2017

ANNUAL REPORT

PILBARA MINERALS
LIMITED

ACN 112 425 788

HIGHLIGHTS OF 2016/17

AN EXCEPTIONAL SAFETY RECORD

with **zero lost-time injuries** for the 12 months to 30 June 2017.

PILGANGOORA PROJECT FINANCING SECURED

following a successful, heavily over-subscribed **A$228 million debt and equity raising.**

CONSTRUCTION AT PILGANGOORA UNDERWAY

putting the Company **on track** for first production in Q2 of 2018.

PILGANGOORA DEFINITIVE FEASIBILITY STUDY COMPLETED

confirming **outstanding technical and financial outcomes** including life-of-mine project revenue of A$9.23 billion and project EBITDA of A$4.22 billion over an estimated 36-year mine life.

OUTSTANDING RESULTS FROM PILOT PLANT TESTWORK AND PROCESS OPTIMISATION

with results confirming the ability to deliver technical grade concentrate and **reducing estimated processing costs by more than 10%.**

SUBSTANTIAL INCREASE IN THE PILGANGOORA MINERAL RESOURCE

with a **22% increase in total** resource tonnage to 156.3 million tonnes, and a 14% increase in the total Measured and Indicated Resource component to 95.3 million tonnes.

OFFTAKE AGREEMENTS SECURED

for 100% of Stage 1 production of 6% chemical grade spodumene concentrate.

AWARD OF MAJOR SITE CONSTRUCTION CONTRACTS

including plant construction, bulk civil earthworks, camp relocation and expansion, and camp services.

SIGNIFICANT RESERVE GROWTH

with total Ore Reserves at Pilgangoora now standing at **1 million contained tonnes of lithium oxide** and **22 million contained pounds of tantalum pentoxide.**

ACQUISITION OF THE LYNAS FIND LITHIUM PROJECT

which adjoins the Pilgangoora Project: Lynas Find deposit is **now incorporated into the Pilgangoora Ore Reserve** and mine plan.

KEY BOARD APPOINTMENTS

as part of a **Board renewal and succession** planning process in preparation for production.

AGREEMENT TO EXTINGUISH PROJECT ROYALTY

and **extinguish right of first refusal** over future lithium sales in exchange for the issue of shares to Mineral Resources Limited.

DOMINANT LANDHOLDING IN THE WORLD-CLASS PILGANGOORA LITHIUM DISTRICT ENHANCED

with agreement to earn up to 80% of the Mt Francisco Project, one of the **most significant lithium-tantalum exploration** assets in Western Australia.

FOCUS FOR THE YEAR AHEAD

- COMPLETE CONSTRUCTION AND COMMISSIONING OF THE PILGANGOORA LITHIUM-TANTALUM PROJECT, WITH SHIPMENTS OF SPODUMENE CONCENTRATE SCHEDULED TO BEGIN IN Q2 OF 2018
- PROGRESS OFFTAKE NEGOTIATIONS FOR TANTALUM PRODUCT
- PROGRESS OFFTAKE NEGOTIATIONS FOR TECHNICAL GRADE SPODUMENE PRODUCT
- CONTINUE TO ADVANCE FEASIBILITY STUDIES FOR THE PROPOSED STAGE 2 (5Mtpa) PILGANGOORA EXPANSION PROJECT
- COMMENCE EXPLORATION DRILLING AT THE HIGHLY PROSPECTIVE MT FRANCISCO LITHIUM-TANTALUM PROJECT
- CONTINUE TO BUILD THE COMPANY'S RELATIONSHIPS WITH PROJECT STAKEHOLDERS AND WITH CUSTOMERS IN CHINA AND ELSEWHERE AROUND THE WORLD

CONTENTS

COMPANY PROFILE

PILBARA MINERALS IS AN EMERGING LITHIUM AND TANTALUM PRODUCER WHICH IS CURRENTLY CONSTRUCTING THE WORLD-CLASS 100%-OWNED PILGANGOORA LITHIUM-TANTALUM PROJECT, LOCATED 120 KILOMETRES FROM PORT HEDLAND IN THE PILBARA REGION OF WESTERN AUSTRALIA.

Pilbara Minerals is one of the few lithium-focused companies globally that has been able to progress its project into development and near-term production, positioning it to capitalise on the current surging demand for lithium raw materials.

The supply/demand fundamentals for lithium put this highly sought-after metal in a league of its own compared with other commodities.

Demand is predicted to grow at an annualised rate of more than 12%, and this could be set to accelerate further as its widespread use in conventional industries such as ceramics, glass, batteries and pharmaceuticals is overtaken by the very rapid growth in consumption of rechargeable batteries based on lithium-ion battery technology for portable electronic devices, electrification of the transport industry and mass energy storage.

Pilgangoora has been confirmed as one of the largest spodumene (lithium pyroxene) and tantalite projects in the world and is set to be developed into one of the world's largest lithium mines, also producing tantalite as a valuable by-product.

The size, quality and anticipated low operating cost base of the Pilgangoora Project also provides the Company with an exceptional opportunity to pursue growth opportunities in downstream lithium markets. With all of this in mind, Pilgangoora is aptly described as one of the world's leading lithium development projects.

As part of its fast-track development program at Pilgangoora, Pilbara Minerals is on track to commence production and shipments in Q2 of 2018.

HERITAGE, HEALTH, SAFETY AND THE ENVIRONMENT

ENSURING THAT SAFETY COMES FIRST IN ALL OF ITS ACTIVITIES IS A KEY PRIORITY FOR PILBARA MINERALS IN THE DEVELOPMENT OF THE COMPANY, ITS PROJECTS AND THE CAPABILITY OF OUR PEOPLE. PILBARA MINERALS' STRATEGY FOR HEALTH AND SAFETY IS BUILT ON THE FOUR PILLARS OF GREAT LEADERSHIP, ENGAGED EMPLOYEES, RISK MANAGEMENT FOCUS AND SYSTEMS THAT SUPPORT WORKING SAFELY AS A PRIORITY.

The Company works closely with its contracting partners, and has safety management plans in place to manage safety across all activities on site – both for Pilbara Minerals staff and its contractors. Integral to providing a safe working environment is to ensure that the Company is tracking and reporting its safety performance and reviewing incidents in order to continuously improve and reduce the risk of injury to our workforce. As a large portion of the workforce at Pilbara Minerals' operations are contractors, the Company works very closely with its contracting partners and their workforce to enshrine a shared culture of working safely. Any incidents involving contractors are investigated with Pilbara Minerals' involvement and are included in all of the Company's safety reporting and shared outcomes.

Pilbara Minerals' Lost-Time Injury frequency rate for the period 2016/17 was zero.

Pilbara Minerals is actively engaged with the Traditional Owners in the area within which it operates. The Company endeavours to understand and support Aboriginal people, and their connection with their traditional lands.

In support of these links, Pilbara Minerals recognises its responsibility to work with Traditional Owners to understand, maintain and, where possible, grow relationships that enhance both connection to the land and maintenance of their heritage. Pilbara Minerals seeks, where possible, to ensure that the Traditional Owners are meaningfully engaged through employment and enterprise development opportunities arising from the Company's projects. The Company continues to review opportunities to effectively engage local Aboriginal employees and contractors at the Pilgangoora Project. Pilbara Minerals also encourages our business partners and contractors to engage in this strategy by supporting employment, training and the development of business opportunities for local Aboriginal people.

Pilbara Minerals executed a Native Title Agreement with the Njamal People applicable to the Pilgangoora Project area in December 2016.

Pilbara Minerals is committed to operating in an environmentally responsible manner through industry best-practice and key stakeholder involvement.

Pilbara Minerals promotes responsible environmental management in order to protect the natural environment and social surroundings, as well as local indigenous groups. The Company is continually working to improve its environmental performance.

Pilbara Minerals' effective management practices, and the commitment of its employees and contractors, will ensure that its activities have minimal impact on the environment and a sustainable growth path for the area where the Pilgangoora Project is located.

Since the commencement of construction at the Pilgangoora Project, Pilbara Minerals has embraced its expanded environmental responsibility and continues to meet or exceed its statutory requirements over its tenure. The risks associated with environmental incidents are taken into account as part of the Company's normal course of business, and are managed through risk assessments, introduction of preventative measures, ongoing review and monitoring and, where necessary, effective and efficient mitigation actions. Pilbara Minerals recognises the value, both for the Company and its key stakeholders, in supporting compliance with best environmental practice in order to achieve and maintain its licence to operate.

