PILBARA MINERALS
LIMITED

ABN 95 112 425 788

Interim Financial Report
31 December 2016

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Pilbara Minerals Limited (the **Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The Directors of the Company who held office during the half-year and up to the date of this report are stated below. Directors were in office for this entire period unless otherwise stated.

Anthony Kiernan	Non-Executive Chairman (Appointed 1 July 2016)
Ken Brinsden	Managing Director
John Young	Executive Director
Neil Biddle	Non-Executive Director (Executive Director until 20 August 2016)
Nick Cernotta	Non-Executive Director (Appointed 6 February 2017)
Robert Adamson	Non-Executive Director (Resigned 21 February 2017)
Steve Scudamore	Non-Executive Director (Appointed 18 July 2016)
Alan Boys	Alternate Director (Appointed from 20 August 2016 to 23 September 2016)

Review of Operations

The following is a summary of the activities of the Company during the period 1 July 2016 to 31 December 2016. It is recommended that this half yearly report be read in conjunction with the 30 June 2016 Annual Report and any public announcements made by the Company during and subsequent to this period. In accordance with continuous disclosure requirements, readers are referred to the announcements lodged with the Australian Securities Exchange **("ASX")** regarding the activities of the Company.

During the half-year the Company completed the Definitive Feasibility Study **("DFS")** on the Pilgangoora lithium-tantalum project which confirmed the technical and financial viability of a standalone 2 million tonne per annum ("Mtpa") mining and on-site processing operation. The Company also completed a 4 Mtpa Pre-Feasibility Study **("PFS")** to assess the option for a future expansion of the Pilgangoora Project (see ASX release 20 September 2016).

The Tabba Tabba tantalum project was terminated during the half-year with closure activities planned to commence during the second half of the 2017 financial year.

During the half-year the Company announced a substantial increase in proved and probable ore reserves for the Pilgangoora Lithium-Tantalite Project following highly successful drilling programs undertaken as part of the DFS. The Company also entered into an agreement with Dakota Minerals to acquire the Lynas Find Lithium Project which adjoins the Pilgangoora Project.

Pilgangoora Lithium-Tantalum Project

The Group's strategic focus is the development of the Pilgangoora Lithium-Tantalum Project.

In September 2016, the Group completed a Definitive Feasibility Study **("DFS")** on a 2 Mtpa operation incorporating detailed reports on the Project's development including geology and resources, mining and mine design, metallurgical testwork, process design, infrastructure, tailings management, hydrogeology and hydrology, economic feasibility and analysis, spodumene and tantalum pricing and environmental considerations. The economics of the DFS included a post-tax $NPV_{10\%}$ of $709 million with a payback of 2.7 years, and a post-tax IRR of 38.1%. The capital estimate for project development was $214 million. Over the 36 year mine life the DFS estimated average annual production of approximately 314,000t pa of 6% spodumene concentrate and 321,000lbs pa of tantalum concentrate and average annual Project EBITDA of $121 million.

In September 2016, the Company also announced the results of a separate Pre-feasibility Study **("PFS")** for a potential future expanded 4Mtpa production option for the Pilgangoora Project. The PFS assumed processing capacity at the Pilgangoora Project would be doubled to 4Mtpa from year three of the Project. Results from the 4Mtpa PFS returned a Project post-tax $NPV_{10\%}$ of $1.17 billion and a post-tax IRR of 46.3%.

During the half-year ending 31 December 2016 the Company announced an increase to the Pilgangoora lithium-tantalite Project ore reserves following the drilling programme undertaken as part of the DFS, as follows:

Category	**Tonnage (Mt)**	**Li_2O (%)**	**Ta_2O_5 (ppm)**	**Fe_2O_3 (%)**	**Li_2O (t)**	**Ta_2O_5 (Mlb)**
Proven	17.5	1.31	143	0.94	230,000	5.5
Probable	52.3	1.25	128	1.07	653,000	14.8
Total	**69.8**	**1.26**	**132**	**1.04**	**883,000**	**20.3**

DIRECTORS' REPORT (continued)

