0.03	25 March 2017	\$0.00437

### 5. DIVIDENDS

No dividends have been paid or declared since the start of the financial year and/or the directors do not recommend the payment of a dividend in respect of the financial year.

### 6. PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the exploration for natural resources.

## **7. REVIEW OF OPERATIONS**

### **HIGHLIGHTS**

#### **Tabba Tabba Tantalum Project**

- ❖ **2013 Resource upgrade completed with 79% of the Inferred Resource moved to the Measured and Indicated categories, with 453,000lb Ta<sub>2</sub>O<sub>5</sub> in the Measured and Indicated categories.**
- ❖ **The new resource comprises Measured, Indicated and Inferred Resources totalling 572,000lbs of Ta<sub>2</sub>O<sub>5</sub> (213,000t @ 0.122% Ta<sub>2</sub>O<sub>5</sub>).**
- ❖ **Feasibility Study completed with Maiden JORC Ore Reserve of 133,000 tonnes at 1,290ppm Ta<sub>2</sub>O<sub>5</sub>. Open pit design totals 162,000 tonnes, giving a total LOM production of 364,000 lbs of Ta<sub>2</sub>O<sub>5</sub>.**
- ❖ **Project revenue \$30.2M over the initial 19 month life.**
- ❖ **EBITDA \$16M with Project NPV of \$14.4M at an IRR of 162%.**
- ❖ **Estimated Capital Cost of \$3.9M**
- ❖ **First full year production (2014-15) operating costs forecast at \$34.74/lb.**
- ❖ **Five year fixed price plus CPI offtake agreement with Global Advanced Metals (Wodgina) Pty Ltd (GAM), a major tantalum refining company with refineries in the USA and Japan.**

#### **Pilgangoora Tantalum- Lithium Project**

- ❖ **Maiden JORC compliant tantalum-lithium resource defined for the newly acquired Pilgangoora Project in WA's Pilbara region, calculated from a historical database comprising 100 RC drill-holes totalling 7,757m.**

*Inferred Resource of 10.4M tonnes @ 0.024% Ta<sub>2</sub>O<sub>5</sub> (tantalite) and 8.6Mt @ 1.01% Li<sub>2</sub>O (spodumene) containing 5,500,000lbs Ta<sub>2</sub>O<sub>5</sub> and 87,000 tonnes of lithium.*

### **DEVELOPMENT ACTIVITIES**

#### **Tabba Tabba Joint Venture (100% Nagrom Mining Pty Ltd held by Valdrem Nominees Pty Ltd 50% trading as Nagrom , PLS 50%)**

The Company has entered into a Joint Venture with Nagrom (Valdrem Nominees Pty Ltd), to jointly evaluate, develop and mine the advanced **Tabba Tabba Tantalum Project**, located 75km by road from Port Hedland.

The Project will be developed under a mining and off-take agreement with GAM who are the Tabba Tabba tenement holders.

Tantalum is a strategically important mineral with about half the world's production used in electronic products such as tablets, smart phones, digital cameras and electronic systems for vehicles. Tantalum is also an additive in nickel-based superalloys used to make turbine blades for the aerospace industry and land-based gas turbines.

AUSTRALIAN PROJECTS

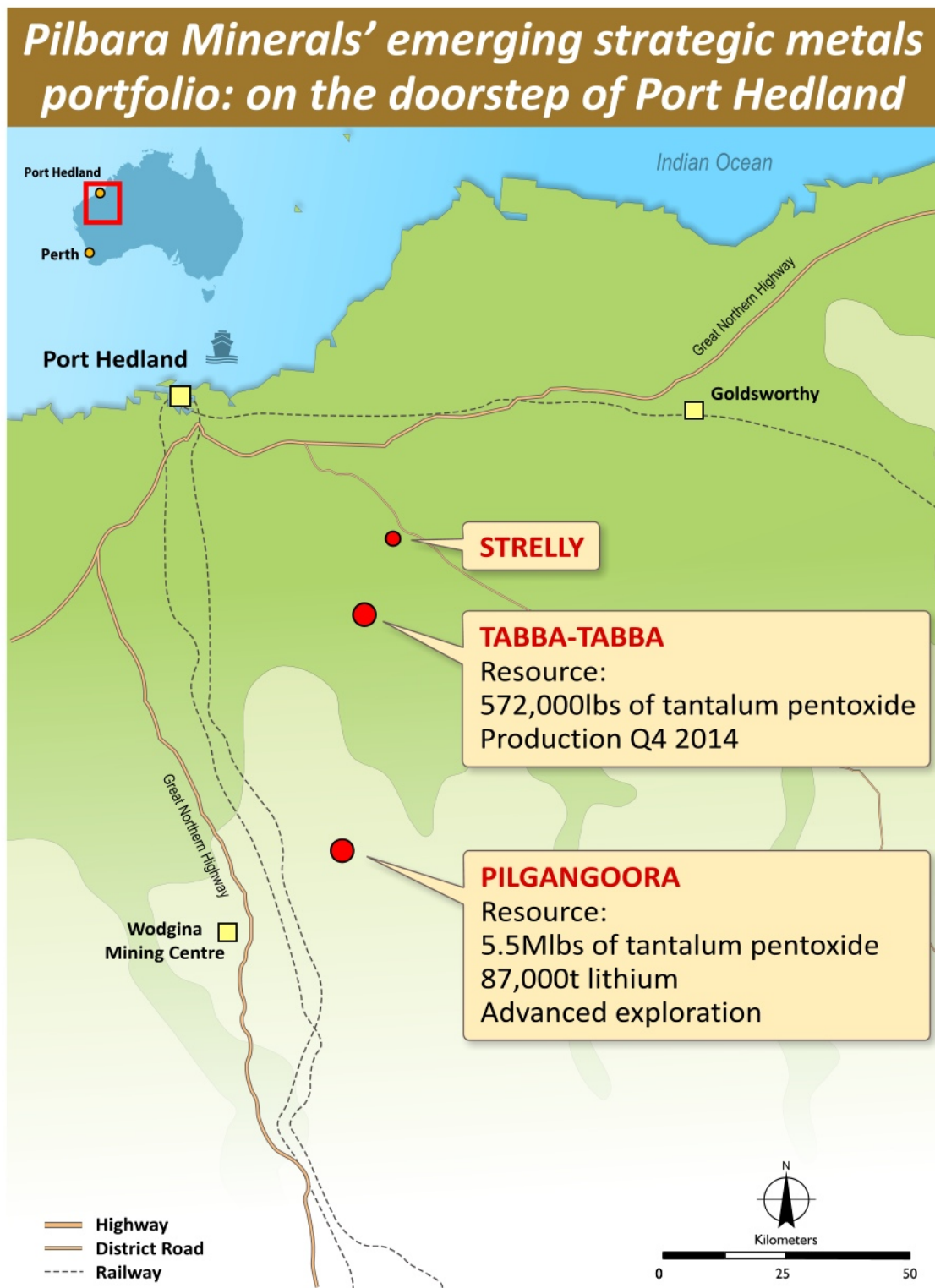


Figure 1 – West Pilbara Projects

## Mineral Resources

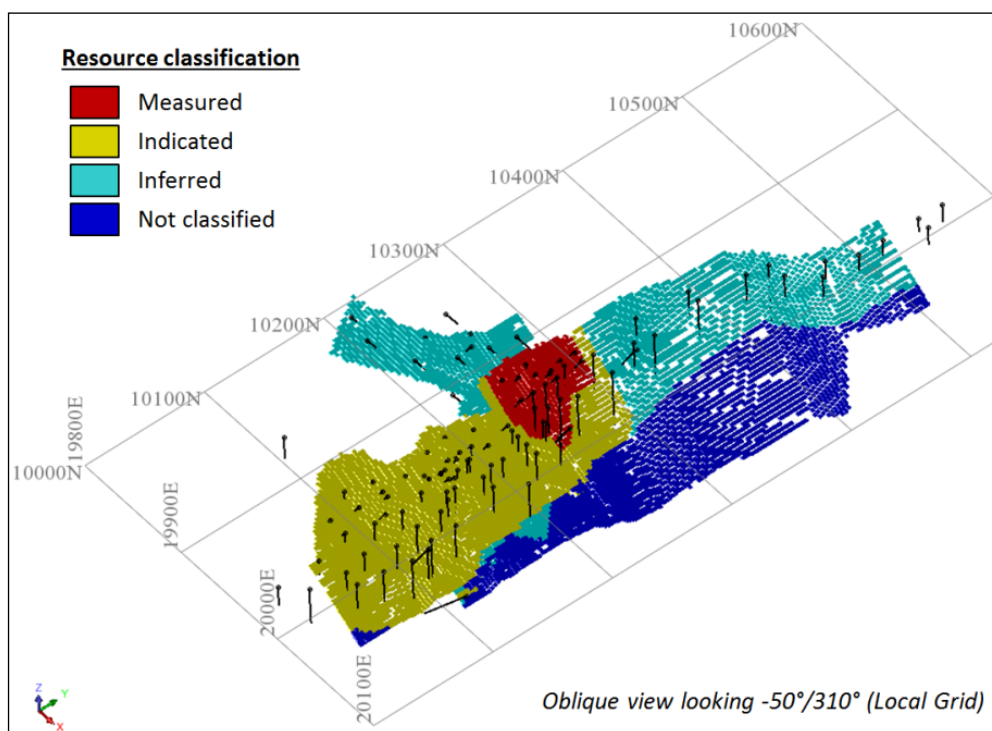
The 2013 Mineral Resource estimate represents an upgrade of the maiden JORC compliant Inferred Mineral Resource reported by the Company in October 2013. This previous Mineral Resource estimate was based on all available historical data together with the updated drilling information supplied by GAM, and by applying modern resource estimation methods.

The resource calculation was completed by independent resource consultancy, Mitchell River Group (MRG).

Bulk density determinations were also required to upgrade the Inferred Resource; and data was incorporated in the upgraded Mineral Resource estimate reported below.

The reporting of all domains (capturing material above 400ppm Ta<sub>2</sub>O<sub>5</sub> and using an upper cut grade of 5,500ppm Ta<sub>2</sub>O<sub>5</sub>) results in a Measured, Indicated and Inferred Mineral Resource estimate of:

Category	Tonnes and Grade (ppm Ta <sub>2</sub> O <sub>5</sub> )	Contained Ta <sub>2</sub> O <sub>5</sub> (lbs)
Measured:	30.1kT @ 1,610ppm Ta <sub>2</sub> O <sub>5</sub>	106,960
Indicated:	124.4kT @ 1,260ppm Ta <sub>2</sub> O <sub>5</sub>	346,040
Inferred:	58.4kT @ 925ppm Ta <sub>2</sub> O <sub>5</sub>	119,200
Combined:	<b>212.9Kt @ 1,220ppm Ta<sub>2</sub>O<sub>5</sub></b>	<b>572,200 lbs</b>



**Figure 2 – Tabba Tabba resource classification**

The data utilised for the Mineral Resource estimation process includes a drill-hole database of 121 holes plus surface geology mapping and current topographical survey data. The geological model was developed by PLS and MRG using a constrained envelope that lies within the pegmatite only.

The envelope was wire-framed using both geological logging information (in particular logging of zoning within the pegmatite) and assay data for Ta<sub>2</sub>O<sub>5</sub>. Details of the data used for the estimation, site inspection information and the quality control checks completed are contained in the Mineral Resource Estimate announced on December 18, 2013.

### **Diamond Drilling**

Five HQ diamond drill holes were completed in November (see Table 1 and Figure 2) to deliver diamond core for specific gravity/bulk density measurements and for material strength test work to assist in pit design.

**Table 1 – Drill Hole Collar Locations**

HOLE_ID	N_GDA94	E_GDA94	DEPTH	AZIMUTH	DIP
GT01	7713671	700238	51.8	230	-60
GT03	7713604	700381	81.0	230	-50
MET01	7713658	700192	27.6	230	-60
MET02	7713592	700281	30.3	230	-60
MET03	7713579	700339	51.7	230	-60

### **Geotechnical Study**

Two geotechnical holes (GT01 and GT03) were completed for a total of 132.8m. These have been assessed by geotechnical consultants Dempers and Seymour (D&S). The work programme completed for this study included geotechnical drilling, geotechnical fieldwork, laboratory testing, data evaluation and analyses comprising:

- Geotechnical and structural logging of five drill-holes;
- Unconfined Compressive Strength (UCS) testing;
- Rock mass characterisation according to the Laubscher MRMR classification system; and
- Deterministic and probabilistic analyses.

Based on rigorous analyses, pit design configuration were recommended by D&S for the Feasibility Study.

### **Bulk Density Results**

Three metallurgical holes were also completed totalling 109.6m. A total of 101 measurements of specific gravity were completed, with the results providing an average bulk density for pegmatite ore of 2.64 and for waste of 2.67 (pegmatite) and 3.01 (mafic rocks). Specific gravity determinations were completed by the hydrostatic weighting (uncoated) method with all core considered 'tight' (ie non-porous).

### **Reverse Circulation Drilling**

Reverse circulation drilling has been completed over the proposed Waste Rock Dump (WRD) and the Tailings Storage Facility (TSF) footprints to sterilise these areas prior to finalisation of the mine infrastructure plan. A total of 10 holes were completed for 518m. Minor zones (<1m wide) of pegmatite were encountered and assay results indicate that these pegmatites are sub-economic and will not alter the proposed locations of both the WRD and the TSF.