During the year, Pilbara Minerals has obtained the necessary approvals to maintain ongoing exploration activities, and commence the development of major site works at the Pilgangoora Project.

Rehabilitation of our exploration activities is progressive and effective, in line with our ongoing commitment and tenure conditions.

CHAIRMAN'S REPORT

DEAR SHAREHOLDERS

The development timetable for the Pilgangoora Lithium-Tantalum Project outlined last year required us to maintain strong momentum and a detailed focus during the 2016/17 financial year. The fact that we were able to do so is perhaps best illustrated by briefly recapping the significant list of achievements during this period:

DFS FOR 2Mtpa OPERATION (STAGE 1)

The delivery of the Stage 1 Definitive Feasibility Study (DFS) in September 2016 confirmed Pilgangoora's globally competitive cost base, robust margins and strong economic returns – providing a solid platform for us to secure long-term offtake agreements and raise project funding.

PFS FOR 4Mtpa OPERATION (STAGE 2)

The Stage 2 Pre-Feasibility Study, unveiled concurrently with the DFS, outlined a compelling expansion option to 4Mtpa, highlighting Pilgangoora's ability to scale-up to meet expected growing demand for lithium raw materials over the next decade.

SUBSTANTIAL RESOURCE/RESERVE INCREASE

The Pilgangoora Mineral Resource increased by 22% to 156.3Mt while total Ore Reserves grew by 15% to 80Mt, confirming its status as a globally significant hard-rock lithium deposit. With Ore Reserves now underpinning a 40-year mine life, this provided the impetus to evaluate a higher Stage 2 production rate of 5Mtpa.

100% OFFTAKE AGREEMENTS FOR STAGE 1

The signing of a binding offtake and financing support agreement with leading Chinese lithium company, Jiangxi Ganfeng Lithium Co. Ltd for the balance of our Stage 1 output built on the solid foundations of last year's offtake agreement with General Lithium Corporation. As a result, Stage 1 production is underwritten by these agreements with two leading Chinese lithium groups.

PROJECT FINANCING

Notwithstanding at-times indifferent equity market conditions and a generally subdued investment environment for lithium companies, Pilbara Minerals was able to secure A$228 million in project funding through a well-supported Bond Issue, institutional share placement and oversubscribed Share Purchase Plan. The quality of the investors who participated in these capital raisings reflected, in my opinion, the quality of our flagship project and the strong market outlook for our key commodities.

FINAL INVESTMENT DECISION

With project funding secured, the Pilbara Board announced a Final Investment Decision (FID) for the Pilgangoora Project on Friday, 23 June 2017 – a significant milestone for all our stakeholders.

MAJOR CONTRACTS AWARDED AND SITE CONSTRUCTION RAMPS UP

With all major project approvals secured, the completion of project financing and FID cleared the way for the award of all final project construction contracts in line with our project delivery schedule, which targets commissioning from March 2018 and shipments from Q2 of 2018. At the time of writing, major construction activities were underway.

The fact that we have come so far, so quickly is a tribute to the effective work and dedication of many people, ably led by our Managing Director Ken Brinsden and his team; I thank them all for their efforts. I would also like to acknowledge the significant contribution to the Company of Neil Biddle, who stepped down from the Board in July. I also wish to thank our vast shareholder base for their continued strong support.

While much work still lies ahead of us, Pilbara Minerals is well on the way to becoming a successful mid-tier mining company with first production and cash-flow now well within our grasp and a clear opportunity to become a globally competitive supplier of a strategic raw material which will be increasingly important to the global economy of the future.

TONY KIERNAN
Chairman

MANAGING DIRECTOR'S REPORT

OVER THE LAST 12 MONTHS, IT HAS BECOME INCREASINGLY EVIDENT THAT LITHIUM MARKETS HAVE REACHED A TIPPING POINT AS A RESULT OF THE GROWING ADOPTION OF LITHIUM-ION BATTERY TECHNOLOGIES FOR MASS-RECHARGEABLE BATTERY MARKETS.

The increasing use of lithium in applications such as mobile devices, electrification of vehicles and energy storage, to name a few, has driven significant demand growth for lithium raw materials. Against this backdrop, Pilbara Minerals has continued to de-risk its flagship Pilgangoora Lithium-Tantalum Project to the point where it is now rapidly moving towards near-term production.

Through the hard work and disciplined approach of the Pilbara Minerals team, the Pilgangoora Project has now progressed through to full-scale development with the commencement of major site works in July 2017. As a result, it is our expectation that Pilbara Minerals will join the ranks of lithium producers from the second quarter of next year.

Given the emerging demand for lithium raw materials, particularly in China, the Company could not be better placed to take advantage of the significant shift in the use, distribution and storage of power that lithium-ion battery technology supports.

Through Pilbara Minerals' deep engagement with the lithium industry, especially in China, important customer relationships have been developed and much has been learned about the growth of the lithium-ion supply chain. These relationships have grown to underwrite offtake agreements for the entire Stage 1 production output of 6% spodumene concentrate from Pilgangoora.

Furthermore, important insights have also been gained about projected future demand, and our ability to expand the Pilgangoora site to support further supply growth. With that in mind, the Company has embarked on additional engineering studies to grow Pilgangoora's processing capacity from the base case 2Mtpa, to approximately 5Mtpa.

One of the Company's most significant achievements during the period was the completion of the offtake and financing packages for Pilgangoora. The completion of these packages reflects the strength of the Project and the team behind it. These key attributes have ensured that we have secured great customers, the participation of some of the world's largest natural resource investors and the Clean Energy Finance Corporation (CEFC – an arm of the Australian Government) in our project bond and, ultimately, the competitive pricing outcomes which the financing delivered.

Considering the scale of the Pilgangoora Resource and Reserve, its ideal location in the north Pilbara region of Western Australia and the proven strong recovery characteristics and high-grade concentrate which the Project will produce – all of which combine to establish a very low cost of production – the Company is very well placed to take advantage of the strong demand growth for lithium raw materials.

Furthermore, as shipments of concentrate from Pilgangoora commence during Q2 of 2018, the Company is rapidly moving towards a position where it will be able to generate strong operating cash-flows thanks to its low cost of production.

The Company has come a long way during the year and this doesn't happen by chance. I would like to express my sincere appreciation to the Pilbara Minerals team for their hard work and dedication. On behalf of all Pilbara Minerals' employees, thank-you also to my fellow Pilbara Minerals Board members for your oversight, guidance and support of the Company's initiatives.

Through a combination of entrepreneurial spirit, hard work and, of course, the support of investors and our enthusiastic shareholder base, we have a fantastic platform for the Company's future success and we look forward to realising Pilbara Minerals' full potential in the years to come.

KEN BRINSDEN
Managing Director

THE LITHIUM STORY

> LITHIUM-ION BATTERY PRICES ARE DROPPING WITH NEW ADVANCES IN TECHNOLOGY. PRICES FELL BY 73% BETWEEN 2010 AND 2016. THEREFORE, ANY NEW ENTRANT WILL FIND IT DIFFICULT TO DISPLACE LITHIUM-ION FROM ITS LEADERSHIP POSITION IN THE RECHARGEABLE BATTERY MARKET.

Lithium is a soft silvery-white metal (chemical symbol – Li) which is highly reactive and does not occur in nature in its elemental form. In nature it occurs as compounds within hard rock deposits (such as Pilbara Minerals' Pilgangoora Project) and in salt brines.

Lithium and its chemical compounds have a variety of industrial applications resulting in a wide range of chemical and technical uses. These include heat-resistant glass and ceramics, lithium grease lubricants, flux additives for iron, steel and aluminium production, lithium batteries and lithium-ion batteries.

The ways in which the world generates, uses, distributes and stores energy is changing, with lithium-ion batteries rapidly emerging as the dominant rechargeable battery technology.

The accelerating take-up of electric vehicles (EVs) and the growing need for energy storage is driving unprecedented demand growth, with the use of lithium in EVs forecast to increase at a compound annual growth rate (CAGR) of 26.3%[1] and renewable energy grid storage at 35%[2] between 2016 and 2026.

Whilst global sales of EVs currently remain a small percentage of total vehicle sales, the world has now reached a tipping point where the transition to EVs is expected to see exponential growth.