Following the successful outcome of the DFS the Company commenced the development phase of the Pilgangoora Project. Key achievements during the half-year period were as follows:

- Completed the Early Contractor Involvement **("ECI")** for the Process Plant and appointed the Contractor to underpin the Engineering, Procurement and Construction **("EPC")** style delivery of the proposed 2Mtpa plant;
- Appointed the Integrated Project Management Consultant ('**PMC**') team and mobilised them into the Project;
- Completed and signed the Native Title Agreement with the Njamal Indigenous People;
- Ordered long lead equipment for the Process Plant (HPGR, Filter Press and Ball Mill);
- Acquired the existing 300-man rail construction camp from Roy Hill;
- Completed and executed rail access agreements with Roy Hill and BHPB;
- Submitted the Mining Proposal to the DMP for approval; and
- Under exploration license, undertook site based early works activities.

Corporate

During the half-year the Company signed a six year off-take agreement with General Lithium Corporation of China to supply 140,000tpa of 6% chemical-grade spodumene concentrate from Q1 calendar year 2018. General Lithium has the option to extend the off-take agreement for a further four years with committed annual tonnages to be determined.

In addition, a binding Memorandum of Understanding was executed with General Lithium to participate in the evaluation and development of an offshore spodumene conversion plant, to process spodumene concentrates from the Pilgangoora Project, General Lithium would provide technology, technical expertise and intellectual property, and if a decision was made to proceed, the lithium chemicals production facility would be built and operated through an incorporated joint venture between the Company and General Lithium. Pilbara would be expected to have a 50% share in the venture.

General Lithium also executed an Equity Subscription Agreement to invest $17.75 million in the Company via a placement of 35,506,916 shares at 50c per share; with settlement to occur after the conditions precedent to the Offtake Agreement terms have been satisfied which as at the date hereof they have not been. The Agreement contemplates a further 2% equity placement, once a formal investment decision has been made to proceed with the development of the lithium chemicals facility. As announced on 15 September 2016, the terms of these agreements with General Lithium were subsequently consolidated into one offtake agreement.

During the half-year ending 31 December 2016 the Company signed a second binding offtake agreement to supply Chinese lithium carbonate producer Shandong Ruifu Lithium Co. with a total of 1.9Mt of crushed but unprocessed Direct Shipping Ore (DSO) from either the Pilgangoora Project or, at the Company's election, the adjoining Lynas Find Lithium Project, over a 2-year term with first deliveries targeted during the period from July 2017 to December 2017. As part of the agreement, Shandong Ruifu is to make a $10 million pre-payment to the Company subject to receipt of regulatory approvals.

On 5 October 2016, the Company entered into an agreement with Dakota Minerals Limited to acquire the Lynas Find Lithium Project which adjoins the Pilgangoora Project. The terms of the acquisition included an $5 million payment for the acquisition of the core tenements and contemplates further payments of $0.75 million each for four (4) additional exploration tenements under application when granted to Dakota Minerals and subsequently transferred to Pilbara Minerals.

On 25 October 2016, the Company agreed to issue 104,166,167 shares to Mineral Resources Limited at an issue price of $0.48 per share (representing a total value of $50 million), in consideration for the relinquishment of a 2.5% net smelter royalty in relation to the Pilgangoora Project held by Mineral Resources and the permanent extinguishment of the right of first refusal right to purchase lithium products produced from the project.

Board and Management Changes

On 1 July 2016, Mr Anthony Kiernan was appointed as Non-Executive Chairman of the Company.

On 18 July 2016, the Board appointed Mr Steve Scudamore as a Non-Executive Director of the Company.

On 23 November 2016, the Company announced that Mr Nick Cernotta was to be appointed as a Non-Executive Director of the Company, which appointment was made on 6 February 2017.

On 1 September 2016, Mr Alex Eastwood was appointed General Counsel and Company Secretary.

DIRECTORS' REPORT (continued)

Significant changes

There have been no changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report.