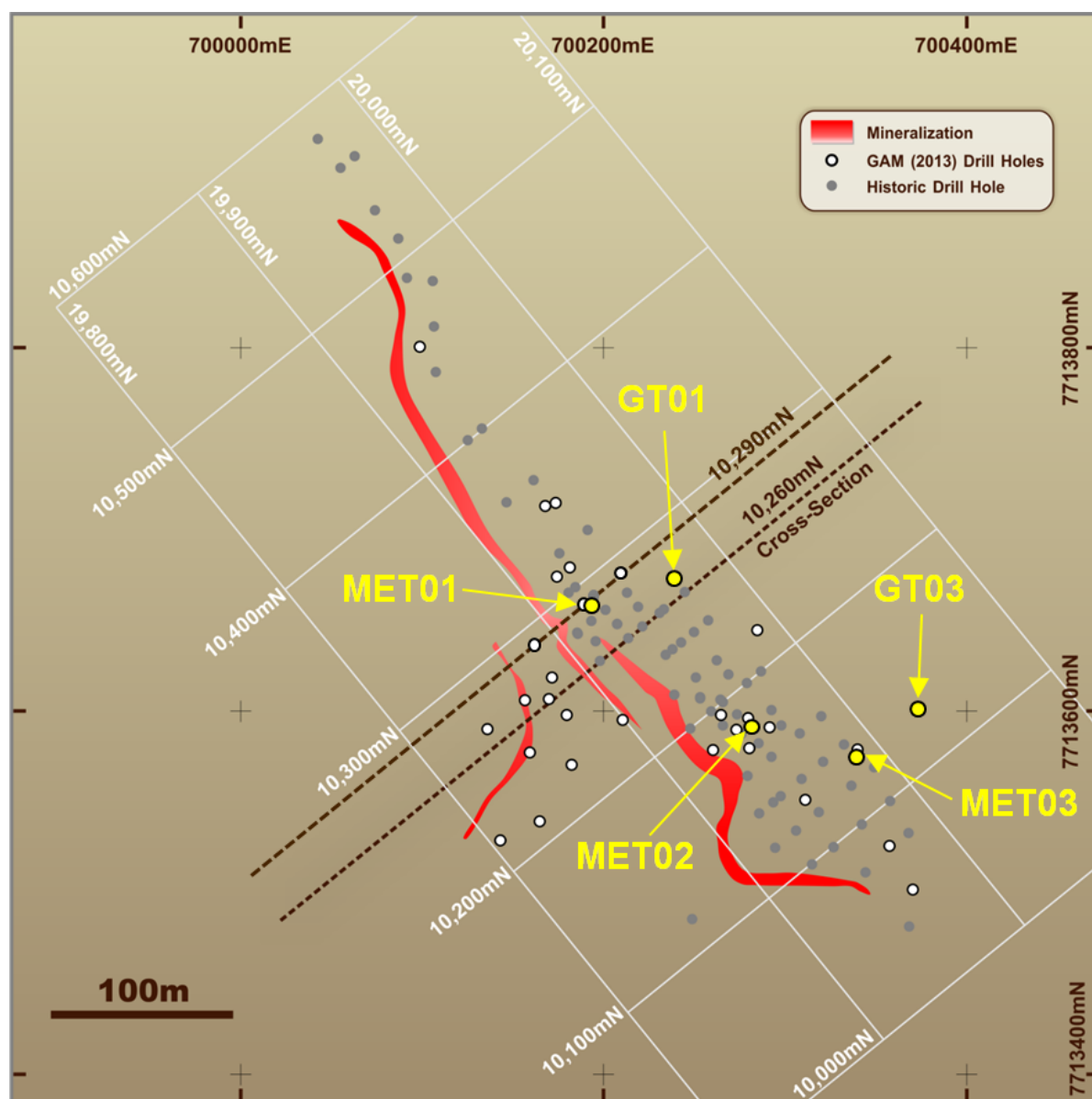
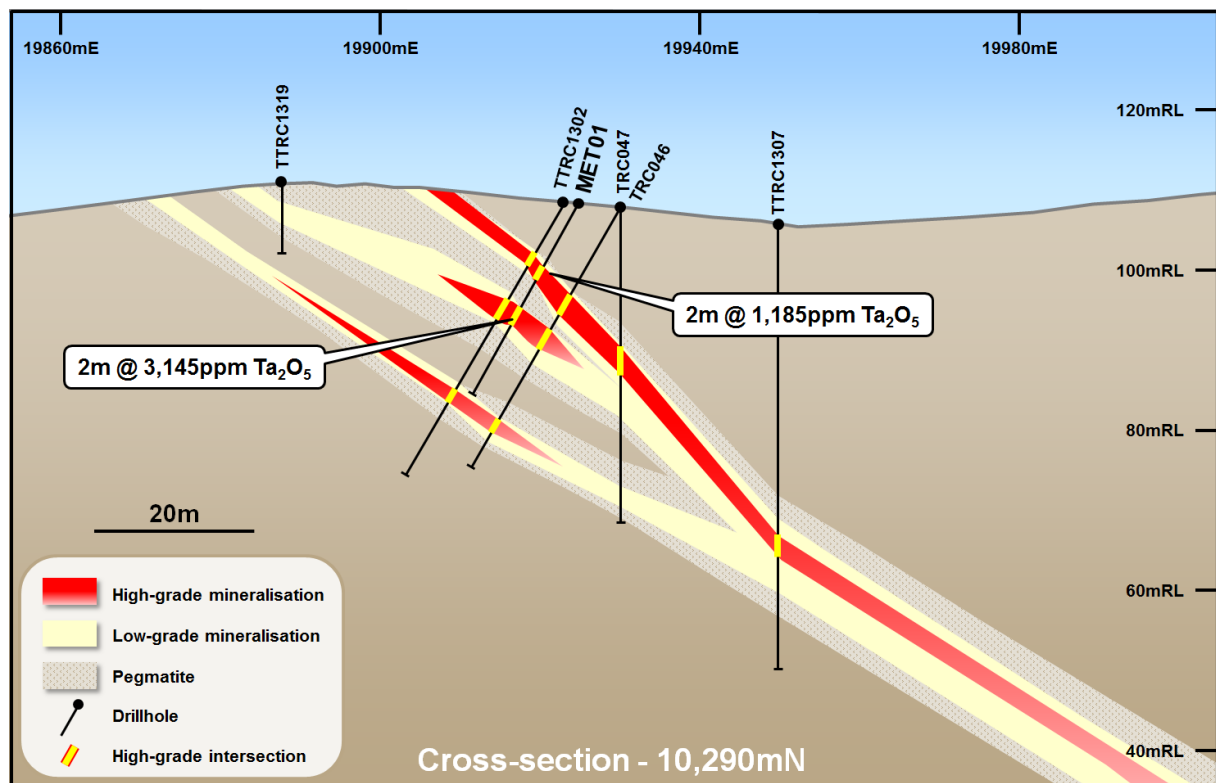


Figure 3: Tappa Tappa drill-hole location plan showing November 2013 drill-holes

Cross-section 10290N is shown below (cross-section positions are shown on Figure 3).



**Figure 4: Cross-section at 10,290mN (Local Grid) illustrating intersections in new drill-hole MET01**

### Feasibility Study Summary

The Feasibility Study (FS) has defined an initial mine life of 19 months producing approximately 365,000 pounds (lbs) of tantalum pentoxide ( $\text{Ta}_2\text{O}_5$ ), within a minimum 5%  $\text{Ta}_2\text{O}_5$  concentrate, delivering EBITDA (Earnings before interest, tax, depreciation and amortisation) of \$16 million.

The FS proposes mining and processing 118,000 tonnes of ore per annum from a single pit at the Tabbatabba Project. The study incorporates the development of the site infrastructure, mining, processing facility and rehabilitation.

The FS establishes a robust financial model, with projected payback of the entire capital cost in month six of operations. It estimates that over the LOM, 364,000lbs of  $\text{Ta}_2\text{O}_5$  will be recovered at an average operating cost of \$34.74/lb. The financial results reported are based on a commercially sensitive 5-year fixed sales price with Global Advanced Metals Wodgina Pty Ltd (GAMW), subject to annual CPI adjustments.

A summary of the key results of the Tabbatabba Feasibility Study is provided in the tables below.

Feasibility Study Financial Summary			
Ta <sub>2</sub> O <sub>5</sub> Production - LOM	364,000 lbs		
LOM Project Revenue*(Using Base Case)	\$30.2 million		
Forecast LOM EBITDA(Using Base Case)	\$16 million		
	<b>Base Case</b>	High Case - 20%	Low Case + 20%
NPV	<b>\$14.4 million</b>	\$16.8 million	\$11.4 million
IRR	162%	199%	115%

*\*Price based on LOM offtake*

The Feasibility Study was compiled and completed by Pilbara Minerals and Nagrom with input from a number of industry consultants. Nagrom completed the metallurgy, process design (See Figure5) and the various infrastructure requirements. Resource work was completed by Mitchell River Group Pty Ltd. Life of Mine planning and reserve estimate was completed by Croeser Pty Ltd (Croeser) and supported by D&S for the Geotechnical work.

Rockwater Pty Ltd completed the rehabilitation and Test Pumping of the water supply bores at Tabbatabba and a combined pumping rate of 10/l per second was achieved from 2 out of the 4 bores which is more than is required to sustain the planned mine operation. A monitoring bore was also completed for the planned Tailings Storage Facility.

Included in this work was the completion of the Subterranean Fauna Survey, capturing up to 88% of the Stygofauna species present in the community and it is considered unlikely that the proposed mining operation will affect the conservation status of Stygofauna species.

### **Mining Study**

Croeser was commissioned to undertake a study of the mining aspects of the project including, selection of **mining methods, pit optimisation processes, mine design, reserve estimates, scheduling and costing**. Key outcomes from the study are included below;

#### **Optimisation Results**

Pit shell number 15 (162,000 tonnes @ 1235ppm Ta<sub>2</sub>O<sub>5</sub>) is the pit shell with the highest undiscounted cashflow of \$16.75M. These results were the final option of a number of runs and were used as the base case for the final pit design

#### **Ore Reserve**

Reserves are based on the final limits pit design. Ore recovery of 95% and dilution of 15% was assumed for the reserve statement. Reserves are summarised in Table 4. Material classified as measured in the resource model was classified as proved in the reserve and indicated was classified as probable. In addition to the numbers stated there is 29,000 tonnes (at an average grade of 1038ppm Ta<sub>2</sub>O<sub>5</sub>) of inferred material included in the designed pit.

**Table 4: Tabba Tabba Ore Reserves**

Reserves	Tonnes	Ta2O5 ppm	Nb2O5
Proved	32,000	1,420	294
Probable	101,000	1,249	292
<b>Total</b>	<b>133,000</b>	<b>1,290</b>	<b>292</b>

### ***Pit Design***

A final limits pit design was completed based on (See Figure 4) the base case pit optimisation. The footwall (West wall) follows the orebody. The highwall (East wall) is 34 m at the highest point. The deepest point in the pit is at 67.5mRL and the ramp exit is at 105mRL.

The mining inventory contained within the pit is as follows;

Resource Category	Tonnes	Ta2O5 ppm	Nb2O5
Measured and Indicted	132,524	1,290	292
Inferred	29,345	1,038	236
<b>Total</b>	<b>161,869</b>	<b>1,244</b>	<b>282</b>

Batter slope angles and berm widths were designed according to the guidelines supplied by D&S in their geotechnical report.



**Figure 5 – View of the main pit area at Tabba Tabba looking south west**

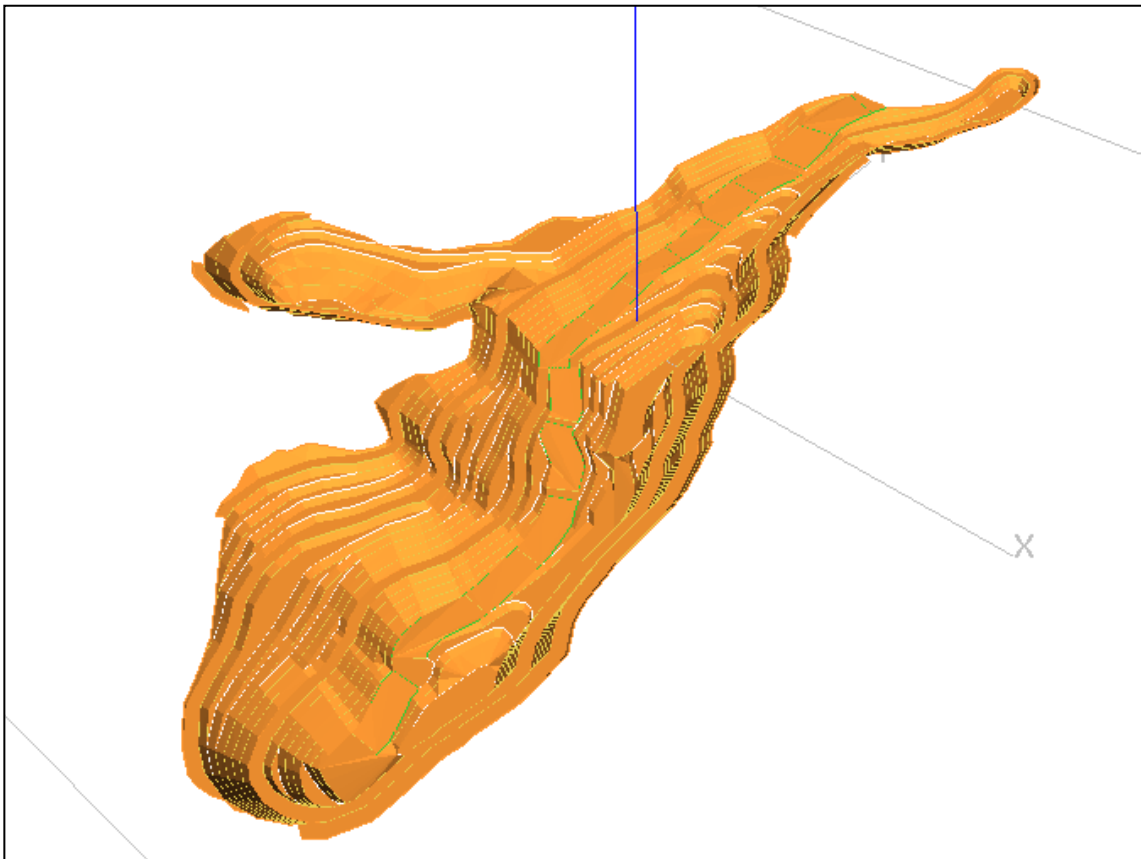


Figure 6: Final limits pit design looking to the North West

#### Development Approval

Regulatory approval documentation for the Tabba Project were completed by Perth based environmental management consultants, Clark Lindbeck & Associates Pty Ltd and include:

- **Works Approval,**
- **Mine Plan** and
- **Mine Closure Plan**

**Works Approval** and supporting documentation report was lodged with the Department of Environment Regulation 4<sup>th</sup> July 2014. This is a nominal 3-month approval period based on public advertising and consultation followed by third party response.