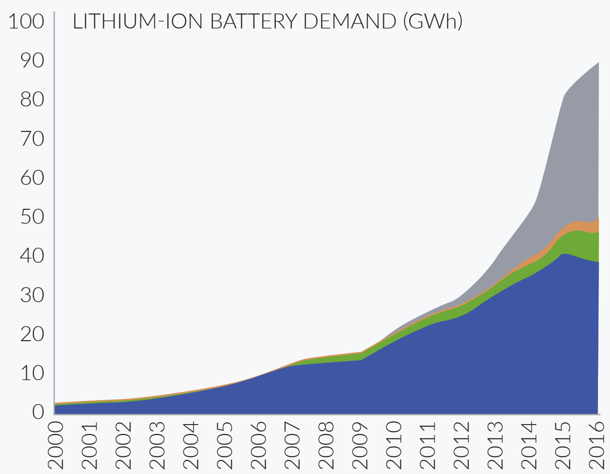
Many established car manufacturers are phasing out internal combustion engines, with Volvo announcing that all its cars will be electric or hybrid from 2019. Volkswagen is targeting 25% of its sales to be electric by 2025 and BMW expects electrified vehicles to account for between 15% and 25% of sales by 2025.

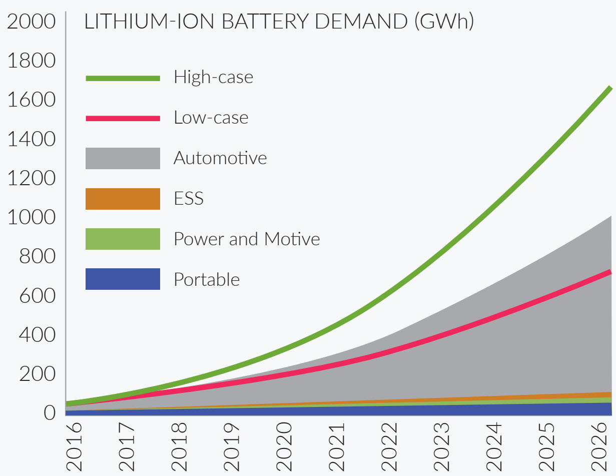
China wants 12% of all car sales to be from battery-powered or plug-in hybrids by 2020, whereas India wants all its vehicles to be electrically powered by 2030. Both the French and UK governments have stated that they intend to ban the sale of all new petrol and diesel vehicles by 2040.

The Economist magazine (10 August 2017), one of the world's most influential publications, recently said that "the first death rattles" of the internal combustion engine are already "reverberating around the world" as lithium-ion battery technology transforms the economics of the vehicle industry.

1 Source: Roskill 2 Source: Industrial Minerals

< THE PAST THE FUTURE >





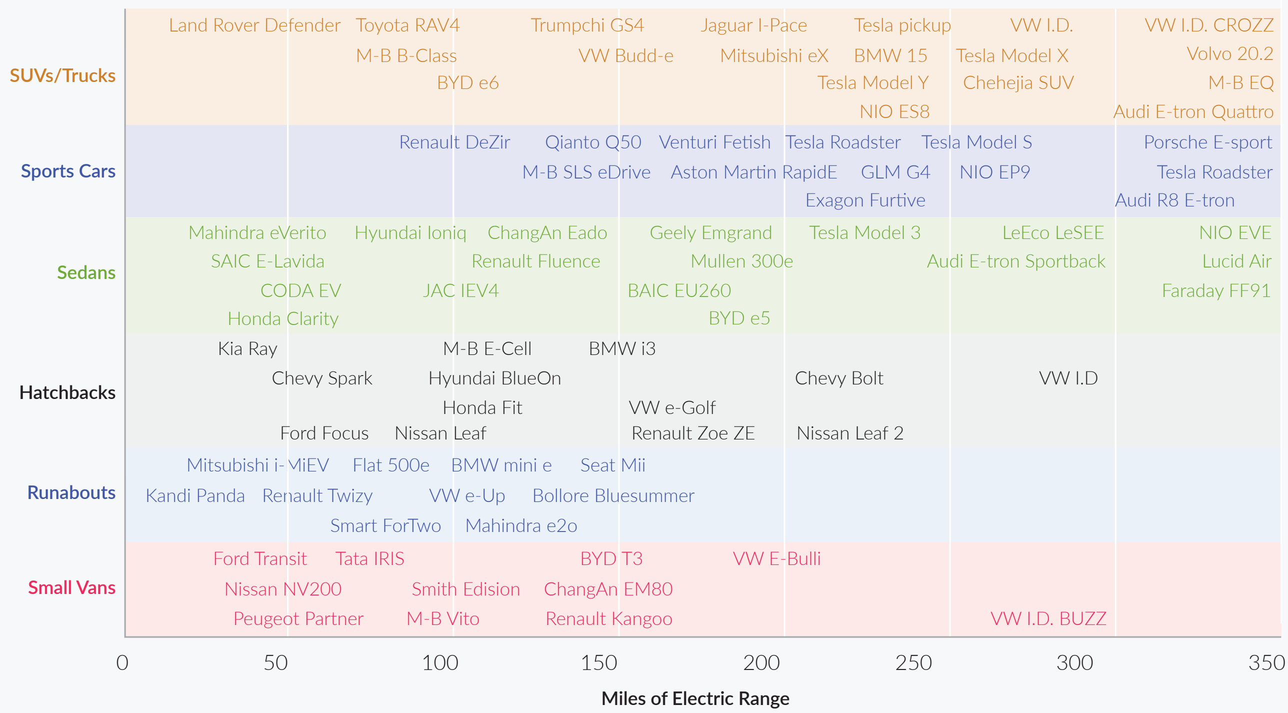
Source: Roskill

To underpin the accelerating use of EVs, a massive expansion in lithium-ion battery making capacity is currently underway. More than US$200 billion of committed investment is expected to result in new battery manufacturing expansions that will significantly increase global production capacity and help drive costs down.

This will require a massive increase in the supply of lithium raw materials – independent commodity forecaster Roskill has estimated a required 250% increase in lithium supply to 2025, and more than 500% to 2030.

INCREASING AVAILABILITY AND CHOICE OF ELECTRIC VEHICLES

MODELS BY STYLE AND RANGE AVAILABLE THROUGH TO 2020



CURRENT ELECTRIC VEHICLES ON THE MARKET

Battle for the Cheapest Range

Vehicle model	Range (miles)	MSRP ($)	Price-per-mile of vehicle range ($)
Tesla Model 3 Range+	310	44,000	141.94
Chevy Bolt EV	238	37,495	157.54
Tesla Model 3 Standard	220	35,000	160.54
Hyundai Ioniq Electric	124	29,500	237.90
Ford Focus Electric Hatch	115	29,120	253.22
Nissan Leaf S	107	30,680	286.73
Tesla Model S 75D	259	74,500	287.64
Tesla Model S 100D	335	97,500	291.04
Tesla Model X 100D	295	99,500	337.29
Tesla Model X 75D	237	82,500	348.10
VW E-Golf SE	83	28,995	349.34
Kia Soul EV	93	33,950	365.05
BMW i3	114	42,400	371.93
FIAT 500e	84	32,995	392.80
Mercedes-Benz B250-e	87	40,000	458.62

Tesla Model 3 released with two battery types:
· Standard – 220 miles
· Long range – 310 miles

Source: Bloomberg New Energy Finance

PILGANGOORA LITHIUM-TANTALUM PROJECT

STAGE 1: 2Mtpa BASE CASE

PILBARA MINERALS' PILGANGOORA PROJECT IS FIRMLY ESTABLISHED AS ONE OF THE WORLD'S LEADING LITHIUM DEVELOPMENT PROJECTS.

Pilgangoora's scale, proximity to infrastructure, high lithia grade, tantalum by-product stream, and fantastic recovery characteristics indicate that it will be a very low-cost, long-life mining operation. These attributes, together with the exceptional exploration potential in the near-mine environment, suggest that Pilgangoora will play an important role in the global supply of lithium raw materials for many decades to come.

Significant progress has been made at Pilgangoora over the 2017 financial year, as the Company moves towards the commencement of Stage 1 production from Q2 of 2018.

EXPLORATION AND GEOLOGY

The Pilgangoora Lithium-Tantalum Project is located approximately 87 kilometres south-southeast of Port Hedland in the Pilbara Mineral Field of Western Australia. The Project comprises 19 tenements covering an area of 304 square kilometres (Figure 1). The Pilbara Mineral Field is one of the world's major lithium-tantalum provinces with significant lithium-caesium-tantalum bearing pegmatites located at Mt Francisco, Pilgangoora, Wodgina, Tabba-Tabba and Strelley. Pilbara pegmatites have also been major sources of beryl, emerald and minor sources of tungsten, caesium and rare earth elements.