Events Subsequent to Reporting Date

During January 2017 the Company awarded two major contracts for the Pilgangoora Project. The Engineering, Procurement and Construction (EPC) contract for the 2Mtpa lithium–tantalum plant was awarded to RCR Tomlinson. The contract has a target cost of $138 million with a guaranteed maximum value of $148 million.

Stage 1 of the camp relocation and re-establishment contract was also awarded to OTOC Australia, with a lump sum contract value of approximately $4.8 million.

On 25 January 2017, the Company released a resource upgrade for the Pilgangoora Lithium-Tantalite Project, incorporating the Lynas Find Project as set out below:

Category	Tonnage (Mt)	Li_2O (%)	Ta_2O_5 (ppm)	Li_2O (t)	Ta_2O_5 (Mlbs)
Measured	**17.6**	**1.39**	**151**	**244,000**	**5.9**
Indicated	**77.7**	**1.31**	**125**	**1,017,000**	**21.5**
Inferred	**61.1**	**1.13**	**125**	**691,000**	**16.8**
Total	**156.3**	**1.25**	**128**	**1,952,000**	**44.2**

Other than as disclosed in this financial report, there has not been any matter or circumstances that has arisen since 31 December 2016 which has significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

Results of Operations

Following exploration expenses of $6,773,000 and non-cash share based payment expenses of $9,696,000, the Group's loss after income tax for the half-year ended 31 December 2016 was $19,199,000 (31 December 2015 Restated: $12,337,000). The Group's basic loss per share for the period was 1.62 cents per share (31 December 2015 Restated: 1.73 cents).

No dividend has been paid during or is recommended for the half-year ended 31 December 2016.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument* 2016/191 and in accordance with the legislative instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Anthony Kiernan
Chairman
21 February 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Pilbara Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

R Gambitta
Partner

Perth

21 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2016

	Notes	31 December 2016 $'000	31 December 2015 Restated * $'000
Other income			
Other Income		77	4
Expenses			
Direct costs		-	(169)
General and administration		(4,266)	(1,644)
Exploration costs expensed	2.1.2	(6,773)	(3,088)
Depreciation and amortisation expense		(38)	(22)
Impairment expense		-	(12)
Gain on equity investment		-	812
Share based payment expense	2.1.1	(9,696)	(6,102)
Operating profit/(loss)		**(20,696)**	**(10,221)**
Finance income		1,532	48
Finance costs		(35)	(1,973)
Net financing income/(costs)	2.2	**1,497**	**(1,925)**
Loss before income tax expense		**(19,199)**	**(12,146)**
Income tax expense		-	(191)
Net loss for the period		**(19,199)**	**(12,337)**
Total comprehensive loss for the period		**(19,199)**	**(12,337)**
Basic and diluted loss for the period (cents per share)		(1.62)	(1.73)

The notes on pages 11 to 18 are an integral part of these consolidated financial statements.

*Refer to Note 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	31 December 2016 $'000	30 June 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	4.1	80,390	100,040
Trade and other receivables		1,599	1,545
Inventories		46	46
Total current assets		**82,035**	**101,631**
Non-current assets			
Property, plant and equipment	3.2	58,559	833
Exploration and evaluation expenditure	3.1	5,279	263
Other financial assets		6	6
Total non-current assets		**63,844**	**1,102**
TOTAL ASSETS		**145,879**	**102,733**
Liabilities			
Current liabilities			
Trade and other payables		5,231	2,952
Provisions		965	1,004
Borrowings		62	137
Total current liabilities		**6,258**	**4,093**
Non-current liabilities			
Borrowings		65	209
Total non-current liabilities		**65**	**209**
TOTAL LIABILITIES		**6,323**	**4,302**
NET ASSETS		**139,556**	**98,431**
Equity			
Issued capital	5.1	197,104	146,476
Reserves	5.2	30,863	21,731
Retained earnings		(88,411)	(69,776)
TOTAL EQUITY		**139,556**	**98,431**

The notes on pages 11 to 18 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2016