The **Mine Plan & Mine Closure Plan** were both completed and submitted on the 12<sup>th</sup> of August 2014 for a nominal 1-month approval period, dependent of regulatory review and comment.

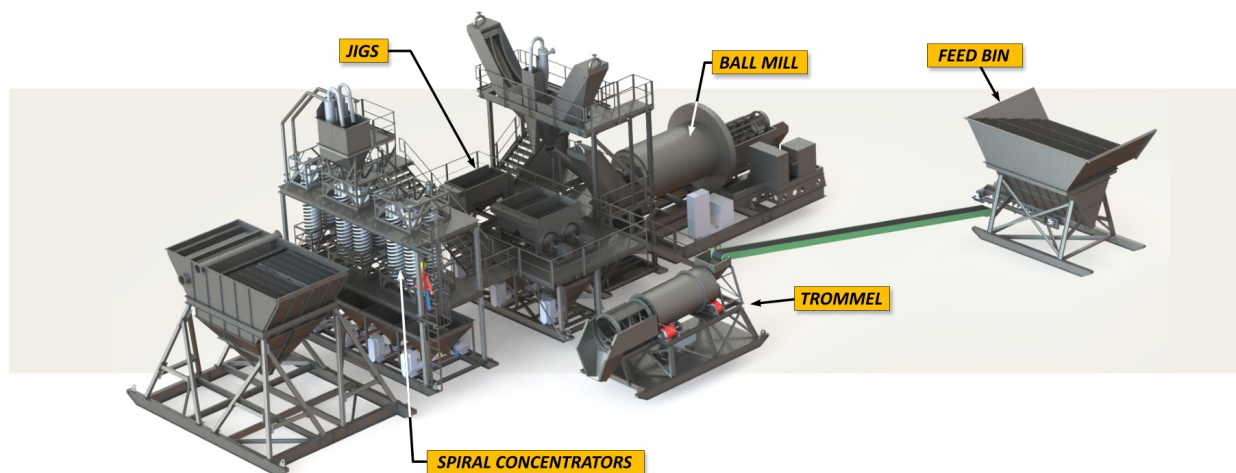
#### Future Growth and Opportunities

Pilbara Minerals sees numerous opportunities for future growth outside of the existing parameters considered by the Feasibility Study.

Firstly, the Feasibility Study is based on currently known ore reserves with all ore bodies remaining open along strike and at depth. Significant upside exists for further discoveries along the host pegmatites which have been mapped adjacent to the pit area and within the mining licenses.

Plant throughput rate is also based on conservative assumptions. To access high grade ores in the first few months, the mining rate has been planned to be at a rate higher than the plant throughput rate of 0.118Mtpa such that mining will be completed in approximately 1.4 years.

In addition, the Strelley Deposit, is located just 15kms north-east of Tabbatabba. Strelley was historically mined for eluvial tin (Sn) and Ta<sub>2</sub>O<sub>5</sub> however has never been systematically explored or RC drilled. This project has significant potential to extend production at the Tabbatabba Plant site. Magrom Mining Pty Ltd has a LOU with GAM has agreed to include this project in the current offtake and mining agreement.



**Figure 7 – Conceptual Drawing – Tabbatabba Plant**

## **EXPLORATION ACTIVITIES – AUSTRALIA**

### **PILGANGOORA (100% PLS)**

Pilbara Minerals in 2014 purchased five tenements at Pilgangoora, collectively known as the **Pilgangoora Project**, from Global Advanced Metals Wodgina Pty Ltd (“GAMW”).

Located about 25km north-east of the world class Wodgina Tantalum mine owned by GAMW and 82km SSE of Port Hedland, Pilgangoora includes several tin–tantalite alluvial and eluvial placer deposits which have been mined intermittently since 1947. The Project comprises two Exploration Licences (E45/2232 and E45/2241) and three Mining Leases (M45/78, M45/333 and M45/511).

In recent years, GAMW has completed three phases of Reverse Circulation drilling on EL45/2232 and EL45/2241. The database supplied by GAMW contains 100 drill holes totalling 7,757m of drilling in areas of pegmatite intrusives. The Pilgangoora pegmatite field comprises a series of extremely fractionated dykes and veins up to 15m thick within the immediate drilling area. These dykes and veins dip to the east at 45-60° and thicken slightly with depth, are parallel to sub-parallel to the main schistose fabric within the greenstones and are typically separated by 20-30m horizontally.

The work completed by GAMW has allowed PLS to calculate a maiden 2012 JORC compliant mineral resource for the project using all historical data and applying modern resource estimation methods. The calculation was carried out by independent resource consultancy Trepanier Pty Ltd (Trepanier).

The reporting of all domains (capturing material above 0.01% Ta<sub>2</sub>O<sub>5</sub>) and using no upper-cut, results in an Inferred Mineral Resource estimate of:

- **10,400,000 tonnes @ 0.025% Ta<sub>2</sub>O<sub>5</sub> containing 5,500,000 lb of Ta<sub>2</sub>O<sub>5</sub>**

Within this, there is **8.6 million tonnes @ 1.01% LiO<sub>2</sub> containing 87,000 tonnes of lithium oxide.**

The geological model was developed by Pilbara and Trepanier using a constrained envelope that lies within the host pegmatite only. The envelope was wire-framed using both geological logging information and assay data for Ta<sub>2</sub>O<sub>5</sub> and LiO<sub>2</sub>.

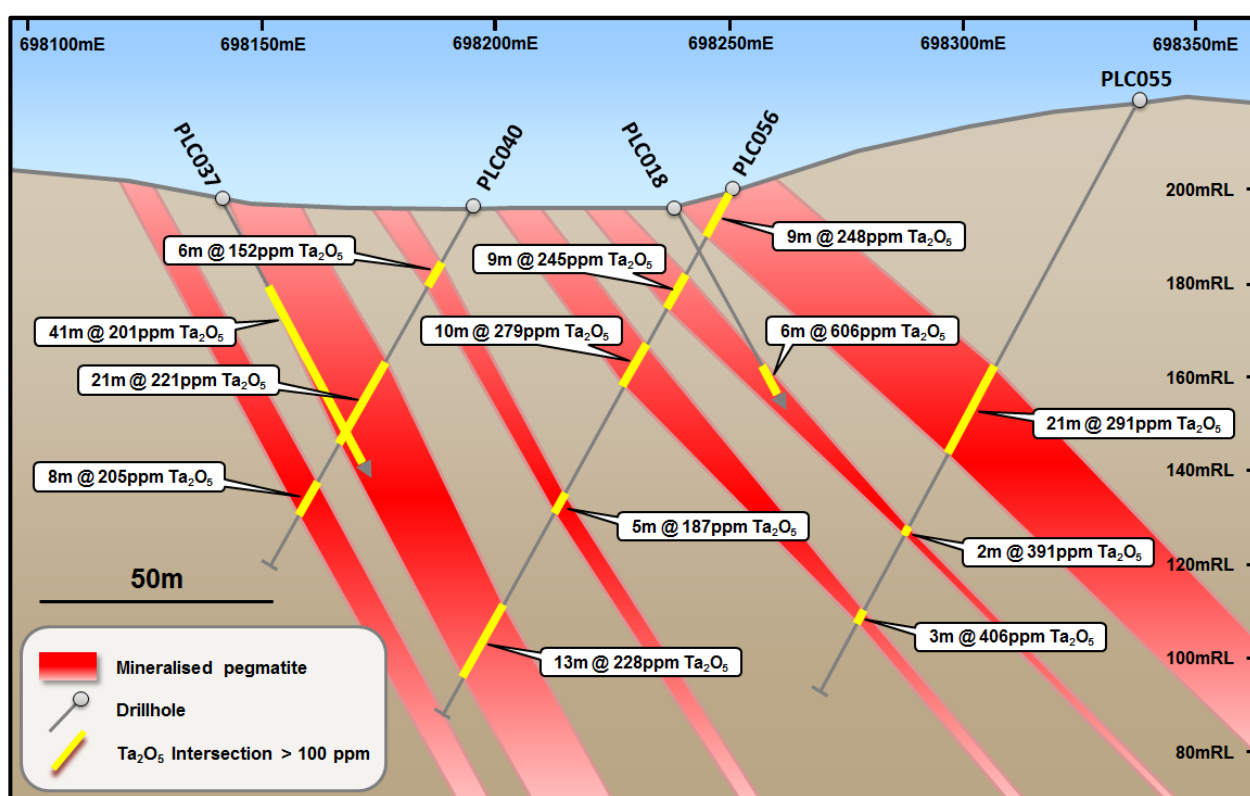


Figure 8: Typical Pilgangoora Cross Section 7,671,200mN looking to the North

#### Pilgangoora Exploration Target

Due to the initial estimation of the Inferred Resource being in excess of 10M tonnes based on the limited RC drilling completed to date, Pilbara Minerals has derived a **Exploration Target<sup>1</sup>** to **15 – 25 million tonnes @ 200 - 300ppm Ta<sub>2</sub>O<sub>5</sub>** and **1.2-1.5% Li<sub>2</sub>O** which is based on the aforementioned drilling.

Table 1 – Pilgangoora Tantalum-Lithium Exploration Target<sup>1</sup> on E45/2232

Exploration Target <sup>1</sup>	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Grade Ta <sub>2</sub> O <sub>5</sub> ppm
Northern Area	5-10	1.2 - 1.5	200 - 300
Central & Southern Area	10-15	1.2 - 1.5	200 - 300
<b>TOTAL</b>	<b>15-25</b>	<b>1.2 - 1.5</b>	<b>200 - 300</b>

Target<sup>1</sup> : The potential quantities and grades are conceptual in nature and there has been insufficient exploration to date to define a Mineral Resource. It is not certain that further exploration will result in the determination of a Mineral Resource under the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code” (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

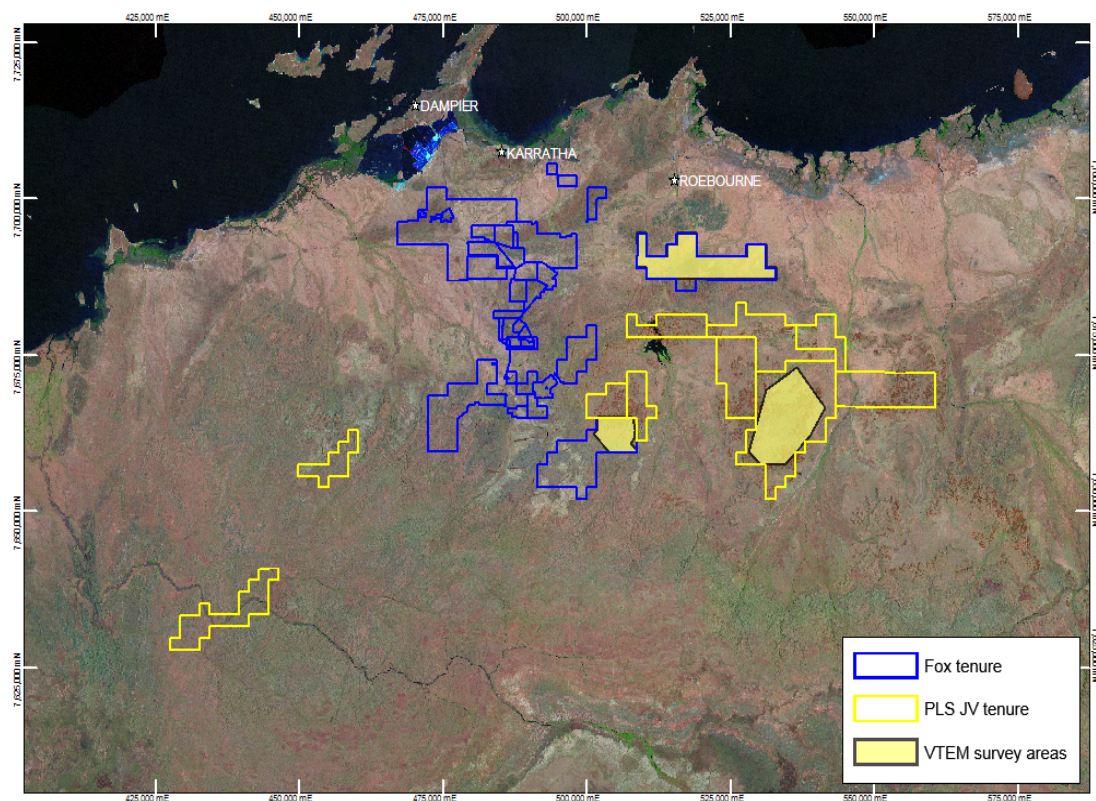
#### WEST PILBARA JV (PLS 60%, Fox Resources Limited 40% FARMING-IN)

A large number of the VTEM anomalies on the PLS tenure were ground checked by the Fox Resources Limited (FXR) geological team, with rock chip sampling and mapping of some of most of the anomalies undertaken. Several significant and prospective areas of the tenement package did not have VTEM coverage. Two high priority VTEM targets have been identified on E47/1094 (target C1-37) and E47/1814 (target C1-43).

## GEOPHYSICS

A combined program of 1,203 line km of VTEM surveying was flown over the Mt Oscar Joint Venture, the Millstream project (100% FXR) and a portion of the Pilbara Minerals Joint Venture (PLS JV) (See Figure 4 below). The map below details the areas of VTEM surveying.

The VTEM survey identified eight anomalies for geological mapping, sampling and geological evaluation and ranking of the viability of the anomalies, with the aim of delineating drill ready targets.