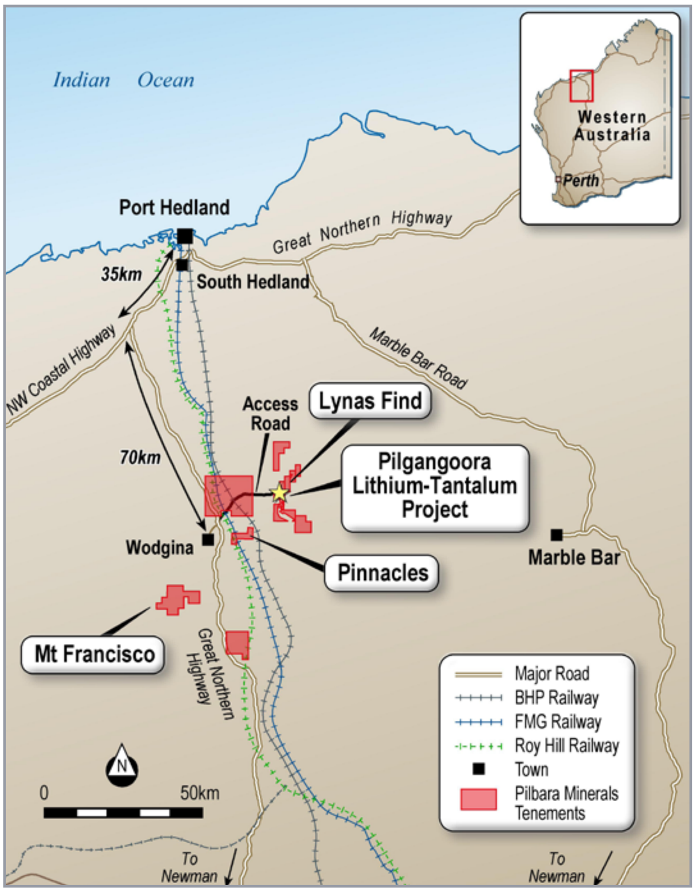


FIGURE 1: PILGANGOORA PROJECT – LOCATION PLAN

GEOLOGY

The Pilgangoora pegmatite deposit is one of the largest hard rock lithium deposits in the world after the Greenbushes pegmatite deposit in the south-west of Western Australia. The prospective Pilgangoora pegmatites are located within the East Strelley greenstone belt approximately 30 kilometres east of Wodgina. Mineralisation is hosted within a fractionated pegmatite suite which comprises a network of interconnected sheets and dykes dipping to the east at 20-60°. The pegmatites strike subparallel to the dominant north-northwest trending fabric of the greenstone belt (Figure 2).

Two principal pegmatite groups have been identified in the centre of the Project area: Central and Eastern. Pegmatites within these domains have a strike length of up to 1.4 kilometres and range in thickness to over 70 metres. Three outlying pegmatite groups – Lynas Find, Monster and Southern – have also been identified, with strike lengths ranging from 350 metres to 500 metres.

In comparison with established classical models of mineralogical zonation around a quartz core, the Pilgangoora pegmatites are quasi-homogenous, characterised by anisotropic mineral assemblages including very coarse or megacrystic spodumene elongated sub-perpendicular to the wall rock contacts, aplitic layering and the development of narrow, locally distinct border units. The very coarse and fine spodumene-bearing units comprise more than 85% of the volume of the Pilgangoora pegmatite dykes (Figure 3).

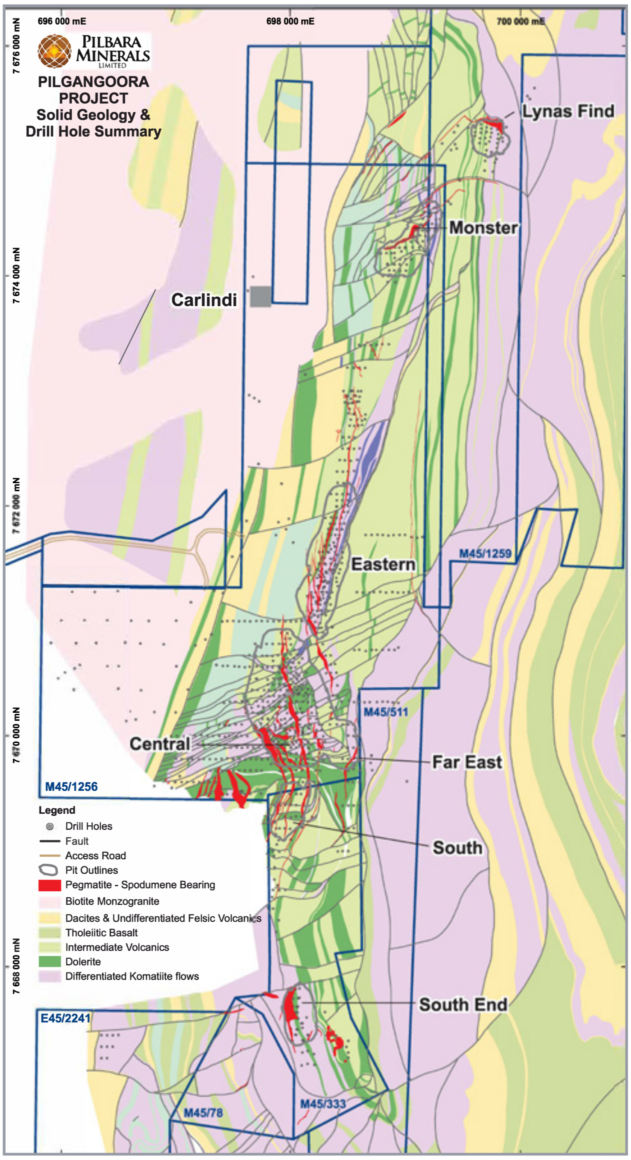


FIGURE 2: PILGANGOORA PROJECT – SOLID GEOLOGY AND DRILLHOLE SUMMARY

FIGURE 3: COARSE GRAIN SPODUMENE WITH QUARTZ MATRIX, MINOR MICA AND SECONDARY FELDSPAR

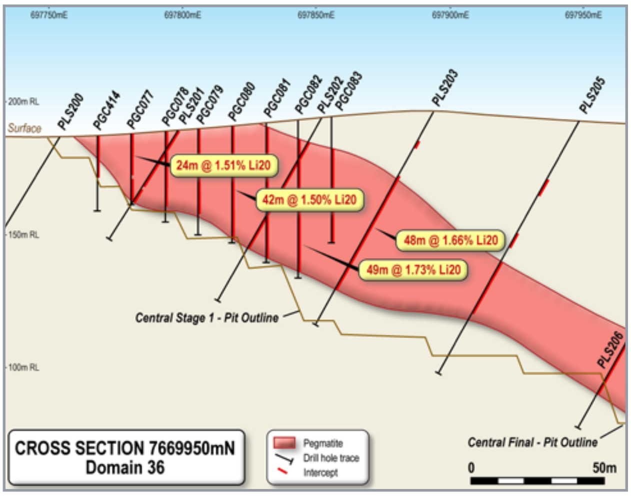


FIGURE 4: CENTRAL AREA CROSS SECTION – 7669950mN

EXPLORATION

During the year, Pilbara Minerals completed several phases of reverse circulation (RC) and diamond drilling, resulting in significant Resource and Reserve upgrades. The Company has now completed 100,461 metres of RC drilling and 6,164 metres of diamond drilling since its inaugural drilling program in November 2014 (Figure 5).

Drilling has continued to delineate significant thick zones of high-grade mineralisation from within the proposed mine area. In addition, some strategic development drilling in new prospect areas at Far East, Monster and along the Altura tenement boundary has returned some very encouraging results.

Exploration will continue over the remainder of CY2017 with drilling planned to test extensions of existing pegmatite domains and also some exciting new target areas along strike from the currently defined resource area.

PROJECT ECONOMICS AND DEFINITIVE FEASIBILITY STUDY

During the reporting period, the Company completed the Definitive Feasibility Study (DFS) on the Pilgangoora Lithium-Tantalum Project. The DFS confirmed the technical and financial viability of a 2 million tonnes per annum (Mtpa) standalone mining and processing operation over an initial 36-year mine life based on an initial maiden Ore Reserve of 69.8Mt @ 1.26% Li_2O, 132ppm Ta_2O_5 and 1.04% Fe_2O_3.