	Notes	Issued Capital $'000	Share-based payment reserve $'000	Foreign Currency Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Restated*						
Balance at 1 July 2015		22,526	1,325	(68)	(19,882)	3,901
Loss for the period		-	-	-	(12,337)	(12,337)
Total comprehensive income/(loss) for the period		**22,526**	**1,325**	**(68)**	**(32,219)**	**(8,436)**
Issue of ordinary shares		13,598	-	-	-	13,598
Option conversions		4,081	-	-	-	4,081
Conversion of convertible notes		1,065	-	-	-	1,065
Issue of options		-	6,102	-	-	6,102
Transfer on conversion of options		-	(540)	-	540	-
Balance at 31 December 2015		**41,270**	**6,887**	**(68)**	**(31,679)**	**16,410**
Balance at 1 July 2016		146,476	21,799	(68)	(69,776)	98,431
Loss for the period		-	-	-	(19,199)	(19,199)
Total comprehensive income/(loss) for the period		**146,476**	**21,799**	**(68)**	**(88,975)**	**79,232**
Issue of ordinary shares	5.1	50,000	-	-	-	50,000
Option conversions	5.1	628	-	-	-	628
Issue of options	5.2	-	9,696	-	-	9,696
Transfer on conversion of options	5.2	-	(564)	-	564	-
Balance at 31 December 2016		**197,104**	**30,931**	**(68)**	**(88,411)**	**139,556**

The notes on pages 11 to 18 are an integral part of these consolidated financial statements.

*Refer to Note 6.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2016

	Notes	31 December 2016 $'000	31 December 2015 Restated * $'000
Cash flows from operating activities			
Cash paid to suppliers and employees		(3,881)	(2,825)
Payments for exploration and evaluation expenditure		(7,289)	(3,089)
Interest received		1,259	48
Deposits paid		-	(680)
Other receipts		-	153
Net cash outflow from operating activities		(9,911)	(6,393)
Cash flows from investing activities			
Payments for property, plant and equipment		(5,248)	(3,086)
Payments for acquired exploration and evaluation expenditure		(5,000)	-
Proceeds from sale of property, plant and equipment		130	-
Additional interests acquired in associates and joint ventures		-	(2,000)
Net cash outflow from investing activities		(10,118)	(5,086)
Cash flows from financing activities			
Proceeds from the issue of shares, net of capital raising costs		628	17,472
Proceeds from borrowings		-	4,000
Repayment of borrowing costs		(227)	(207)
Interest paid		(22)	(166)
Proceeds from oversubscription of shares		-	49
Net cash inflow from financing activities		379	21,148
Net increase/(decrease) in cash held		(19,650)	9,669
Cash and cash equivalents at the beginning of the period		100,040	3,216
Cash and cash equivalents at the end of the period	4.1	80,390	12,885

The notes on pages 11 to 18 are an integral part of these consolidated financial statements.

*Refer to Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Pilbara Minerals Limited (the "Company") is a listed public company incorporated and domiciled in Australia.

These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration and development of minerals.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at Level 2, 88 Colin Street, West Perth WA 6005 or at www.pilbaraminerals.com.au.

Basis of preparation

The interim financial statements are general purpose financial statements prepared in accordance with **AASB 134 Interim Financial Reporting** and the Corporations Act 2001, and with **IAS 34 Interim Financial Reporting.**

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

These interim financial statements were approved by the Board of Directors on 21 February 2017.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars unless otherwise stated.

Use of judgements and estimates

In preparing these interim financial statements management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Adoption of new and revised standards

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period (except as disclosed in Note 6). The Company has adopted all new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new, revised or amended Accounting Standards of Interpretations that are not yet mandatory have not been early adopted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

NOTE 2: RESULTS FOR THE HALF-YEAR

2.1 Expenses

Expenses incurred by the Group are the main drivers of the results for the half-year.