**Figure 9: Areas of VTEM Surveying**

### **Competent Person's Statement:**

*The Company confirms it is not aware of any new information or data that materially affects the information included in the December 18, 2013 Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its maiden resource announcement made on December 18, 2013.*

*The Company confirms it is not aware of any new information or data that materially affects the information included in the June 17, 2014 Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its maiden resource announcement made on June 17, 2014.*

*The Company confirms it is not aware of any new information or data that materially affects the information included in the February 19, 2014 Mineral Reserve Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its maiden resource announcement made on February 19, 2014.*

### **Listing Rule 5.19 Disclosure:**

*Pilbara Minerals confirms that all the material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the Feasibility Study as announced on 19 February 2014 continue to apply and have not materially changed.*

## **8. FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

The Consolidated loss of the consolidated group after providing for income tax for the year ended 30 June 2014 amounted to \$3,187,308 (2013: \$1,156,207).

The Group has \$1,094,553 (2013: \$240,658) in cash assets at 30 June 2014.

## **9. RISK MANAGEMENT**

Details of the Group's Risk Management policies are contained within the Corporate Governance Statement in the Directors' Report.

## **10. CORPORATE GOVERNANCE**

Details of the Group's Corporate Governance policies are contained within the Corporate Governance Statement in the Directors' Report.

## **11. SIGNIFICANT EVENTS AFTER BALANCE DATE**

As announced to the Australian Securities Exchange (ASX) on 7 July 2014, the Company raised an additional \$200,050 (being a total raised of \$925,050 less \$725,000 received before year end) through the issue of 61,670,000 fully paid shares at 1.5 cent each to sophisticated and professional investors.

On 1 July 2014 Pilbara Minerals finalized the acquisition of 50% of the equity in Nagrom Mining Pty Limited, which is now a joint venture with Valdrew Nominees, to exploit the Tabba Tabba Project.

As announced to the Australian Securities Exchange (ASX) on 30 July 2014, the Company raised an additional \$1,296,000 through the issue of 86,399,973 fully paid shares at 1.5 cent each to existing shareholders via a Share Purchase Plan.

On 28 July 2014 Pilbara Minerals finalised the acquisition of the Pilgangoora Project which comprises of five tenements, including two Exploration Licences (EL45/2232 and EL45/2241) and three Mining Leases (M45/78, M45/333 and M45/511) covering an area of 31 Km<sup>2</sup>.

As announced to the Australian Securities Exchange (ASX) on 11 August 2014, the Company raised an additional \$1,735,250 through the issue of 77,353,326 and 38,330,000 fully paid shares at 1.5 cent each to sophisticated and professional investors as part of the shortfall placement for the previously mentioned Share Purchase Plan.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## **12. LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Over the next 12 months, the Company plans to complete the Tabba Tabba processing plant and begin production of Tantalum concentrate for sale to Global Advanced Metals. Exploration is to be undertaken at Tabba Tabba and Strelley Projects to extend the mine life of Tabba Tabba. Exploration is planned to continue at The Company's 100% owned Pilgangoora Lithium-Tantalum project located only 54 kms south of the Tabba Tabba mining operation.

### *Exploration Risk*

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

## **13. ENVIRONMENTAL LEGISLATION**

The Group is subject to significant environmental and monitoring requirements in respect of its natural resource exploration activities. The directors are not aware of any significant breaches of these requirements during the period.

## **14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## **15. REMUNERATION REPORT (AUDITED)**

This report outlines the remuneration arrangements in place for key management personnel of the Group for the financial year ended 30 June 2014.

The following persons acted as Directors during or since the end of the financial year:

<b>Directors</b>	<b>Position</b>	<b>Duration of Appointment</b>
Tony Leibowitz	Non-Executive Chairman	(Appointed 11 June 2013)
Neil Biddle	Non-Executive Director	(Appointed 30 May 2013)
Robert Adamson	Non-Executive Director	(Appointed 1 July 2010)
Gavan Farley	Executive Director	(Appointed 12 February 2010, Retired 29 November 2013)

### **Remuneration Philosophy**

The performance of the Group depends upon the quality of the Directors and executives. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration

### **Remuneration Committee**

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors and the Senior Management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

### **Remuneration Structure**

In accordance with best practice Corporate Governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

### **Non-Executive Director Remuneration**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 21 November 2008 when shareholders approved an aggregate remuneration of up to \$250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director is entitled to receive a fee for being a director of the Company.

The remuneration of Non-Executive Directors for the period ended 30 June 2014 is detailed in the Remuneration of Key Management Personnel section of this report on the following page.

### **Senior Manager and Executive Director Remuneration**

Remuneration consists of fixed remuneration. In addition to the Group employees and directors, the Group has contracted key consultants on a contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

### **Fixed Remuneration**

Fixed remuneration is reviewed annually by the Independent Directors' Committee (which assumes the role of the Remuneration Committee). The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Fixed remuneration is paid in the form of cash payments.

**PILBARA MINERALS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

The fixed remuneration component of the key management personnel is detailed in Table 1.

The Group did not engage remuneration consultants during the year.

**Employment Contracts**

The Group does not currently have any employment contracts in place with key management personnel.

**Remuneration of Key Management Personnel**

**Table 1: Key management personnel remuneration for the year ended 30 June 2014**

	Short-term employee benefits		Post-employment benefits		Equity	Other	Total	%
	Salary and fees	Consulting Fees <sup>1</sup>	Super-annuation	Prescribed Benefits	Options			Performance Related
Tony Leibowitz	36,000	59,400	-	-	-	-	95,400	-
Neil Biddle	36,000	69,200	-	-	-	-	105,200	-
Robert Adamson	36,000	-	-	-	-	-	36,000	-
Gavan Farley	15,000	16,350	-	-	-	-	31,350	-
Robert Waring	-	32,015	-	-	-	-	32,015	-
<b>Total</b>	<b>123,000</b>	<b>176,965</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>299,965</b>	<b>-</b>

<sup>1</sup> Refer to note 27 for details of these transactions.

**Table 2: Key management personnel remuneration for the year ended 30 June 2013**

	Short-term employee benefits		Post-employment benefits		Equity	Other	Total	%
	Salary and fees	Consulting Fees <sup>1</sup>	Super-annuation	Prescribed Benefits	Options			Performance Related
Tony Leibowitz	3,000	-	-	-	-	-	3,000	-
Gavan Farley	73,000	69,685	-	-	-	-	142,685	-
Neil Biddle	3,000	-	-	-	-	-	3,000	-
Robert Adamson	35,700	9,450	-	-	-	-	45,150	-
Victor Rudenno	33,000	-	-	-	-	-	33,000	-
Robert J Waring	54,620	58,048	-	-	-	-	112,668	-
<b>Total</b>	<b>202,320</b>	<b>137,183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>339,503</b>	<b>-</b>

<sup>1</sup> Refer to note 27 for details of these transactions.

No remuneration was payable via the issue of options in the year ended 30 June 2014 (2013: Nil).

**INTEREST IN THE SHARES AND OPTIONS OF THE GROUP**

The following relevant interests in shares and options of the Company or a related body corporate were held by the key management personnel as at 30 June 2014.

**Key management personnel shareholdings**

The number of shares held by each key management personnel of the Company during the financial year is as follows:

	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
<b>30 June 2014</b>						
Tony Leibowitz	5,010,000	-	-	-	10,746,601	15,756,601
Neil Biddle	17,348,905	-	-	-	14,788,601	32,137,506
Robert Adamson	290,000	-	-	-	2,394,335	2,684,335
Gavan Farley <sup>1</sup>	185,000	-	-	-	-	185,000 <sup>1</sup>
Robert Waring <sup>2</sup>	975,728	-	-	-	-	975,728 <sup>2</sup>
<b>Total</b>	<b>23,809,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,929,537</b>	<b>51,739,170</b>

<sup>1</sup> Balance at resignation as a Director on 29 November 2013

<sup>2</sup> Balance at resignation as Company Secretary on 31 October 2013

**PILBARA MINERALS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

<b>30 June 2013</b>	<b>Balance at beginning of the year</b>	<b>Balance at appointment</b>	<b>Granted as remuneration</b>	<b>Options exercised</b>	<b>Shares acquired during the year</b>	<b>Balance at end of the year</b>
Tony Leibowitz	-	5,010,000	-	-	-	5,010,000
Gavan Farley	43,500	-	-	-	141,500	185,000
Robert Adamson	95,000	-	-	-	195,000	290,000
Neil Biddle	-	16,900,000	-	-	448,905	17,348,905
Victor Rudeno <sup>1</sup>	100,000	-	-	-	-	100,000
Robert Waring	60,000	-	-	-	915,728	975,728
<b>Total</b>	<b>298,500</b>	<b>21,910,000</b>	<b>-</b>	<b>-</b>	<b>1,701,133</b>	<b>23,909,633</b>

<sup>1.</sup> Balance at resignation as a director on 30 May 2013

**Key management personnel option holdings**

The number of options over ordinary shares held by each key management personnel of the company during the financial year is as follows:

<b>30 June 2014</b>	<b>Balance at beginning of the year</b>	<b>Balance at appointment</b>	<b>Granted as remuneration</b>	<b>Options exercised</b>	<b>Options acquired / (expired) during the year</b>	<b>Balance at end of the year</b>
Tony Leibowitz	-	-	-	-	1,666,666	1,666,666
Neil Biddle	-	-	-	-	3,333,333	3,333,333
Robert Adamson	250,000	-	-	-	(250,000)	-
Gavan Farley <sup>1</sup>	250,000	-	-	-	(250,000)	-
Robert Waring <sup>2</sup>	250,000	-	-	-	(250,000)	-
<b>Total</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,249,999</b>	<b>4,999,999</b>

<sup>1.</sup> Balance at resignation as a Director on 29 November 2013

<sup>2.</sup> Balance at resignation as Company Secretary on 31 October 2013

<b>30 June 2013</b>	<b>Balance at beginning of the year</b>	<b>Balance at appointment</b>	<b>Granted as remuneration</b>	<b>Options exercised</b>	<b>Options acquired during the year</b>	<b>Balance at end of the year</b>
Tony Leibowitz	-	-	-	-	-	-
Gavan Farley	250,000	-	-	-	-	250,000
Robert Adamson	250,000	-	-	-	-	250,000
Neil Biddle	-	-	-	-	-	-
Victor Rudeno <sup>1</sup>	250,000	-	-	-	-	250,000
Robert Waring	250,000	-	-	-	-	250,000
<b>Total</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>

<sup>1.</sup> Balance at resignation as a director on 30 May 2013

**END OF REMUNERATION REPORT**

**16. DIRECTOR'S MEETINGS**

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Committee Meetings					
	Directors Meetings		Audit Committee		Remuneration Committee	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
<i>Directors</i>						
Tony Leibowitz	8	8	-	-	-	-
Neil Biddle	7	8	-	-	-	-
Robert Adamson	8	8	-	-	-	-
Gavan Farley	4	5	-	-	-	-

**17. AUDITOR INDEPENDENCE**

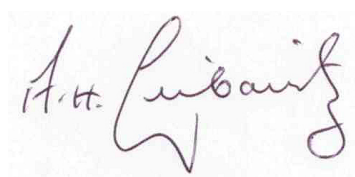
Section 307C of the Corporations Act 2001 requires our auditors, Some Cooke, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 23 and forms part of this Directors' report for the year ended 30 June 2014.

**18. NON-AUDIT SERVICES**

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the Group.

Signed in accordance with a resolution of the Directors.

A handwritten signature in purple ink, appearing to read 'A. Leibowitz', is positioned above the printed name and title of the Chairman.

Tony Leibowitz  
Chairman

Dated this 29<sup>th</sup> day of September 2014

## Auditor's Independence Declaration

To those charged with governance of Pilbara Minerals Limited

As auditor for the audit of Pilbara Minerals Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Somes Cooke



Nicholas Hollens  
Partner  
29 September 2014

**PILBARA MINERALS LIMITED**  
**SCHEDULE OF TENEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**As at 22 September 2014**

<b>Project</b>	<b>Location</b>	<b>Tenements</b>	<b>Beneficial Interest</b>	<b>Notes</b>
<b>Malaumanda</b>	Papua New Guinea	EL1915	100%	
<b>Malaumanda</b>	Papua New Guinea	EL1916	100%	
<b>Malaumanda</b>	Papua New Guinea	ELA2071	NA	Application
<b>Fox Resources JV</b>	Western Australia	E47/1093	60%	JV
<b>Fox Resources JV</b>	Western Australia	E47/1094	60%	JV
<b>Fox Resources JV</b>	Western Australia	E47/1097	60%	JV
<b>Fox Resources JV</b>	Western Australia	E47/1813	60%	JV
<b>Fox Resources JV</b>	Western Australia	E47/1814	60%	JV
<b>Fox Resources JV</b>	Western Australia	E47/1815	60%	JV
<b>Fox Resources JV</b>	Western Australia	E47/2261	60%	JV
<b>Pilgangoora</b>	Western Australia	E45/2232	100%	
<b>Pilgangoora</b>	Western Australia	E45/2241	100%	
<b>Pilgangoora</b>	Western Australia	M45/0078	100%	
<b>Pilgangoora</b>	Western Australia	M45/0333	100%	
<b>Pilgangoora</b>	Western Australia	M45/0511	100%	

**PILBARA MINERALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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The Board of Directors of Pilbara Minerals Limited (the Company) is responsible for establishing the Corporate Governance framework of the Company having regard to the ASX Corporate Governance Council's (CGC) published guidelines as well as its Corporate Governance principles and recommendations.

The Board monitors the business and affairs of the Company on behalf of its shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles, particularly those issued by the CGC in August 2007 with 2010 amendments (including the June 2010 recommendations on diversity). At a number of Board meetings each year the Directors examine the Company's Corporate Governance practices and progress towards a review of its practice compared to the best practice principles proposed by the CGC. While the Company is attempting to adhere to the principles proposed by the ASX, it is mindful that there may be some instances where compliance is not practicable for a company of its size.

The August 2007 CGC publication "Corporate Governance Principles and Recommendations" second edition is referred to for guidance purposes as necessary. However, all listed companies are required to disclose the extent to which they have followed the recommendations, and to identify any recommendations that have not been followed and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In other cases the Company has considered new arrangements to enable compliance. In a limited number of instances, the Company has determined not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of its size.

The Company's Corporate Governance practices were approved by the Board and in place throughout the year ended 30 June 2014, except as indicated below.