Key financial outcomes included:

- Project net present value (NPV) of A$709 million (10% discount rate, post-tax) and internal rate of return (IRR) of 38.1% (DFS Reserve basis);
- Expected payback of approximately 2.7 years;
- Project capital estimate of A$223.7 million (+/-15%); and
- Life-of-mine operating cash costs of US$207/tonne of spodumene concentrate CFR (excluding royalties and native title costs).

The project capital estimate has since been modestly revised to A$234 million as a result of improvements to the scope of the processing plant.

The Project is estimated to deliver an average of approximately 314,000 tonnes of 6% chemical grade spodumene concentrate together with 321,000 pounds of tantalite each year over its 36-year mine life in a rapidly growing market.

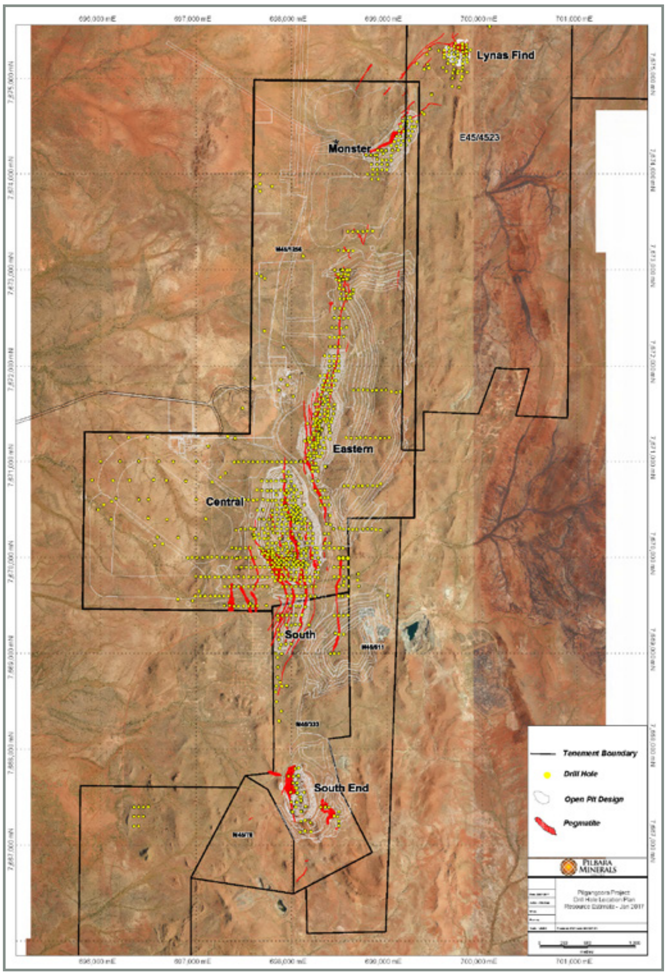


FIGURE 5: PILGANGOORA PROJECT – DRILL HOLE LOCATION PLAN

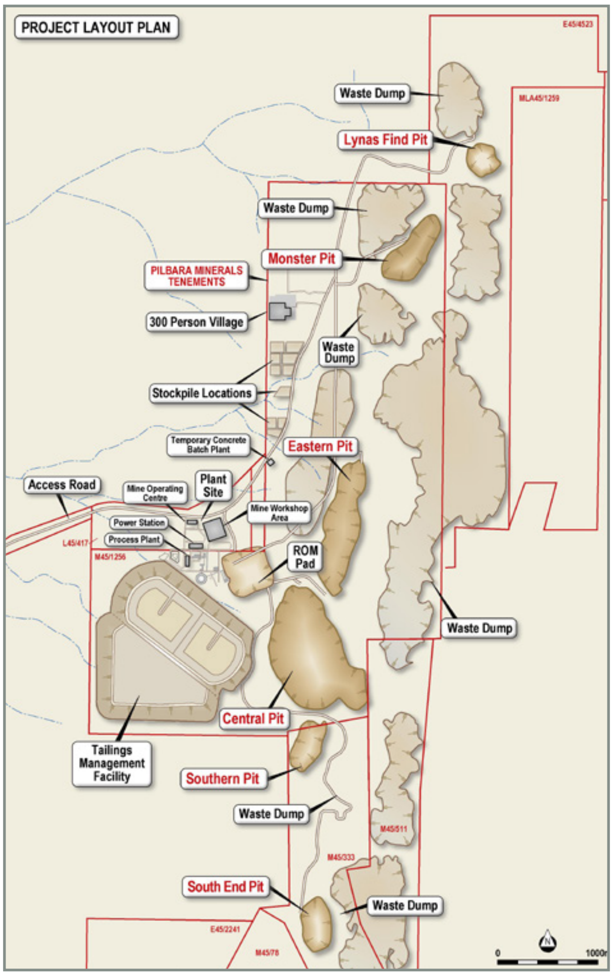


FIGURE 6: PILGANGOORA PROJECT – SITE LAYOUT

ORE RESERVES AND MINERAL RESOURCES

MINERAL RESOURCES

The Pilgangoora Mineral Resource increased by a further 22% during the reporting period with over 1.95Mt of contained lithium oxide (Li_2O) or 4.83Mt of contained lithium carbonate equivalent, reinforcing its status as Australia's premier lithium development project.

The updated JORC 2012-compliant Mineral Resource for the Project incorporates all historical data, as well as all drilling data acquired from Pilbara Minerals' successful drilling campaigns completed from 2014 to December 2016. The new Mineral Resource also incorporates additions to the inventory following the acquisition of the adjoining Lynas Find Lithium Project.

The estimation was carried out by independent resource consultancy, Trepanier Pty Ltd, resulting in the estimation of Measured, Indicated and Inferred Resources. The updated Mineral Resource comprises 156.3Mt @ 1.25% Li_2O (Lithia) and 128ppm Ta_2O_5 (Tantalite) containing 1.95Mt of Li_2O and 44.2 million pounds (Mlb) of Ta_2O_5 (Table 1). This represents a 24% increase in the contained Li_2O and a 13% increase in the contained Ta_2O_5.

TABLE 1:
PILGANGOORA PROJECT – MINERAL RESOURCE ESTIMATE

Category	Tonnage (Mt)	Li_2O (%)	Ta_2O_5 (ppm)	Li_2O (t)	Ta_2O_5 (Mlb)
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**

The new Mineral Resource estimate provides further evidence that Pilgangoora has the grade, scale and quality to underpin a low-cost, long-life mining centre for decades to come.

ORE RESERVES

During the reporting period, Pilbara Minerals delivered a significant increase in the Ore Reserve estimate for the Pilgangoora Project, further strengthening its ability to increase production beyond the 2Mtpa Stage 1 Project approved for development.

The expanded Ore Reserve of 80.3Mt @ 1.27% Li_2O, 123ppm Ta_2O_5 and 1.08% Fe_2O_3 is based on the upgraded Mineral Resource announced in January 2017 of 156.3Mt @ 1.25% Li_2O containing an estimated 1.95Mt of Li_2O.

The upgraded Ore Reserve, which represents a 15% increase on the Ore Reserve announced last year, incorporates additional drilling completed since the DFS was released in September 2016. This represents a 16% increase in the contained Li_2O and a 7% increase in the contained Ta_2O_5.

Studies are now underway to evaluate increased production capacity to 5Mtpa, rather than 4Mtpa as originally contemplated, once operations at Pilgangoora have commenced at the initial targeted production rate of 2Mtpa (approximately 330,000tpa of spodumene concentrate per annum).

Pilbara Minerals commissioned AMC Consultants to assist with the development of the new Ore Reserve estimate.

Key parameters used as part of the Ore Reserve estimation process included (but were not limited to):

- Assumed average of 2Mtpa of ore processing;
- A selling price of US$537/tonne for Battery Grade concentrate, at 6% Li_2O as provided by Pilbara Minerals;
- Mining costs derived from recently received mining contractor submissions which were based on the 2016 DFS mine designs and a new mining schedule which included the addition of the Lynas Find deposit;
- A fixed recovery rate of 77.5% was applied to the Li_2O recovery; and
- Processing costs as per the 2Mtpa rate developed by Como Engineering.

The June 2017 combined Ore Reserve for the final pit design is shown below in Table 2. In addition, the life-of-mine strip ratio for the June 2017 Ore Reserve pit designs was estimated to be 3.9 (tw/to).

The overall Pilgangoora Ore Reserve now comprises 1Mt of contained Li_2O and 22Mlb of contained Ta_2O_5.