2.1.1 Share-based payment expense

The share-based payment expense included within the Consolidated Statement of Profit or Loss can be broken down as follows:

	31 December 2016 $'000	31 December 2015 Restated $'000
Share options expense	9,696	6,102

The following table shows options affecting the share based payment expense for the half-year ending 31 December 2016 and the value attributed to each option granted, by holder:

Holder	No. of options	Exercise price	Expiry	Fair Value ($/option)	Value ($'000)	Value expensed ($'000)
Directors	10,000,000	0.63	12/12/2019	$0.3398	3,398	1,292
KMP	4,000,000	0.63	08/09/2019	$0.2699	1,080	636
Subtotal – Directors/KMP	**14,000,000**				**4,478**	**1,928**
Employees	3,000,000	0.63	08/09/2019	$0.2647	794	518
	500,000	0.55	17/11/2019	$0.2955	148	62
	500,000	0.55	07/11/2019	$0.2382	119	25
Sub-total – Employees	**4,000,000**				**1,061**	**605**
Sub-total – Options issued current year	**18,000,000**				**5,539**	**2,533**
Options issued in prior periods						7,163
TOTAL						**9,696**

2.1.2 Exploration and evaluation expenditure

	31 December 2016 $'000	31 December 2015 Restated $'000
Costs expensed in relation to areas of interest in the exploration and evaluation phase	(6,773)	(3,088)

On 30 June 2016 the Company made a voluntary change in accounting policy relating to exploration and evaluation expenditure. Previously the Company capitalised all exploration and evaluation expenditure. The impact of the change in accounting policy on the Consolidated Statement of Profit or Loss, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow is included in Note 6.

On 1 October 2016 the Company transitioned from the exploration stage for the Pilgangoora Project to the development phase following the successful outcome of the Definitive Feasibility Study. From this date costs associated with the development of the project have been capitalised and included within mineral rights within property, plant and equipment (refer Note 3.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

NOTE 2: RESULTS FOR THE HALF-YEAR

2.2 Net Financing Income/(Costs)

Net financing income/(costs) can be analysed as follows:

	31 December 2016 $'000	31 December 2015 Restated $'000
Interest income on bank accounts	1,532	48
Finance income	1,532	48
Interest expense - convertible notes	-	(1,962)
Interest expense - hire purchase assets	(30)	-
Net foreign exchange loss	(5)	(11)
Finance costs	(35)	(1,973)
Net finance income/(costs) recognised in profit or loss	1,497	(1,925)

2.3 Operating Segments

For management purposes the Company has one operating segment, being mineral exploration, evaluation and development in Australia. Segment results that are reported to the Company's operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets and head office expenses.

	Mineral exploration, evaluation and development	
	31 December 2016 $'000	31 December 2015 Restated $'000
For the half-year ending		
Reportable segment costs expensed	(7,035)	(3,240)
Reportable segment (loss) before income tax	(7,035)	(3,240)
Reconciliation of reportable segment loss		
Loss		
Total loss for reportable segments	(7,035)	(3,240)
Unallocated amounts: corporate expense	(13,661)	(6,981)
Net finance costs	1,497	(1,925)
Loss before income tax	(19,199)	(12,146)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

NOTE 2: RESULTS FOR THE HALF-YEAR

2.3: Operating Segments (Continued)

	Mineral exploration, evaluation and development	
	31 December 2016	30 June 2016
	$'000	$'000
For the period ending		
Reportable segment assets	63,640	763
Reportable segment liabilities	5,054	3,470
Reconciliation of reportable segment assets		
Assets		
Total assets for reportable segments	63,640	763
Assets for corporate segment	82,239	101,970
	145,879	102,733

NOTE 3 ASSETS AND LIABILITIES

3.1 Exploration and Evaluation Expenditure

	31 December 2016	30 June 2016
	$'000	$'000
Costs carried forward in relation to areas of interest in the exploration and evaluation phase	5,279	263
Reconciliations: Exploration and evaluation phase		
Carrying amount at the beginning of the year	263	263
Acquisitions	5,279	-
Transfer to mineral rights	(263)	-
Carrying amount at the end of the year	**5,279**	**263**

During the half-year ending 31 December 2016, the Company entered into an agreement with Dakota Minerals to acquire the Lynas Find Lithium Project which adjoins the Pilgangoora Project. As at 31 December 2016 the Company has recognised an exploration and evaluation asset of $5 million in relation to three of seven tenements paid for as part of the agreement. The remaining $3 million will be payable upon satisfaction of certain conditions precedent relating to the grant and transfer of these exploration tenements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