**Composition of the Board**

The skills, experience and expertise of each Director in office at the date of this Annual Report are included in the Directors' Report. The Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment. In the context of Director independence, 'materiality' is considered from both the Company and individual Director's perspectives. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it, and other factors that point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

There are procedures in place, agreed by the Board, to enable Directors in the furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each Director at the date of this Annual Report is as follows:

<b>Name</b>	<b>Term in Office</b>
Robert Adamson	48 months
Tony Leibowitz	13 month (appointed 30 May 2013)
Neil Biddle	13 month (appointed 30 May 2013)

The Company has established a policy regarding diversity that is reviewed at least every 12 months to examine progress on the achievement of its diversity objectives. The Company does not have any women on its Board. In accordance with the adopted Diversity Policy, the objective is to address this matter as the Company increases in size.

***ASX Best Practice Recommendations and Comments***

***Principle 1: Lay solid foundations for management and oversight***

**R1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives, and disclose those functions.**

The Company's Corporate Governance policies include a Board Charter, which discloses the specific responsibilities of the Board and can be viewed on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au), and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director or Executive Director.

**R1.2 Companies should disclose the process for evaluating the performance of senior executives.**

The Company's Corporate Governance Policies include a section on Performance Evaluation Practices, which discloses the performance evaluation criteria of senior executives and can be viewed on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

**R1.3 Companies should provide the information indicated in the Guide to Reporting Principle 1.**

Any departures from Principles 1.1 and 1.2 are contained in the above points.

A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2014 as the Board monitors the performance of senior executives on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate..

***Principle 2: Structure the Board to add value***

**R2.1 A majority of the Board should be Independent Directors.**

The Independent Directors of the Company during the past financial year were considered to be Robert Adamson, and Tony Leibowitz. The Company does meet the recommendation that a majority of the Board should be Independent Directors.

**R2.2 The Chairman should be an Independent Director.**

The Chairman for the financial year was Tony Leibowitz and he is an independent non-executive Director.

**R2.3 The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.**

During the financial year the Company had a non-executive Chairman, Tony Leibowitz. Mr Neil Biddle as the Executive director undertakes duties akin to the Chief Executive Officer (CEO).

**R2.4 The Board should establish a Nomination Committee.**

The Board does not believe it is necessary to establish a separate Nomination Committee. However the Board has established a Remuneration and Nomination Committee that has assumed the role of the Nomination Committee. This Committee meets at least annually to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director. The Committee comprised Gavan Farley (Chairman) and Tony Leibowitz for the period until 29 November 2013 when Gaven Farley resigned and was replaced by Robert Adamson and Tony Leibowitz assumed the Chairman position. The mix of skills and diversity were discussed and remain under review. The Company has a formal Nomination Committee Charter, which is included in the Company's Corporate Governance Policy, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

**R2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.**

The Company's Corporate Governance Policies include Performance Evaluation Practices that are used to evaluate the performance of the Board.

A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2014 as the performance of the Board, its committees (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole.

**R2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.**

The Company has included details for each Director, such as their skills, experience and expertise relevant to their position, in the Directors' Report of this Annual Report.

Any departures from Principles 2.1, 2.2, 2.3, 2.4 and 2.5 are contained in the above points.

***Principle 3: Promote ethical and responsible decision-making***

**R3.1 Companies should establish a Code of Conduct and disclose the Code, or a summary of the Code, as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company's Corporate Governance includes a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment, and can be found on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

General principles of the Company's Code of Conduct include:

- Employees of the Company must act honestly and with integrity, in good faith and in the best interests of the Company as a whole.
- Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment.
- Employees must recognise that their primary responsibility is to the Company's shareholders as a whole.
- Employees must not take advantage of their position for personal gain, or the gain of their associates.
- Directors have an obligation to be independent in their judgments.
- Confidential information received by employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company.
- Employees have an obligation to comply with the spirit, as well as the letter, of the law and with the principles of this code.

**R3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.**

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them. The Company's Diversity Policy is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

The Board believes that the pursuit of diversity in the workplace increases the Company's ability to attract, retain and develop the best talent available, creates an engaged workforce, enhances individual work-life balance, encourages personal achievement, improves co-operation and assists in the optimisation of organisational performance. Diversity in the workplace should mirror the diversity of the broader community in which the Company operates, encompassing age, gender, ethnicity, cultural and other personal factors. The Company respects the diversity of all its employees, consultants and contractors, and cultivates an environment of fairness, respect and equal opportunity.

**R3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.**

At this time, given the size and composition of the Company's workforce, the Board has not formalised measurable objectives for achieving gender diversity. However it is committed to providing equal employment opportunities to enable a workplace based on gender diversity and, in accordance with the adopted Diversity Policy, will further address this matter as the Company grows in size.

**R3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.**

The Company has a small number of staff members (1 employee). The Company does not have any women on its Board or amongst its executives, however its one employee is a women.

**R3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.**

Any departures from Principles 3.1 and 3.2 during the reporting year are contained in the above points.

The Company's Corporate Governance Policy includes a section on Securities Trading Policy, which provides guidelines for transacting (buying and selling) securities in the Company, and has been posted on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au). The key policy items include:

- General restrictions when in possession of inside information, which includes sections dedicated to insider trading laws and confidential information.
- Additional trading restrictions for Directors and employees. This section details times when restricted persons are prohibited from trading in the Company's securities, and policies on exceptional circumstances where clearance is given to restricted persons.
- Policies that restricted persons must comply with prior to and after trading in the Company's securities.

Other sections of this Policy include notification of trading, breaches of policy and general information.

***Principle 4: Safeguard integrity in financial reporting***

**R4.1 The Board should establish an Audit Committee.**

The Board has established an Audit and Risk Management Committee, which operates under charters, approved by the Board, which have been posted on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au). It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information, as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The Audit and Risk Management Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the Audit and Risk Management Committee for part of the year were Executive Director Gavan Farley, as Chairman and Non-Executive Director Tony Leibowitz. Robert Adamson replaced Gavan Farley as the Chair of the Committee on 29 November 2013. The deficiency against the recommendations will be remedied when additional Directors are appointed. The Company has a formal Audit Committee Charter, which is included in the Company's Corporate Governance Policy, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

**R4.2 The Audit Committee should be structured so that it:**

- **consists of only Non-Executive Directors;**
- **consists of a majority of Independent Directors;**
- **is chaired by an Independent Director, who is not the Chair of the Company; and**
- **has at least three members.**

The Audit and Risk Management Committee was chaired by Gavan Farley, until he resigned on 29 November 2013. Gavan Farley was not the Chairman of the Company. Robert Adamson joined the Committee on 29 November 2013 and the Committee is now chaired by Robert Adamson. During the year, and because of the size of the Board, the second member of the Audit and Risk Management Committee, Gavan Farley, was an Executive Director. For the period until 29 November 2013, the Audit and Risk Management Committee consisted of the only Executive Director and a Non-executive Director. For the financial year, the Audit and Risk Management Committee had only two members due to the Company only having 3 Directors, however since the 29<sup>th</sup> November 2013 the committee did consist of mainly Independent Directors and therefore did comply with the requirement that the Committee have a majority of Independent Directors.

The members of the Audit and Risk Management Committee during the year had the requisite financial experience and qualifications, including:

Gavan Farley – Dipl Bus, MBA, MAICD (resigned 29 November 2013)

Tony Leibowitz – FCA

Robert Adamson - BSc, MSc (Hons), MAusIMM, CP(Geo), MAIMVA (CMV), MMICA (appointed 29 November 2013)

**R4.3 The Audit Committee should have a formal charter.**

The Company's Corporate Governance Policy includes a formal charter for the Audit Committee, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

**R4.4 Companies should provide information indicated in the Guide to reporting on Principle 4.**

Any departures from Principles 4.1, 4.2 and 4.3 are contained in the above points.

The Corporate Governance Statement has been posted on the Company's website, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

***Principle 5: Make timely and balanced disclosure***

**R5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements, and to ensure accountability at a senior executive level for that compliance, and disclose those policies or a summary of those policies.**

The Company has a continuous disclosure programme in place designed to ensure the factual presentation of the Company's financial position and the development of the Company's assets and activities, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au). There is a vetting and authorisation process in place that is designed to ensure that the Company's announcements:

- are made in a timely manner;
- are factual;
- do not omit material information; and
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

**R5.2 Provide the information indicated in the Guide to Reporting on Principle 5.**

Any departures from Principle 5.1 are contained in the above point. The Corporate Governance Statement has been posted on the Company's website, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

***Principle 6: Respect the rights of shareholders***

**R6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings, and disclose the policy or a summary of the policy.**

The Company's Corporate Governance Policy includes a Shareholder Communications Strategy, which aims to ensure that the Company's shareholders are informed of all major developments affecting the Company's state of affairs and which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au)

**R6.2 Companies should provide the information indicated in the Guide to Reporting on Principle 6.**

Any departures from Principle 6.1 are contained in the above point.

The Corporate Governance Statement has been posted on the Company's website, which is available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

***Principle 7: Recognise and manage risk***

**R7.1 Companies should establish policies for oversight and management of material risks, and disclose a summary of these policies.**

The Board determines the Company's risk profile, and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. Risk factors are an agenda item at Board, and Audit and Risk Management Committee meetings. The Company's Corporate Governance Policies include policies for oversight and management of material risks, under the section Risk Management and Internal Compliance and Control, which is disclosed on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

**R7.2 The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks, and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.**

***Risk Management and internal control system***

The Executive Director was responsible for risk management and internal control systems during the year, and reported material business risks to the Board. The Audit and Risk Management Committee is described in Principle 4 above.

***Risk Management Committee***

The Board has not established a separate Risk Management Committee. However, it has established an Audit and Risk Management Committee that has assumed the role of a separate Risk Management Committee, and operates under a charter approved by the Board. The Board is ultimately responsible for risk oversight and risk management. Discussions on the recognition and management of risks were also considered by the Board.

**R7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration, in accordance with section 295A of the Corporations Act, is founded on a system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.**

At present, the Board believes that it has adequately addressed issues of risk and the future management of risk. The issue of risk is covered by the Board, and the Audit and Risk Management Committee. The Board, at least annually, receives assurance from the CEO and the Chief Financial Officer (CFO) that the declaration is founded on a system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

**R7.4 Provide the information indicated in the Guide to Reporting on Principle 7.**

The Board considers that it is appropriate to require the CEO and CFO to provide this statement at the relevant time, i.e. as part of the Annual and Half-Yearly Financial Report process.

Any departures from Principles 7.1, 7.2 and 7.3 are contained in the above points.

The Corporate Governance Statement has been posted on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

***Principle 8: Remunerate fairly and responsibly***

**R8.1 The Board should establish a Remuneration Committee.**

***Purpose of the Remuneration Committee***

The Board has established a Remuneration Committee that operates under charters approved by the Board. This Committee met once during the year. The full Board reviews the function of this Committee.

***The Remuneration Committee:***

- consisted of the Executive Director, Gavan Farley (Chairman of the Committee) and Tony Leibowitz (Non-Executive Chairman of the Board). Gavan Farley was replaced on the Committee by Robert Adamson on 29 November 2013 and Tony assumed the Chair of the Committee.
- was Chaired by an Executive Director, Gavan Farley, and is now chaired by the Company Chairman, Tony Leibowitz.
- does not have three members, only two members. This is due to the Company having only 3 members on the Board.

***Remuneration Policy***

The remuneration policy is described in the Remuneration Committee Charter in the Corporate Governance Policies, which is available on the Company's website.

**R8.2 Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives' remuneration.**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and Nomination Committee links the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high-quality management to the Company; and
- performance incentives that allow executives to share the success of the Company.

**PILBARA MINERALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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For a full explanation of the Company's remuneration philosophy and framework, and the remuneration received by Directors and executives in the current year, refer to the Remuneration Report, which is contained in the Directors' Report of this Annual Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, for the CEO and for the executive team on advice from the Remuneration and Nomination Committee.

**R8.3 Provide the information indicated in the Guide to Reporting on Principle 8.**

The names of the members of the Remuneration and Nomination Committee during the year are included in section 8.1 above.

Any departures from Principles 8.1 and 8.2 are contained in the above points.

The Company's Corporate Governance Policies, which include a Remuneration Committee Charter, are available on the Company's website at [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au).