TABLE 2:
PILGANGOORA PROJECT – ORE RESERVE ESTIMATE

Category	Tonnage (Mt)	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)	Li_2O (t)	Ta_2O_5 (Mlb)
Proved	17.3	1.30	141	1.03	230,000	5.4
Probable	62.9	1.25	119	1.10	790,000	16.5
Total	**80.3**	**1.27**	**123**	**1.08**	**1,020,000**	**21.8**

This Ore Reserve is the economically mineable part of the Measured and Indicated Resource. It includes mining dilution and allowance for losses in mining. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Pilbara Minerals ensures that the Mineral Resource and Ore Reserve estimates quoted are subject to governance arrangements and internal controls at both site and corporate levels. Mineral Resources and Ore Reserves are estimated in accordance with the 2012 JORC Code, using industry standard techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. The Mineral Resources and Ore Reserves statements included in the Annual Report were reviewed by suitably qualified Competent Persons prior to their inclusion.

COMPETENT PERSON STATEMENTS

The information in this report that relates to Mineral Resources is based on information compiled by Mr Lauritz Barnes (Consultant with Trepanier Pty Ltd) and Mr John Young (Non-Executive Director of Pilbara Minerals Limited). Mr Young is a shareholder of Pilbara Minerals Limited. Mr Barnes and Mr Young are Members of the Australasian Institute of Mining and Metallurgy. Mr Barnes and Mr Young have sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Each of Mr Barnes and Mr Young has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Dion Fotakis (a full-time employee of Pilbara Minerals Limited). Mr Fotakis is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Fotakis is a shareholder of Pilbara Minerals Limited. Mr Fotakis has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Fotakis has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

This Annual Report may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.

MINING

The Pilgangoora mining operation will be conventional drill and blast, load and haul. The life-of-mine production rate has been established at 2Mtpa feed with an average strip ratio of 3.3:1 during the initial five years, after which a life-of-mine strip ratio has been determined at 3.9:1, based on the updated Ore Reserve model released on 29 June 2017.

Waste rock dump designs take into account potential acid forming (PAF) materials, together with top soil management such that materials are appropriately stored for future incremental rehabilitation requirements.

Mining cost estimates used for the DFS were derived from a competitive tender process with a shortlist of six mining and two drill and blast contractors. The tender was based on a PFS-expanded pit incorporating the Inferred Resource material into the mine plan, with the ongoing resource drilling ultimately increasing the Measured and Indicated Resources. Undertaking this process provided competitive pricing for the DFS.

Subsequent to completion of the DFS, a competitive mining tender process was undertaken for the Project. From the six mining contractors that participated in the DFS process, a shortlist of four were brought forward to tender on the mining contract.

The tender was based on an initial five-year term and, at time of writing, the preferred contractor was selected and the contract was awarded to MACA Mining. Mobilisation to site is expected in November 2017.

A revised mine plan has been completed based on the increased Ore Reserve estimate outlined above.

In addition, subsequent to the completion of the DFS, the total Mineral Resource estimate increased to 156.3Mt @ 1.25% Li_2O and 128ppm Ta_2O_5. This represents a significant increase, which has facilitated the commencement of mine expansion studies to assess the potential to increase process plant throughput to 5Mtpa.

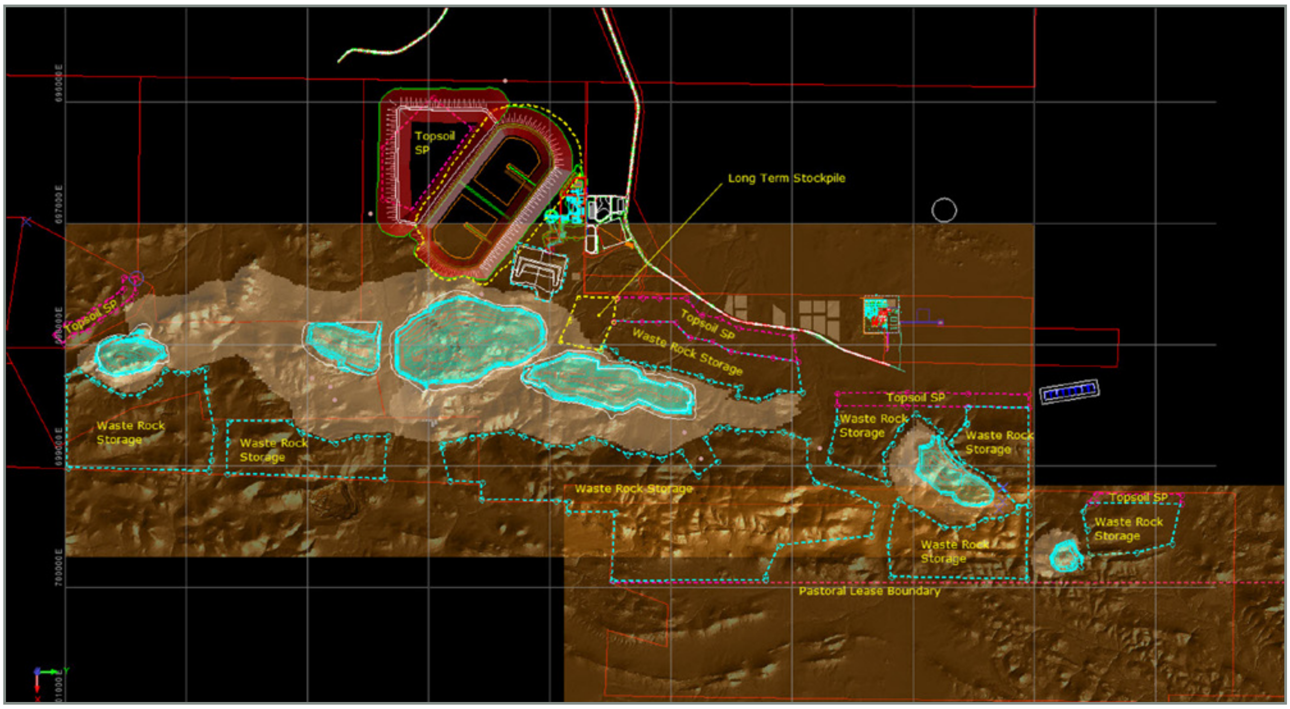


FIGURE 7: OPEN PITS, WASTE DUMPS, TOPSOIL STOCKPILES AND SITE LAYOUT

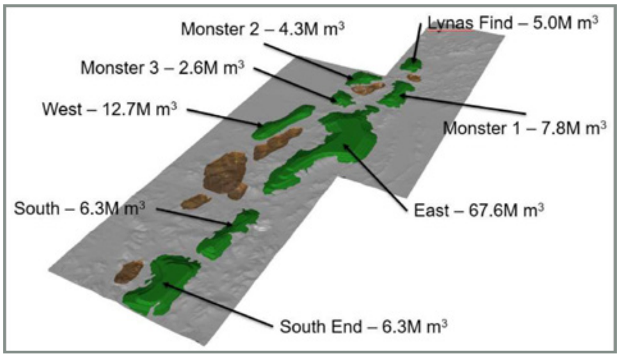


FIGURE 8: SHOWING WASTE DUMP VOLUMES

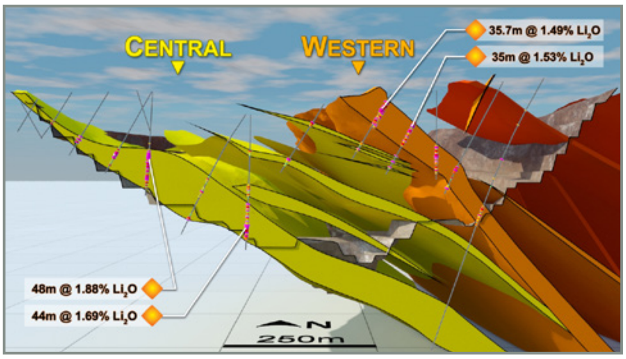


FIGURE 9: CROSS SECTION SHOWING CENTRAL AND WESTERN DOMAINS

METALLURGY AND PROCESS DESIGN AND PROCESS PLANT

LITHIUM SHOOT

The comprehensive metallurgical testwork program completed for the Pilgangoora Project focused on the three main ore domains: Eastern, Central and Western. A targeted PQ diamond drill program for metallurgical samples was undertaken so that it represented the first five years of mine life, with master composites and variability samples prepared for the testwork program.