NOTE 3: ASSETS AND LIABILITIES

3.2 Property, Plant and Equipment

	Property, plant and equipment	Hire purchase equipment	Mine properties in development	Mineral rights	Mine rehabilitation	Total
	$'000	$'000	$'000	$000	$'000	$'000
As at 30 June 2016						
Cost	4,468	696	6,909	-	950	13,023
Accumulated depreciation	(81)	-	-	-	-	(81)
Impairment loss	(3,928)	(521)	(6,909)	-	(751)	(12,109)
	459	175	-	-	199	833
Half-year ended 31 December 2016						
Opening net book amount	459	175	-	-	199	833
Additions	102	-	7,668	50,000	-	57,770
Disposals	-	(130)	-	-	-	(130)
Transfers and other movements	-	-	-	263	(139)	124
Depreciation charge	(38)	-	-	-	-	(38)
Closing net book amount	523	45	7,668	50,263	60	58,559

During the half-year ending 31 December 2016 the Company issued $50 million of Company shares to Mineral Resources Limited as consideration for the relinquishment of a 2.5% net smelter lithium royalty in relation to the Pilgangoora Project. The corresponding impact on equity is shown in Note 5.1.

As at 31 December 2016 the Company had outstanding contractual capital commitments of $9.4 million which are expected to be settled prior to 31 December 2017.

NOTE 4: WORKING CAPITAL

4.1 Cash and Cash Equivalents

	31 December 2016	30 June 2016
	$’000	$’000
Bank balances	1,618	6,019
Call deposits	78,772	94,021
Cash and cash equivalents in the statement of financial position	80,390	100,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

NOTE 5 CAPITAL AND RESERVES

5.1 Ordinary Shares

	31 December 2016 000	30 June 2016 000
Fully paid ordinary shares	1,262,447	1,148,051

Movements in ordinary shares on issue:		
On issue at 1 July	1,148,051	658,579
Issued for cash	-	338,195
Issued for assets (refer Note 3.2)	104,167	-
Exercise of share options	10,229	122,793
Conversion of convertible notes including accrued interest	-	28,484
On issue at reporting date	1,262,447	1,148,051

	31 December 2016 $'000	30 June 2016 $'000
Ordinary shares	197,104	146,476
On issue at 1 July	146,476	22,526
Issued for cash	-	114,551
Issued for assets (refer Note 3.2)	50,000	-
Exercise of share options	628	8,101
Conversion of convertible notes including accrued interest	-	8,319
Share issue costs	-	(7,021)
At reporting date	197,104	146,476

5.2 Reserves

	31 December 2016 $'000	30 June 2016 $'000
Share-based payment reserve	30,931	21,799
Foreign currency reserve	(68)	(68)
	30,863	21,731
Share-based payment reserve		
Balance at 1 July	21,799	1,325
Share based payment expense following issue of options	9,696	26,187
Options exercised and transferred to accumulated losses	(564)	(5,713)
Balance at reporting date	30,931	21,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

NOTE 6: VOLUNTARY CHANGE IN ACCOUNTING POLICY AND PRIOR PERIOD RE-STATEMENT

6.1 Voluntary Change in Accounting Policy

a) For the financial year ended 30 June 2016 the Company adopted a voluntary change in accounting policy relating to exploration and evaluation expenditure. The Company previously accounted for exploration and evaluation expenditure relating to an area of interest by carrying forward that expenditure where no impairment trigger exists. Under the new accounting policy, exploration and evaluation costs are expensed in the year they are incurred, apart from acquisition costs which are carried forward where the rights of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Both the previous and the new accounting policy are compliant with ***AASB6: Exploration for Evaluation of Mineral Resources***.

b) Prior to the year ended 30 June 2016 the Company transferred the fair value of options exercised to contributed equity. For the financial year ended 30 June 2016 the Company changed the accounting policy to transfer the fair value of options exercised to accumulated losses. The impact of this change in accounting policy is to decrease contributed equity by $1,596,000 and decrease accumulated losses by the same amount for the period ended 31 December 2015 (as at 1 July 2015: $1,053,000).