**PILBARA MINERALS LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
<b>Revenue</b>			
Other income	4	348,675	96,989
<b>Total revenue</b>		<b>348,675</b>	<b>96,989</b>
Audit and assurance fees		(27,500)	(27,350)
Consulting fees		(228,908)	(142,070)
Directors fees		(123,000)	(147,700)
Impairment expense	11	(2,641,931)	(678,467)
Professional and legal fees		(70,947)	(187,072)
Share registry expenses		(27,205)	(24,142)
Marketing		(27,529)	(5,050)
Borrowing Costs	15	(150,773)	-
Other expenses		(238,190)	(41,345)
<b>Loss before income tax</b>		<b>(3,187,308)</b>	<b>(1,156,207)</b>
Income tax expense	5	-	-
<b>Loss for the year after income tax</b>		<b>(3,187,308)</b>	<b>(1,156,207)</b>
Other Comprehensive income			
Exchange differences on translation of foreign controlled entities		(68,073)	-
<b>Other Comprehensive income for the period, net of tax</b>		<b>(68,073)</b>	<b>-</b>
<b>Total Comprehensive income for the year attributable to:</b>			
<b>Owners of the Company</b>		<b>(3,255,381)</b>	<b>(1,156,207)</b>
<b>Earnings per share (cents per share)</b>			
Basic earnings/(loss) per share for the year attributable to ordinary equity holders of the Company	18	(1.15)	(1.63)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**PILBARA MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Notes	2014 \$	2013 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	1,094,553	240,658
Trade and other receivables	8	337,015	12,455
Other current assets	9	-	8,487
<b>Total Current Assets</b>		<b>1,431,568</b>	<b>261,600</b>
<b>Non-Current Assets</b>			
Plant and equipment	10	4,095	8,315
Deferred exploration and evaluation expenditure	11	3,070,111	4,400,140
Other financial assets	12	206,000	43,706
<b>Total Non-Current Assets</b>		<b>3,280,206</b>	<b>4,452,161</b>
<b>Total Assets</b>		<b>4,711,774</b>	<b>4,713,761</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	220,211	654,725
Share application monies received in advance	14	725,000	-
Borrowings	15	1,385,741	-
<b>Total Current Liabilities</b>		<b>2,330,952</b>	<b>654,725</b>
<b>Total Liabilities</b>		<b>2,330,952</b>	<b>654,725</b>
<b>Net Assets</b>		<b>2,380,822</b>	<b>4,059,036</b>
<b>Equity</b>			
Contributed Equity	16	16,098,582	14,752,182
Reserves	17	162,693	24,753
Accumulated Losses		(13,880,453)	(10,717,899)
<b>Total Equity</b>		<b>2,380,822</b>	<b>4,059,036</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

**PILBARA MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2014**

<b>Consolidated</b>	<b>Notes</b>	<b>Contributed Equity \$</b>	<b>Options Reserve \$</b>	<b>Foreign Currency Revaluation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>Balance at 30 June 2012</b>		11,441,286	1,580,535	-	(11,117,474)	1,904,347
Loss for the year		-	-	-	(1,156,207)	(1,156,207)
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	(1,156,207)	(1,156,207)
<b>Transactions with owners in their capacity as owners:</b>						
Issued shares	16	3,340,466	-	-	-	3,340,466
Share issue transaction costs		(29,570)	-	-	-	(29,570)
Lapse of options	17	-	(1,555,782)	-	1,555,782	-
<b>Total transactions with owners in their capacity as owners</b>		3,310,896	(1,555,782)	-	1,555,782	3,310,896
<b>Balance at 30 June 2013</b>		14,752,182	24,753	-	(10,717,899)	4,059,036
Loss for the year		-	-	-	(3,187,308)	(3,187,308)
Other comprehensive income		-	-	(68,073)	-	(68,073)
<b>Total comprehensive income for the year</b>		-	-	(68,073)	(3,187,308)	(3,255,381)
<b>Transactions with owners in their capacity as owners:</b>						
Issued shares	16	1,369,121	-	-	-	1,369,121
Share issue transaction costs		(22,721)	-	-	-	(22,721)
Issue of options		-	230,766	-	-	230,766
Lapse of options	17	-	(24,753)	-	24,753	-
<b>Total transactions with owners in their capacity as owners</b>		1,346,400	206,013	(68,073)	(3,162,555)	(1,678,215)
<b>Balance at 30 June 2014</b>		16,098,582	230,766	(68,073)	(13,880,453)	2,380,822

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**PILBARA MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Notes</b>	<b>2014 \$</b>	<b>2013 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(934,639)	(346,097)
Interest received		5,065	2,542
Other receipts		14,643	128,969
<b>Net cash used in operating activities</b>	7	<b>(914,931)</b>	<b>(214,586)</b>
<b>Cash flows from investing activities</b>			
Proceeds from joint venture farm-in of tenements		-	165,000
Payments for exploration and evaluation		(1,634,157)	(108,708)
Cash acquired from acquisition of subsidiaries		-	34,617
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,634,157)</b>	<b>90,909</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares	16	1,188,000	230,066
Share issue transaction costs		(10,016)	(29,570)
Proceeds from borrowings	15	1,500,000	-
Proceeds from share application monies received in advance	14	725,000	-
<b>Net cash provided by/(used in) financing activities</b>		<b>3,402,984</b>	<b>200,496</b>
<b>Net change in cash and cash equivalents</b>		<b>853,896</b>	<b>76,819</b>
Cash and cash equivalents at beginning of financial year		240,658	163,839
<b>Cash and cash equivalents at end of financial year</b>	7	<b>1,094,553</b>	<b>240,658</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**1 Corporate information**

Pilbara Minerals Limited (the 'Company' or 'the entity') is a listed public company, incorporated in Australia and operating in Australia and Papua New Guinea. The entity's principal activities are mineral exploration and development.

The nature of the operations and principal activities of the Group, being the Company and the entities it controlled during the year, are described in the directors' report.

This financial report of the Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on the 29<sup>th</sup> September 2014.

**2 Summary of significant accounting policies**

**(a) Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

All amounts are presented in Australian dollars which is the Group's functional and presentation currency, unless otherwise noted.

**(b) Compliance with IFRS**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**(c) New Accounting Standards and Interpretations**

**(i) Standards and interpretations affecting amounts reported in the current year**

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

AASB 10: *Consolidated Financial Statements*;

AASB 11: *Joint Arrangements*;

AASB 12: *Disclosure of Interests in Other Entities*;

AASB 13: *Fair Value Measurement*;

AASB 119: *Employee Benefits*; and

AASB 127: *Separate Financial Statements*.

**Account Standard and Interpretation**

*AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

### **Account Standard and Interpretation**

*AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 11 replaces AASB 131 'Interests in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not materially impacted on the financial statements of the Group.

*AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'*

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

*AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'*

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Application of this standard has not materially impacted on the financial statements of the Group.

*AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'*

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

**(ii) Standards and interpretations in issue not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

*AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

*Other standards not yet applicable*

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

<b>Standard/Interpretation</b>	<b>Effective for the annual reporting period beginning on</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

**(d) Going concern**

The financial statements have been prepared on the going concern basis, the validity of which depends upon the positive cash position. The Group's existing projections show that production funds will be required to be generated from the exploitation of the Tabba Tabba project, if not then by capital raisings, sales of assets or other initiatives, to enable the Group to fund its currently planned activities for at least the next twelve months from the date of signing these financial statements. Should new opportunities present that require additional funds, the directors will take action to reprioritise activities, dispose of assets and or raise further funds.

Additionally, the Group has a working capital balance of \$1,211,357 (2013: deficiency of \$315,124) at 30 June 2014 and cash reserves of \$1,094,553 (2013: \$240,658). As noted in Note 25, the Group has raised \$3,231,300 post balance date.

Notwithstanding this issue, accordingly the directors have prepared the financial statements of the Group on a going concern basis. In arriving at this position, the directors have considered the following pertinent matter:

- Australian Accounting Standard, AASB 101 "Accounting Policies", states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

In the Directors' opinion, at the date of signing the financial report, there are reasonable grounds to believe that the matters set out above will be achieved, and therefore, the financial statements have been prepared on a going concern basis.

The Directors recognise that additional funding is required in order for the Group to meet its objectives, develop its assets and remain as a going concern. Whilst the Directors are confident of the Group's ability to raise additional capital, should the Group be unable to do so, there exists a material uncertainty that the Group will continue to be a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

**(e) Principles of consolidation**

A controlled entity is any entity that Pilbara Minerals Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

**(f) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(g) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(h) Property, plant and equipment**

Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Office Equipment	10-37.5%
Plant and Equipment	20%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(i) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(j) Financial instruments**

***Initial recognition and measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

When financial instruments are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

***Effective interest rate method***

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

***Classification and subsequent measurement***

- Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

***Fair value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***Impairment of financial assets***

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

The carrying amount of financial assets including uncollectable trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

**(k) Derecognition of financial assets and financial liabilities**

**(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(l) Impairment of non financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(m) Investment in associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates.

**(n) Borrowings**

Borrowings comprise of convertible notes. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

The conversion option (derivative) is initially recognized at fair value on the date the convertible notes are entered into, and subsequently measured at fair value on each reporting date.

The components of convertible notes that exhibit characteristics of a liability are recognized as a liability in the Statement of Financial Position net of transaction costs.

**(o) Exploration and evaluation expenditure**

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Once a decision has been made to proceed with development in respect of a particular area of interest and the necessary finance for development is obtained, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(p) Foreign currency transactions and balances**

***Functional and presentation currency***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

***Transaction and balances***

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

***Group companies***

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period, where this approximates the rate at the transaction date.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

**(q) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(r) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(s) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(t) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

**(u) Trade and other payables**

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(v) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(w) Share-based payment transactions**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments from time to time, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pilbara Minerals Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**Cash settled transactions:**

The Group also provides benefits to employees from time to time in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Pilbara Minerals Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

**(x) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(y) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Pilbara Minerals Limited.

**3 Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Impairment**

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations, which incorporate various key assumptions and estimates.

**Exploration and evaluation costs carried forward**

The accounting policy for exploration and evaluation expenditure results in expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that the recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit and loss.

**Development expenditure**

Development activities commence after commercial viability and technical feasibility of the project is established and development of the project is fully funded. Judgement is applied by management to determine when a project is commercially viable and technically feasible. In exercising this judgement, management is required to make certain estimates and assumptions as to the future events. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to profit and loss.

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**Taxation**

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors and take into account the financial performance and position of the Group as they pertain to current income tax legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the best estimate, pending assessment by the Australian Tax Office.

**Share based payments**

Management judgment is applied in determining the following key assumptions that are used in the valuation of share based payments:

- Market price of the underlying asset
- Prevailing level of the risk free rate
- Expected volatility of the value of the underlying asset over the period until the expiry of the option
- Level of dividends expected to be paid on the asset in the period until the expiry of the option and their timing
- Probability of options held being exercised
- Performance conditions

**Fair value of derivative financial instruments**

The fair value of derivatives is assessed at each reporting date. These assessments require the use of estimated assumptions. When these assumptions change or become known in the future, such differences will impact the carrying value of the derivatives in the period in which they change or become known.

**4 Revenue**

	2014 \$	2013 \$
<b>Other Income</b>		
Interest received	5,065	2,532
Gain on the sale of tenements	-	94,457
Reimbursed expenditure (refer to note 8 for details)	289,891	-
Other income	53,719	-
<b>Total Other Income</b>	<b>348,675</b>	<b>96,989</b>

**5 Income Tax Expense**

	2014 \$	2013 \$
<b>The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Loss before income tax expense	(3,187,308)	(1,156,207)
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2013: 30%)	(956,192)	(346,862)
Consolidated entity		
Add:		
Tax effect of:		
- Non-deductible expenses	52,617	53,312
- Capitalised tenement expenses	-	181,171
- Borrowing costs	(6,462)	-
- Deferred tax asset not recognised	910,037	112,379
Income tax expense	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. Deferred tax assets, including those arising from recouped tax losses, capital losses and temporary differences, will be recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. As at 30 June 2014 the Company, Pilbara Minerals Ltd, has tax losses arising in Australia of \$5,925,400 (2013: \$5,562,456) that are available indefinitely to offset against future taxable profits. No amount has been estimated for subsidiaries, as these losses are uncertain at this point in time.

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**6 Auditor's Remuneration**

	2014 \$	2013 \$
Remuneration of the auditor of the parent entity for auditing the financial report	32,000	27,350
Other services	-	-
<b>Total auditor's remuneration</b>	<b>32,000</b>	<b>27,350</b>

**7 Cash and cash equivalents**

	2014 \$	2013 \$
Cash at bank and on hand	1,094,553	240,658
<b>Total cash at bank and on hand</b>	<b>1,094,553</b>	<b>240,658</b>

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	1,094,553	240,658
	<b>1,094,553</b>	<b>240,658</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The Group engaged in the following non-cash financing activities for the period ending 30 June 2014:

From the 7 November 2013 capital raise a total of 2,737,537 shares at \$0.01326 for a total value of \$36,300 worth of Pilbara Minerals shares were issued to Directors and a total of 1,300,000 shares at \$0.01 for a total value of \$13,000 to consultants were issued to pay outstanding creditor balances.

26 March 2014 a total of 3,182,100 shares at \$0.01 for a total value of \$31,821 worth of Pilbara Mineral Shares were issued to a consultant to pay an outstanding creditor balance.

10 June 2014 a total of 10,000,000 shares at \$0.01 for a total value of \$100,000 were issued to the vendor as part of the terms of the share sale agreement to acquire a 50% interest in the Tabba Tabba joint venture.

The Group was not party to any borrowing facilities for the same period. All cash was available for use, and no restrictions were placed on the use of it at any time during the period.

	2014 \$	2013 \$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss for the year	(3,187,308)	(1,156,207)
Non-cash flows in profit:		
- Gain on sale of tenements	-	(94,457)
- Exploration expenditure impaired	2,641,931	678,467
- Depreciation expense	4,220	-
- Gain on sale of financial asset	(28,294)	-
- Revaluation of financial asset	66,000	-
- Borrowing costs	150,773	-
Changes in assets and liabilities		
(Increase) in trade and other receivables	(324,560)	-
- Decrease in other current assets	8,487	22,145
- (Decrease) in accrued exploration and evaluation expenditure	-	(29,375)
- (Decrease) Increase in trade and other payables relating to operating activities	(246,180)	364,841
<b>Cash flow from operations</b>	<b>(914,931)</b>	<b>(214,586)</b>

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**8 Trade and other receivables**

	2014 \$	2013 \$
Trade debtors (i)	324,560	-
Other receivables	12,455	12,455
<b>Total trade and other receivables</b>	<b>337,015</b>	<b>12,455</b>

(i) Includes \$318,881 receivable from Nagrom Mining Pty Ltd.

**9 Other current assets**

	2014 \$	2013 \$
Prepayments	-	8,487
<b>Total other current assets</b>	<b>-</b>	<b>8,487</b>

**10 Plant and equipment**

	2014 \$	2013 \$
<b>Plant and equipment</b>		
At cost	13,359	13,359
Accumulated depreciation	(9,264)	(5,044)
<b>Total plant and equipment</b>	<b>4,095</b>	<b>8,315</b>

*Movements in Carrying Amounts*

Movement in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year.