The metallurgical testwork program encompassed all the comminution parameters, physical parameters, and for spodumene recovery, Heavy Media Separation (HMS) and oxide flotation producing a coarse and fine concentrate. Through a gravity process, a tantalum concentrate will also be produced, adding further value to the Project.

A metallurgical process recovery model was developed in accordance with the mining schedule and is summarised in Table 3.

The flowsheet developed from this program incorporated two stages of HMS from the High Pressure Grinding Rolls (HPGR) screen oversize producing a chemical grade HMS spodumene concentrate (coarse), with the second stage sinks along with the HPGR screen undersize reporting to the gravity and milling circuit, and then to flotation. The gravity circuit produces a tantalum concentrate and flotation circuit then produces a chemical grade flotation spodumene concentrate (fine) which is kept separate to the coarse concentrate.

TABLE 3: RECOVERY MODEL

% Recovery	Central	Eastern	Western	Monster	South	South End	Overall % Recovery	Grade (%)
Li_2O	77.7	78.1	76.1	78.3	77.5	75.9	77.5	6.0
Ta_2O_5	59.3	57.3	51.0	59.3	57.7	51.0	57.4	30.0

METALLURGY AND PROCESS DESIGN

Subsequent to the completion of the DFS, Pilot Plant work was undertaken on both HMS and flotation to further validate the flowsheet. In addition, gap metallurgical testwork was undertaken during the ECI/EPC (Early Contractor Involvement/Engineering, Procurement and Construction) process to further refine the design.

POST-DFS PILOT PLANT

The HMS circuit design for the DFS was modelled on the Heavy Liquid Separation (HLS) testwork program completed on the three major ore domains optimising the density cut points to produce a coarse spodumene concentrate.

The HMS Pilot Plant located at Diamond Recovery Services was modified by Pilbara Minerals and then commissioned on a bulk surface sample from the Eastern Domain, with the definitive program completed using the PQ diamond core generated for the DFS.

The bulk samples for processing represent each ore domain, including bulk Eastern Surface ore, Eastern Domain, Western Domain and Central Domain.

The Pilot Plant HMS results for the Central, Western and Eastern domains are summarised in Table 4 below, with the results demonstrating increases in both yield and recovery compared to the DFS, including a significant increase in recovery in the Eastern Domain from 44.6% to 67.7%; an increase of 23.1% producing a 6.26% Li_2O grade.

TABLE 4: HMS PILOT PLANT SUMMARY RESULTS

Sample	% Yield	% Li_2O Grade	% Li_2O Recovery
Central Domain	16.5	6.05	51.9
Western Domain	18.8	6.11	56.0
Eastern Domain	22.4	6.26	67.7

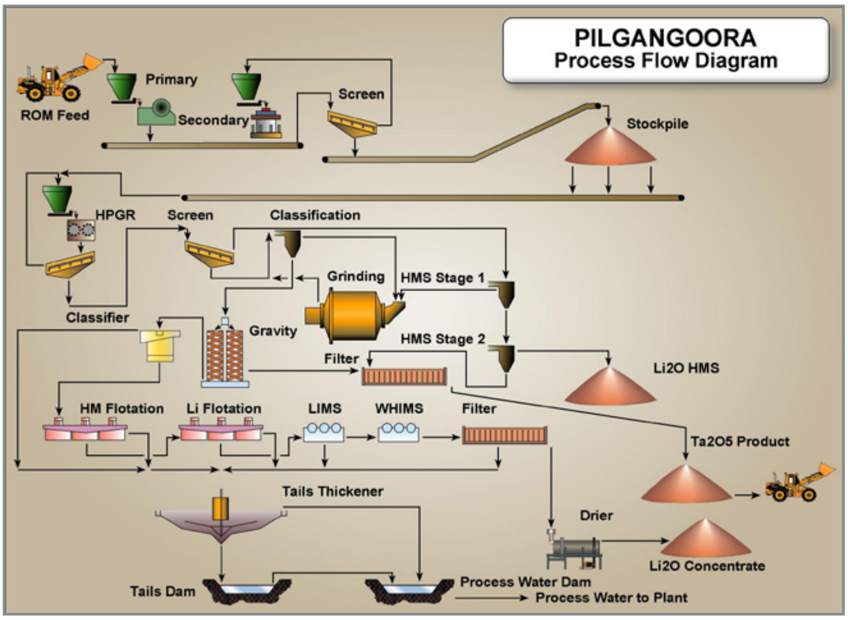


FIGURE 10: PROCESS FLOW DIAGRAM

HMS SPODUMENE-TANTALUM CONCENTRATE (LEFT OF PHOTO); HMS FLOATS (RIGHT OF PHOTO)

For comparative purposes, the HMS modelling conducted from the HLS testwork used for the Basis of Design in the previously published 2Mtpa DFS (September 2016) is summarised in Table 5 below:

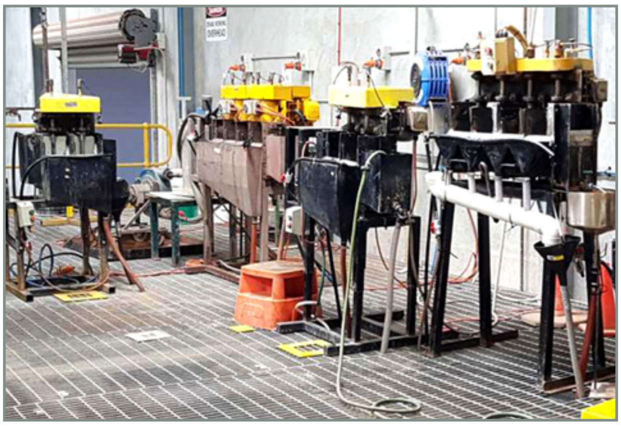
TABLE 5: HMS MODELLING RESULTS – DFS

Sample	% Yield	% Li_2O Grade	% Li_2O Recovery
Central Domain	13.2	6.00	44.2
Western Domain	12.0	6.00	41.9
Eastern Domain	13.8	6.00	44.6

From the Pilot Plant work and all the flotation locked cycle testwork, the overall total recoveries from all three domains reinforced and replicated the total recoveries from testwork conducted in the DFS.

Flotation Pilot Plant work was then undertaken subsequent to the HMS work at SGS Australia in Malaga on the three ore domain samples and on a bulk sample from the Eastern Domain to establish the ability to produce a Technical Grade spodumene concentrate.

CLEANER CELLS



FLOTATION CIRCUIT

The Domain composites were processed through the Pilot Plant after being commissioned on a bulk sample of Eastern Ore, which was successful in producing a final concentrate grade of 7.22% Li_2O with an iron grade of 0.14% based on a feed grade of 2.60 % Li_2O. It is noted that this sample was whole-of-ore, i.e. not subjected to HMS and gravity prior to flotation, as the HMS circuit will be bypassed in operations to support the processing of Technical Grade spodumene for the Pilgangoora plant.

Processing of the three main ore domains (Eastern, Western and Central) was completed in late May 2017. Unfortunately, due to the combined effect of lower feed grades (after HMS Pilot Plant testwork recovery) and the quantity of material fed, the cleaning circuit could not reach stable production (usually taking six hours to achieve). Consequently, samples were taken from each domain rougher tail and re-floated in a Denver 2.5-litre cell with one rougher and two stages of cleaning with the results summarised below showing chemical grade concentrate grades meeting specification. Re-floating of the rougher tail confirmed the Pilot Plant work in reagent addition and pre-float conditioning.

TABLE 6: RE-FLOATING OF DOMAIN ROUGHER TAILS

Domain	Rougher Tail, % Li_2O (Feed)	Concentrate Grade (% Li_2O)	Yield (%)
Central	0.78	5.99	10.3
Western	0.97	5.99	13.0
Eastern	0.96	5.94	15.0

Following on from this program, a further 6.5 tonnes of the bulk Eastern sample was processed to produce a further technical grade product sample of approximately 1 tonne, for distribution to potential customers. The Eastern zone has a lower iron content, and previous bench and pilot scale testwork has consistently demonstrated that it has the ability to be able to produce "Technical Grade" spodumene for the glass and ceramics industry.

The Technical Grade concentrate produced as sampled from the Pilot Plant and after iron removal assayed between 6.8% to 7.1% Li_2O and 0.11% to 0.13% Fe_2O_3. The concentrate is now undergoing blending and rotary sampling at Nagrom to prepare bulk samples for distribution.

Negotiations continue for the completion of offtake agreements in relation to the Technical Grade product. Following the distribution of these samples, Pilbara Minerals will target the completion of these agreements.