6.2 Accounting Re-statement

During the year ended 30 June 2016 the Company identified that the accounting treatment in relation to convertible notes previously issued was not in accordance with accounting standards. As a result of this change occurring after 31 December 2015, there has been a re-statement in the financial statements for the half-year ending 31 December 2015, which was corrected at 30 June 2016. The review identified that there was no embedded derivative, resulting in an increase to the carrying amount of the financial liability, an increase to convertible note related expense and an increase to issued capital for notes converted. The review also identified free attaching options which should have been measured and recognised as a share based payment expense.

In addition to the above, share based payment expense was overstated at 31 December 2015 by $783,000 due to an incorrect valuation for options issued. Whilst this was identified and corrected at 30 June 2016, as this occurred subsequent to the 31 December 2015 half-year accounts being issued a re-statement in relation to this was required.

The impact on the prior period consolidated financial statements from incorporating the retrospective application of the voluntary change in accounting policies and the re-statement is shown in the following table:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

Note 6 (continued) Voluntary Change in Accounting Policy and Prior Period Re-Statement

	31 December 2015 ($'000) Increase/(decrease)				30 June 2015 ($'000) Increase/(decrease)		
	Previously Reported	Change in Accounting Policy	Accounting Re-statement	Restated	Previously Reported	Change in Accounting Policy	Restated
Balance Sheet (extract)							
Exploration and evaluation expenditure	4,895	(4,631)	-	263	1,806	(1,543)	263
Borrowings (current liability)	(7,748)	-	(478)	(8,226)	-	-	-
Net assets	21,519	(4,631)	(478)	16,410	5,444	(1,543)	3,901
Accumulated losses	(25,184)	(3,037)	(3,458)	(31,679)	(19,393)	(489)	(19,882)
Share based payment reserve	4,172	-	2,715	6,887	-	-	-
Issued capital	42,599	(1,596)	267	41,270	23,579	(1,053)	22,526
Total equity	21,519	(4,631)	(478)	16,410	5,444	(1,543)	3,901
Consolidated statement of profit or loss and comprehensive income (extract)							
Finance costs	(879)	-	(1,094)	(1,973)			
Revaluation of derivative	(351)	-	351	-			
Exploration costs expensed	-	(3,088)	-	(3,088)			
Share based payment expense	(3,387)	-	(2,715)	(6,102)			
Loss for the half-year	(5,791)	(3,088)	(3,458)	(12,337)			
Loss per share							
Basic and diluted (cents per share)	(0.72)	(0.43)	(0.48)	(1.73)			

	31 December 2015 ($'000) Increase/(decrease)		
Consolidated statement of cash flows (extract)	Previously Reported	Change in Accounting Policy	Restated
Payments for exploration and evaluation expenditure	-	(3,089)	(3,089)
Net cash used in operating activities	(3,304)	(3,089)	(6,393)
Payments for exploration and evaluation expenditure	(3,089)	3,089	-
Net cash used in investing activities	(8,175)	3,089	(5,086)

DIRECTORS' DECLARATION

In the opinion of the Directors of Pilbara Minerals Limited ('the Company'):

1. The financial statements and notes thereto, as set out on pages 11 to 18, are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standard ***AASB 134: Interim Financial Reporting***, the Corporations Regulations 2001; and

   b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended.

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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Anthony Kiernan
Chairman
21 February 2017

Independent auditor's review report to the members of Pilbara Minerals Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Pilbara Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Responsibility of the Directors for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pilbara Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pilbara Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Restatement of comparative balances

Without modification to our conclusion expressed above, we draw attention to Note 6.2 of the half-year financial report, which discloses the comparative balances which have been restated to comply with Australian Accounting Standards. The consolidated half-year financial report of the Company as at and for the six months ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2016.

KPMG.

KPMG

R Gambitta
Partner

Perth

21 February 2017