	2014 \$	2013 \$
<b>Opening balance at 1 July</b>	<b>8,315</b>	<b>-</b>
Additions	-	8,315
Depreciation	(4,220)	-
<b>Carrying amount at 30 June</b>	<b>4,095</b>	<b>8,315</b>

**11 Deferred exploration and evaluation expenditure**

	2014 \$	2013 \$
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of year	4,400,140	1,766,912
Exploration expenditure - W. Pilbara Project	-	39,098
Exploration expenditure - Seefingan Project	-	23,454
Exploration expenditure – Acquired on acquisition of Sturt Resources Ltd	-	3,279,153
Exploration expenditure – Papua New Guinea	(55,068)	25,533
Exploration expenditure – Tabba Tabba project (i)	1,312,205	-
Exploration expenditure – Pilgangoora project	54,765	-
Exploration expenditure tenements sold	-	(55,543)
Exploration expenditure impaired (ii)	(2,641,931)	(678,467)
<b>Total deferred exploration and evaluation expenditure</b>	<b>3,070,111</b>	<b>4,400,140</b>

(i) Includes the transfer of \$810,000 to Nagrom Mining Pty Ltd (“Nagrom”), the contribution of \$90,000 in exploration and evaluation costs, and the issue of 10,000,000 shares in the Company to Nagrom (Note 16). These amounts comprise the remaining consideration for the acquisition of the Company’s 50% interest in Nagrom, completed in July 2014 (Note 25).

(ii) Exploration impaired during the current period relates to the amounts capitalized for the PNG assets.

The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value.

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**12 Other financial assets**

	2014 \$	2013 \$
<b>Available for sale financial assets</b>		
Investment in unlisted company (i)	200,000	43,706
Investment in listed company	6,000	-
<b>Total investments</b>	<b>206,000</b>	<b>43,706</b>

(i) 12% holding in Nagrom Mining Pty Ltd. Subsequent to year end the Company acquired an additional 38% (Note 25)

**13 Trade and other payables**

	2014 \$	2013 \$
Trade payables	134,598	531,655
Director's fees payable	22,800	78,000
Accrued interest on borrowings	34,266	-
Other payables	28,547	45,070
<b>Total trade and other payables</b>	<b>220,211</b>	<b>654,725</b>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

**14 Share applications received in advance**

	2014 \$	2013 \$
Share applications received in advance	725,000	-
<b>Total share applications received in advance</b>	<b>725,000</b>	<b>-</b>

The balance above relates to funds received for the issue of shares that were unissued at reporting date. The shares were issued to applicant subsequent to the period end on the 7 July 2014.

**15 Borrowings**

	2014 \$	2013 \$
Convertible note – debt liability	1,039,238	-
Convertible note – derivative liability	346,503	-
<b>Total financial liabilities</b>	<b>1,385,741</b>	<b>-</b>

1.5 million convertible notes were issued by the Company:

- 1. Convertible Notes - Issued 26 March 2014:** The convertible notes have an interest rate of 20% and the termination date is 25 September 2015. The conversion price is a 25% discount to the VWAP price in the preceding 5 days of the conversion of the notes. The Company also agreed to issue each Borrower unlisted options ("Attaching Options") with an exercise price of \$0.03 per share and an expiry date of 25 March 2017. On 26 March 2014 8,223,332 free attaching options were issued, refer Note 17. Total cash raised was \$246,700.
- 2. Convertible - Notes Issued 30 May 2014:** The convertible notes have an interest rate of 20% and the termination date is 30 November 2015. The conversion price is a 25% discount to the VWAP price in the preceding 5 days of the conversion of the notes. The Company has also agreed to issue each Borrower unlisted options ("Attaching Options") with an exercise price of \$0.03 per share and an expiry date of 25 March 2017. On 30 May 2014 41,776,659 free attaching options were issued, refer Note 17. Total cash raised was \$1,253,300.

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and a derivative component, representing the residual attributable to the option to convert the finance liability into equity of the Company. The derivative liability and value of the free attaching options are expensed as borrowing costs over the life of the convertible notes. The effective interest rate of the notes is 63%.

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**16 Contributed equity**

			<b>2014</b>	<b>2013</b>
			<b>\$</b>	<b>\$</b>
<b>(a) Share capital</b>				
Ordinary shares			<b>16,098,582</b>	14,752,182
Total share capital			<b>16,098,582</b>	14,752,182
<b>(b) Movements in ordinary share capital</b>				
	<b>2014</b>		<b>2013</b>	
	<b>Number of shares</b>	<b>\$</b>	<b>Number of shares</b>	<b>\$</b>
<b>Ordinary shares</b>				
At the beginning of reporting period	<b>194,277,626</b>	<b>14,752,182</b>	55,475,000	11,441,286
Share placement to sophisticated investors on 27 December 2012	-	-	8,321,250	208,032
Rights issue on 23 April 2013	-	-	881,376	22,034
Share issue on acquisition of subsidiaries on 30 May 2013	-	-	129,600,000	3,110,400
Share placement to sophisticated investors on 31 July 2013	<b>29,141,643</b>	<b>291,416</b>	-	-
Share placement to sophisticated investors on 7 November 2013	<b>78,658,356</b>	<b>786,584</b>	-	-
Share issued to Directors and consultants in lieu of payment on 7 November 2013	<b>4,037,537</b>	<b>49,300</b>	-	-
Share issued to consultants in lieu of payment on 26 March 2014	<b>3,182,100</b>	<b>31,821</b>	-	-
Share placement to Directors on 3 April 2014	<b>11,000,000</b>	<b>110,000</b>	-	-
Share issue as part of acquisition of joint venture on 10 June 2014	<b>10,000,000</b>	<b>100,000</b>	-	-
Share issue costs	-	<b>(22,721)</b>	-	(29,570)
<b>At reporting date</b>	<b>330,297,262</b>	<b>16,098,582</b>	194,277,626	14,752,182

**17 Reserves**

**Nature and purpose of other reserves**

**Share based payment reserve**

This reserve records the fair value of the options issued.

**Share based payments reserve**

**\$**

<b>At 30 June 2012</b>	1,580,535
Lapse of options	(1,555,782)
<b>At 30 June 2013</b>	24,753
Lapse of options	(24,753)
Share based payment	230,766
<b>At 30 June 2014</b>	230,766

**Movement in options**

**Number of options**

<b>At 30 June 2012</b>	34,550,000
Lapse of options	(33,550,000)
<b>At 30 June 2013</b>	1,000,000
Lapse of options	(1,000,000)
Options issued	49,999,991
<b>At 30 June 2014</b>	49,999,991

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The balance of the share based payments reserve as at 30 June 2014 is represented by:

- A total of 49,999,991 options attached to the convertible notes (Note 15) issued in two tranches: the first being 8,223,332 options on 26 March 2014 and exercisable any time after issue until 25 March 2017, with a strike price of \$0.03 and a fair value per option at grant date of \$0.00588. The second being 41,776,659 on 30 May 2014 and exercisable any time after issue until 25 March 2017, with a strike price of \$0.03 and a fair value per option at grant date of \$0.00437.

The value of options granted was calculated applying the following inputs:

Exercise price:	\$0.03	\$0.03
Valuation date:	26 March 2014	30 May 2014
Expiry date:	25 March 2017	25 March 2017
Market price of shares at grant date:	\$0.013	\$0.011
Expected share price volatility:	98.3%	98.3%
Risk free interest rate:	3.03%	3.03%
Valuation per option:	0.588 cents	0.437 cents

## 18 Earnings per share

	2014 \$	2013 \$
<b>a. Basic Loss per share</b>		
i. Basic Loss per share (cents per share)	(1.15)	(1.63)
ii. Net loss used to calculate basic loss per share	(3,187,308)	(1,156,207)
iii. Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	278,223,722	70,774,600
<b>b. Diluted loss per share</b>		
The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.	Not applicable	Not applicable

## 19 Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2014	2013
<b>Controlled Entities Consolidated</b>			
Sturt Resources Limited	Australia	100%	100%
Sturt Resources PNG Limited	Papua New Guinea	100%	100%
Star 15 Limited	Papua New Guinea	100%	100%
New Global Limited	Papua New Guinea	100%	100%

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**20 Parent entity information**

		<b>Parent entity</b>	
Financial information in relation to:		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>i. Statement of Profit or Loss and Other Comprehensive Income</b>			
Loss before income tax		(516,794)	(543,590)
Income tax expense		-	-
Loss after income tax		(516,794)	(543,590)
Loss attributable to members of the parent entity		(516,794)	(543,590)
<b>ii. Retained earnings</b>			
Accumulated losses at the beginning of the year		(10,105,282)	(11,117,474)
Loss after income tax		(516,794)	(543,590)
Lapse of options		24,753	1,555,782
Accumulated losses at the end of the year		(10,597,323)	(10,105,282)
<b>iii. Statement of Financial Position</b>		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		1,078,111	130,864
Trade and other receivables		604,435	-
Other Assets		-	6,738
<b>Total Current Assets</b>		<b>1,682,546</b>	<b>137,602</b>
<b>Non Current Assets</b>			
Exploration and evaluation assets		3,070,111	1,732,177
Investment in controlled entities		3,310,400	3,110,400
<b>Total Non Current Assets</b>		<b>6,380,511</b>	<b>4,842,577</b>
<b>Total Assets</b>		<b>8,063,057</b>	<b>4,980,179</b>
<b>Current Liabilities</b>			
Trade and other payables		220,291	308,526
Share application monies received in advance		725,000	-
Borrowings		1,385,741	-
<b>Total Current Liabilities</b>		<b>2,331,032</b>	<b>308,526</b>
<b>Total Liabilities</b>		<b>2,331,032</b>	<b>308,526</b>
<b>Net Assets</b>		<b>5,732,025</b>	<b>4,671,653</b>
<b>Equity</b>			
Issued capital		16,098,582	14,752,182
Reserves		230,766	24,753
Accumulated losses		(10,597,323)	(10,105,282)
<b>Total Equity</b>		<b>5,732,025</b>	<b>4,671,653</b>

The parent entity had no commitments or contingent liabilities at balance date.

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**21 Operating segments**

**Segment information**

**Identification of reportable segments**

During the year the Group operated principally in one business segment being mineral exploration. The Group operates principally in two geographical segments being Australia and Papua New Guinea.

The Group's revenues and assets and liabilities according to geographical segments are shown below.

	<b>June 2014</b>			<b>June 2013</b>		
	<b>Total</b>	<b>Australia</b>	<b>PNG</b>	<b>Total</b>	<b>Australia</b>	<b>PNG</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>						
Other revenue	348,675	348,675	-	96,989	96,989	-
<b>Total segment revenue</b>	<b>348,675</b>	<b>348,675</b>	<b>-</b>	<b>96,989</b>	<b>96,989</b>	<b>-</b>
<b>Results</b>						
Net loss before income tax	(3,187,308)	(639,599)	(2,547,709)	(1,156,207)	(543,590)	(612,617)
Income tax	-	-	-	-	-	-
<b>Net loss</b>	<b>(3,187,308)</b>	<b>(639,599)</b>	<b>(2,547,709)</b>	<b>(1,156,207)</b>	<b>(543,590)</b>	<b>(612,617)</b>
<b>Assets and Liabilities</b>						
Assets	4,711,774	4,711,774	-	4,713,761	4,019,194	694,567
Liabilities	2,330,952	2,330,952	-	654,725	654,724	-

**22 Financial Instruments**

The totals for each category of financial instruments, measured in accordance with the accounting policies as detailed in Note 2 to these financial statements, are as follows:

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	7	1,094,553	240,658
Trade and other receivables	8	337,015	12,455
Other assets	9	-	8,487
<b>Total financial assets</b>		<b>1,431,568</b>	<b>261,600</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	13	220,211	654,725
<b>Total financial liabilities</b>		<b>220,211</b>	<b>654,725</b>

The following table details the expected maturities for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	<b>Weighted average effective interest rate</b>	<b>Less than 1 month</b>	<b>1 – 3 Months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>5+ years</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2014</b>						
Non-interest bearing	-	896,147	-	-	-	-
Variable interest rate instruments	2.35	198,406	-	-	-	-
Trade and other receivables	-	-	337,015	-	-	-
		<b>1,094,553</b>	<b>337,015</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2013</b>						
Non-interest bearing	-	159,615	-	-	-	-
Variable interest rate instruments	2.6	81,043	-	-	-	-
Trade and other receivables	-	12,455	-	-	-	-
Other assets	-	8,487	-	-	-	-
		<b>261,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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The following tables detail the Group's remaining contractual maturities' for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	\$	\$	\$	\$	\$
<b>2014</b>						
Non-interest bearing	-	220,211	-	-	-	-
	-	220,221	-	-	-	-
<b>2013</b>						
Non-interest bearing	-	654,725	-	-	-	-
	-	654,725	-	-	-	-

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from related parties, bills and leases.

**Financial Risk Management Policies**

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks as summarised below. The Finance Risk and Audit Committee (FRAC) has been delegated responsibility by the Board of Directors for, among other issues, monitoring and managing financial risk exposures of the Group. The FRAC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk.

The FRAC's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk. This note presents the information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the FRMC has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Details with respect to credit risk of trade and other receivables are provided in Note 8.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

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Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

**c. Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of the holdings of financial instruments. The Group is exposed to movements in market interest rates on short term deposit. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short or long term debt, and therefore this risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

**d. Interest rate risk**

The Group is exposed to interest rate risk as the Group deposits the bulk of its cash reserves in Term Deposits. The risk is managed by the Group by maintaining an appropriate mix between short term and medium-term deposits. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate sensitivity**

At 30 June 2014, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2014 \$	2013 \$
Increase in interest rate by 1%	(1,984)	(750)
Decrease in interest rate by 1%	1,984	750

## **23 Commitments and Contingencies**

### **Remuneration Commitments**

There are no material remuneration commitments as at 30 June 2014.

### **Guarantees**

In December 2013 in order to fund the development of the Tabba Tabba plant, the Company entered into an Asset Finance Agreement with the National Australia Bank to act as Co-Guarantors joint and severally liable with Valdrew Nominees Pty Ltd, Rain Lea Jovanovic and Eric Peter Murphy (individuals related to Valdrew Nominees) for an asset finance facility for Nagrom Mining Pty Ltd. The Guaranteed limit was \$1,350,000 which was subsequently revised down to \$660,000 on 12 February 2014. At 30 June 2014 Nagrom Mining had drawn down \$695,714.40 from this facility.

### **Contingent liabilities**

There are no contingent liabilities as at 30 June 2014.

### **Exploration licence expenditure requirements**

The Group has commitments in relation to its New Global tenements, however the Group is not planning to meet these commitments and therefore will forfeit these tenements (2013:\$300,000).

## **24 Dividends**

The Directors of the Group have not declared any dividends for the year ended 30 June 2014.

## **25 Events subsequent to reporting date**

As announced to the Australian Securities Exchange (ASX) on 7 July 2014, the Company raised an additional \$200,050 (being a total raised of \$925,050 less \$725,000 received before year end) through the issue of 61,670,000 fully paid shares at 1.5 cent each to sophisticated and professional investors.

On 1 July 2014 Pilbara Minerals finalized and acquired 50% of the equity in Nagrom Mining Pty Limited, which is now a joint venture with Valdrew Nominees Pty Ltd, to exploit the Tabba Tabba Project.

As announced to the Australian Securities Exchange (ASX) on 30 July 2014, the Company raised an additional \$1,296,000 through the issue of 86,399,973 fully paid shares at 1.5 cent each to existing shareholders via a Share Purchase Plan.

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On 28 July 2014 Pilbara Minerals finalised the acquisition of the Pilgangoora Project which comprises of five tenements, including two Exploration Licences (EL45/2232 and EL45/2241) and three Mining Leases (M45/78, M45/333 and M45/511) covering an area of 31 Km<sup>2</sup>.

As announced to the Australian Securities Exchange (ASX) on 11 August 2014, the Company raised an additional \$1,735,250 through the issue of 77,353,326 and 38,330,000 fully paid shares at 1.5 cent each to sophisticated and professional investors as part of the shortfall placement for the previously mentioned Share Purchase Plan.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## **26 Key Management Personnel**

<b>(a)</b>	<b>Details of Key Management Personnel</b>
Tony Leibowitz	Non-Executive Director (appointed 30 May 2013) and Chairman (appointed 11 June 2013)
Gavan Farley	Executive Director (appointed 12 February 2010) (Non Executive Director 12 February 2010, retired 29 November 2013)
Neil Biddle	Non-Executive Director (appointed 30 May 2013)
Robert Adamson	Consulting Geologist (appointed Non-Executive Director 1 July 2010)
Victor Rudenno	Non-Executive Director (appointed August 2010, resigned 30 May 2013)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable, share and option holdings to each member of the Group's key management personnel for the year ended 30 June 2014.

## **(b) Key Management Personnel Compensation**

Refer to the remuneration report contained in the directors report for details of the remuneration paid or payable to each members of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The total remuneration paid to KMP of the company and the Group during the year are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	<b>299,965</b>	211,770
Post employment benefits	-	-
Share based payments	-	-
	<b>299,965</b>	211,770

## **27 Related Party Disclosures**

- (a) Disclosure of interest of Corporate Advisory Agreement with Empire Securities Group Pty Ltd: This agreement ended on 29 November 2013 when Gavan Farley resigned as a Director of Pilbara Minerals Limited.
- Gavan Farley is a shareholder and director of Empire Securities Group Pty Ltd.
  - Services provided include corporate advisory, office rent of the Group's principal place of business, bookkeeping and boardroom facilities.
  - Empire Securities Group Pty Ltd provided services to the Group on commercial terms during the year. The Group made payments during the year on commercial terms totalling \$16,350 (2013: \$69,685) to Empire Securities Group Pty Ltd for services provided.
  - The amount payable at 30 June 2014 to Empire Securities Group Pty Ltd is \$nil (2013: \$5,500).
- (b) Disclosure of interest of Corporate Advisory Agreement with Oakhill Hamilton Pty Ltd: This agreement ended on 31 October 2013 when Robert Waring resigned as a Company Secretary of Pilbara Minerals Limited.
- Robert Waring is a shareholder and director of Oakhill Hamilton Pty Ltd.
  - Services provided include office corporate advisory, secretarial, taxation and accounting services.
  - Oakhill Hamilton Pty Ltd provided services to the Group on commercial terms during the year. The Group made payments during the year on commercial terms totaling \$32,015 (2013: \$58,048) to Oakhill Hamilton Pty Ltd for services provided.

**PILBARA MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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- The amount payable at 30 June 2014 to Oakhill Hamilton Pty Ltd is \$nil (2013: \$32,200).
- (a) Disclosure of interest of Technical Advisory Agreement with Robert Adamson:
- Robert Adamson is a shareholder and director of Robert G Adamson Consultants Pty Ltd.
  - Services provided include technical consulting.
  - Robert G Adamson Consultants Pty Ltd provided services to the Group on commercial terms during the year. The Group made payments during the year on commercial terms totaling \$nil (2013: \$9,450) to Robert G Adamson Consultants Pty Ltd for services provided.
  - The amount payable at 30 June 2014 to Robert G Adamson Consultants Pty Ltd is \$6,600 (2013: \$13,200).
- (b) Disclosure of interest of Corporate Advisory Agreement with Hatched Creek Pty Ltd:
- Neil Biddle is a shareholder and director of Hatched Creek Pty Ltd.
  - Services provided include corporate advisory services.
  - Hatched Creek Pty Ltd provided services to the Group on commercial terms during the year. The Group made payments during the year on commercial terms totaling \$69,200 (2013: \$nil) to Hatched Creek Pty Ltd for services provided.
  - The amount payable at 30 June 2014 to Hatched Creek Pty Ltd is \$24,640 (2013: \$3,300).
- (a) Disclosure of interest of Corporate Advisory Agreement with Leibowitz Corporate Pty Ltd:
- Tony Leibowitz is a shareholder and director of Leibowitz Corporate Pty Ltd.
  - Services provided include corporate advisory services.
  - Leibowitz Corporate Pty Ltd provided services to the Group on commercial terms during the year. The Group made payments during the year on commercial terms totaling \$59,400 (2013: \$nil) to Leibowitz Corporate Pty Ltd for services provided.
  - The amount payable at 30 June 2014 to Leibowitz Corporate Pty Ltd is \$39,525 (2013: \$3,300).

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Pilbara Minerals Limited (the Group):

1. The financial statements and notes thereto, as set out on pages 32 to 57 are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and
  - b. complying with Accounting Standards and Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in purple ink, appearing to read 'A. Leibowitz', with a stylized flourish at the end.

**Tony Leibowitz**  
**Chairman**  
**29 September 2014**

## Independent Auditor's Report

To the members of Pilbara Minerals Limited

### Report on the Financial Report

We have audited the accompanying financial report of Pilbara Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Opinion*

In our opinion:

- (a) the financial report of Pilbara Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.

*Emphasis of Matter- Inherent uncertainty regarding continuation as a going concern*

Without modifying our opinion, we draw attention to Note 2(d) to the financial statements which outlines that additional funding is required in order for the consolidated entity to meet its objectives, develop its assets and remain as a going concern.

As a result there is a material uncertainty related to events or conditions that may cast significant doubt on Pilbara Minerals Limited's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not qualified in respect of this matter.

*Report on the Remuneration Report*

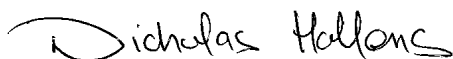
We have audited the Remuneration Reported included in pages 19 to 21 of the directors' report for the year ended 30 June 2014. The directors of Pilbara Minerals Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Pilbara Minerals Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.



Somes Cooke



Nicholas Hollens  
Partner

29 September 2014

## ADDITIONAL SHAREHOLDER INFORMATION

### A. Corporate Governance

A statement disclosing the extent to which the Group has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is contained within the Director's Report.

### B. Shareholding

#### 1. Substantial Shareholders

There are two substantial holders listed on the Group's register as at 21 September 2014:

Neil Biddle's holding (via Biddle Partners Pty Ltd - 29,687,506 ordinary shares, Hatched Creek Pty Ltd - 2,400,000, and in his own name - 2,350,000) is 34,437,506 ordinary shares or 5.80% of the Group's issued capital.

Vaughn Blank's holding (via Blank Super Pty Ltd) is 32,215,183 ordinary shares or 5.42% of the Group's issued capital.

#### 2. Number of holders in each class of equity securities and the voting rights attached (as at 21 September 2014)

##### Ordinary Shares

There are 924 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

In accordance with the Group's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

##### Options

There are 18 holders of ordinary shares. There are no voting rights attached to the options.

A total of 49,999,991 options with an exercise price of \$0.03 and an expiry date of 25 March 2017 are on issue of which 4,999,999 are on issue to two of the three Directors. These 49,999,991 options, if exercised, will convert into 49,999,991 ordinary shares.

##### Convertible Notes

There are 18 holders of convertible notes. There are no voting rights attached to the convertible notes.

A total of 1,500,000 convertible notes with a face value of \$1.00 per note are on issue (246,700 mature on the earlier of a Conversion date or 25 September 2015; and 1,253,300 mature on the earlier of a Conversion date or 30 November 2015) of which 150,000 are on issue to two of the three Directors.

#### 3. Distribution schedule of the number of holders in each class of equity security as at 21 September 2014.

##### Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	25	13,767	0.00
1,001 - 5,000	146	382,985	0.06
5,001 - 10,000	158	1,531,651	0.26
10,001 - 100,000	249	12,158,337	2.05
100,001+	346	579,963,821	97.63
<b>TOTAL ON REGISTER</b>	<b>924</b>	<b>594,050,561</b>	<b>100.00</b>

#### 4. Marketable Parcel

There are 352 shareholders with less than a marketable parcel, based on the closing share price of \$0.03 on 21 September 2014.

**ADDITIONAL SHAREHOLDER INFORMATION (continued)**

**5. Twenty largest holders of each class of quoted equity security**

The names of the 20 largest holders of each class of quoted security, the number of equity security each holds and the percentage of capital each holds (as at 21 September 2014) are as follows:

**Ordinary Shares Top 20 holders and percentage held**

1	BLANK SUPER PTY LTD <BLANK SUPER FUND A/C>	32,215,183	5.423%
2	KALONDA PTY LTD <LEIBOWITZ SUPER FUND A/C>	16,213,267	2.729%
3	PETLIN NOMS PTY LTD	16,000,000	2.693%
4	BIDDLE PARTNERS PTY LTD <BIDDLE SUPER FUND A/C>	15,287,506	2.573%
5	MR MICHAEL LARRY CORNELL	14,500,000	2.441%
6	BIDDLE PARTNERS PTY LTD <BIDDLE SUPER FUND A/C>	14,400,000	2.424%
7	WANSBONE NOMINEES PTY LTD <WANSBONE SUPER FUND A/C>	14,400,000	2.424%
8	MAX INVESTMENTS (AUST) PTY LIMITED <SUPER FUND A/C>	11,000,000	1.852%
9	MR JOHN ALEXANDER YOUNG + MRS CHERYL KAYE YOUNG <FOREVER YOUNG FAMILY A/C>	10,608,356	1.786%
10	BIRDCOVE PTY LIMITED <DALBAY SUPER FUND A/C>	10,000,000	1.683%
11	VALDREW NOMINEES PTY LTD	10,000,000	1.683%
12	MR PETER BARRETT CAPP <CAPP FAMILY A/C>	10,000,000	1.683%
13	CHURCH STREET TRUSTEES LIMITED <THE MATLAS A/C>	10,000,000	1.683%
14	WINDERS AUS INVESTMENTS PTY LTD	10,000,000	1.683%
15	CLARIDEN CAPITAL LIMITED	9,000,000	1.515%
16	EMARZI PTY LTD <SDA INVESTMENT A/C>	8,015,125	1.349%
17	TOP CLASS HOLDINGS PTY LTD <THE ONSLOW SUPER FUND A/C>	6,500,000	1.094%
18	2 M RESOURCES PTY LTD	6,500,000	1.094%
19	KITCHEN MALINS & WARD PTY LTD	6,500,000	1.094%
20	MR KEVIN GRIFFITHS	6,455,222	1.087%
	<b>TOTAL TOP 20 SHAREHOLDERS</b>	<b>237,594,659</b>	<b>40.00%</b>
	<b>TOTAL REMAINING SHAREHOLDERS</b>	<b>356,455,902</b>	<b>60.00%</b>
	<b>TOTAL SHAREHOLDERS</b>	<b>594,050,561</b>	<b>100.00%</b>

**6. Company Secretary**

The name of the Company Secretary is Zane Lewis.

**Address and telephone details of the Group's registered administrative office and principal place of business:**

Unit 2, 4-6 Deopel Street, North Fremantle WA 6159  
Telephone: (08) 9336 6267; Fax: (08) 9433 5121

**Address and telephone details of the office at which a registry of securities is kept:**

Advances Share Registry Services  
110 Stirling Highway, Nedlands WA 6009  
Telephone: (08) 9389 8033  
Website: [www.advancedshare.com.au](http://www.advancedshare.com.au)

**Stock exchange on which the Group's securities are quoted:**

The Group's listed equity securities are quoted on the Australian Securities Exchange – code PLS.

**ADDITIONAL SHAREHOLDER INFORMATION (continued)**

**Restricted Securities**

There are no restricted securities on issue at 21 September 2014.

**Review of Operations**

A review of operations is contained in the Directors' Report.

**Schedule of Tenements**

The Group's Schedule of Tenements can be found in the Schedule of Tenements section of this Annual Report.

**CORPORATE INFORMATION**

**Pilbara Minerals Limited**

**ABN** 95 112 425 788

**Directors**

Tony Leibowitz – Non-Executive Chairman

Neil Biddle – Executive Director

Robert Adamson – Non-Executive Director

**Company Secretary**

Zane Lewis

**Registered Office and Principal Place of Business**

Unit 2, 4-6 Deopel Street

North Fremantle WA 6159

Telephone: + 61 8 9336 6267

Fax: + 61 8 9433 5121

Website: [www.pilbaraminerals.com.au](http://www.pilbaraminerals.com.au)

**Share Register**

Advances Share Registry Services

110 Stirling Highway

Nedlands WA 6009

Telephone: (08) 9389 8033

Website: [www.advancedshare.com.au](http://www.advancedshare.com.au)

**Solicitors**

Hardy Bowen Lawyers

Level 1, 28 Ord Street

West Perth WA 6005

**Bankers**

National Australia Bank

Level 1, 1238 Hay Street

West Perth, WA 6005

**Auditors**

Somes Cooke

Level 2, 35 Outram Street

West Perth WA 6005

**ASX Code**

PLS