PROCESS PLANT (ECI/EPC)

Following the completion of the DFS, Pilbara Minerals undertook a competitive ECI tender process after which a rigorous selection process was undertaken with three separate consortia of Engineers and Constructors selected to participate. The ECI process ran for a period of approximately three months with the process design, plant layout and estimated capital cost for the Process Plant being the key deliverables. Each of the three Proposals were evaluated on a wide range of factors, with the final outcome being the award of the EPC contract to RCR Tomlinson with Minnovo and Primero the engineers.

The Stage 1 of the EPC contract was awarded in January 2017, with the front-end engineering design (FEED) commencing parallel with the gap metallurgical testwork. The Process Plant has been designed to allow for the operation of a 4Mtpa capacity primary crusher (including all associated conveyors to the crushed ore stockpile), with the layout designed in a way that a secondary crusher can easily be added at a later date to increase throughput.

The crushed ore stockpile and feeders are designed for up to 4Mtpa capacity, and the Process Plant incorporating HPGR, milling, gravity, HMS and flotation has also been readily laid out to accommodate a plant expansion to +4Mtpa.

Stage 2 of the EPC contract was awarded in July 2017, following the completion of project financing.

FIGURE 11: PROCESS PLANT

PROCESS PLANT – LONG-LEAD ITEMS

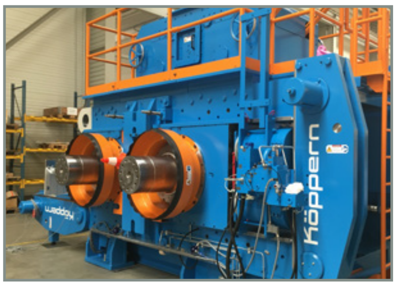
Pilbara Minerals had previously ordered three major pieces of Process Plant long-lead items (undertaken in late 2016), namely:

- Concentrate Filter Press – Ishigaki, Japan;
- HPGR – Koeppern, Germany; and
- Ball Mill – Metso (manufactured in China, Germany and France).

The manufacture of all three is progressing well with delivery to Australia on schedule. The HPGR and the Filter Press were delivered in August 2017 and the Ball Mill is due in October 2017.

Pilbara continues to monitor the critical path for development of the Pilgangoora Project and is placing orders as and when required to support the current development schedule.

CONCENTRATE FILTER PRESS (ACCEPTANCE TESTING)



HPGR – ASSEMBLY (ACCEPTANCE TESTING)

HPGR – HYDRAULIC POWER UNIT

BALL MILL – MILL SHELL SECTION

PRODUCT, MARKETING AND OFFTAKE

PILBARA MINERALS HAD PREVIOUSLY RECEIVED PROPOSALS FROM VARIOUS POTENTIAL BUYERS GLOBALLY TO SECURE OFFTAKE FOR CHEMICAL GRADE SPODUMENE AND, DURING THE REPORTING PERIOD, FINALLY SELECTED TWO MAJOR CHINESE CHEMICAL CONVERTERS AS ITS FOUNDATION CUSTOMERS.

These two customers have established processing plants, know-how, experience, high-quality products and a reputable customer base in the lithium battery supply chain. These offtakers have commenced expansion plans to increase their conversion capacities and require additional sources of feed material. The two binding Offtake Agreements are long-term agreements and secure 90% of the Stage 1 Pilgangoora Project's nominal capacity of Chemical Grade spodumene.

GENERAL LITHIUM CORPORATION

General Lithium Corporation (GLC) is listed on the NEEQ, Beijing, Code No. 837358. One of the leading producers of Battery Grade lithium carbonate (LC) and high purity LC (99.99%), GLC is located close to Nantong Port in Jiangsu Province, China. It produces 8,000tpa of LC and 2,000tpa of high purity LC in Nantong and is constructing an additional 16,000tpa of lithium hydroxide (LiOH) capacity in Jiujiang, Jiangxi Province, China. It is expected to be commissioned by the first quarter of 2018. GLC has diversified further downstream and produces lithium battery cathode material, LFP (lithium iron phosphate) at its new facilities in Qinghai Province, China.

The Offtake Agreement is for supply of 140,000tpa of 6% Chemical Grade spodumene for an initial term of six years with the option to extend for a further four years with annual tonnage to be determined. The pricing is set on a six-month basis by a pricing mechanism which references the price of LC, as defined by term contracts to substantial cathode makers in the Chinese market. The LC price reference will be determined via a combination of Chinese import and domestic prices, so that Pilbara Minerals can share in pricing outcomes derived from carbonate deliveries to higher volume contracts with cathode makers in China. The pricing formula has a floor price mechanism to protect the Company's cost base.

As part of the Offtake Agreement, a Memorandum of Understanding (MOU) for a future downstream chemical processing plant was executed. The MOU envisages GLC providing technology, technical expertise and intellectual property, and will build and operate a lithium chemicals production facility through an incorporated joint venture, likely to be located outside China.

JIANGXI GANFENG LITHIUM CO. LTD

Jiangxi Ganfeng Lithium Co. Ltd (Ganfeng) is listed on Shenzhen Stock Exchange (SHE: 002460) and has a market capitalisation of approximately US$6.7 billion. It is one of China's largest integrated lithium producers, with a total capacity of around 30,000tpa of LCE (lithium carbonate equivalent), and a product suite including lithium metal, lithium hydroxide, lithium carbonate, lithium fluoride, lithium chloride and organic n-butyl lithium. It has also invested in the downstream supply chain by producing precursor material for lithium battery cathode materials and in lithium battery manufacturing.

The Offtake Agreement for Stage 1 (2Mtpa operation) comprises 160,000tpa of 6% Chemical Grade spodumene over an initial ten year term, with two five-year options to extend for up to a further ten years.

Upon a decision to develop Stage 2 (4Mtpa operation), Pilbara Minerals will supply to Ganfeng an additional 75,000tpa of the Project's expanded Stage 2 production of Chemical Grade spodumene. If Ganfeng provides Stage 2 funding commitments, as debt or offtake pre-payment, it has an option to secure up to a maximum of 150,000tpa of Stage 2 expanded production in total.

Ganfeng has also, as part of this Agreement, invested US$20 million (A$26.2 million) into Pilbara Minerals as equity to fund Stage 1 of the Pilgangoora Project.

The pricing mechanism is similar to that with GLC above. It includes downside price protection to provide the Company with confidence that it can operate profitably above its expected operating cost base. It ensures that Pilbara Minerals benefits from both the current and expected future demand for LC in China.

With the Spodumene Offtake Agreements signed and completed for approximately 90% of the designed production capacity of Stage 1, Pilbara Minerals is in the advantageous position of being able to wait for suitable market conditions to sell the balance of the output.

Pilbara Minerals continues to receive expressions of interest and proposals for the Stage 2 Offtake and is evaluating various options that meet the long-term objectives and goals of the Company and its shareholders.

TECHNICAL GRADE SPODUMENE

The Pilgangoora lithium–tantalum orebody is unique and second only to the Greenbushes orebody based on the potential to produce a low iron spodumene (Technical Grade) which is required by the glass and ceramic industries worldwide. In Western Australia, except for Greenbushes, other lithium deposits cannot produce at such a low iron grade as the iron is entrenched within the crystal structure and cannot be separated.

Pilbara Minerals has received strong interest for Technical Grade product from various glass and ceramics buyers in Europe, North America, China and Japan. Non-Binding MOUs were signed in mid-2015 with reputable trading companies with more than two decades of experience in the marketing and distribution of spodumene in their respective regions. These trading companies have access to all the potential buyers within their regions. Pilbara Minerals will potentially become the second-largest producer and supplier of Technical Grade spodumene worldwide.

The Company commenced with Pilot Plant testwork and was able to successfully produce spodumene concentrate at 7.0% lithia and less than 0.15% iron oxide content. The quality meets the requirements for all glass and ceramic customers. Additional testwork is ongoing to produce larger bulk samples for testing by major potential customers.

DIRECT SHIPPING ORE

An innovative offtake deal – the first for any spodumene producer – was signed during the reporting period with Shandong Ruifu Lithium Co. Ltd (Ruifu) for the supply of 1.9Mt of run of mine (ROM) ore containing 1.5% lithia over an approximate two-year term. The agreement included a US$10 million pre-payment. The offtake pricing was fixed over the term at an attractive US$ price per dry metric tonne of ore. However, as Ruifu could not meet the deadline to deposit the pre-payment due to issues with Chinese regulations for the outward transfer of foreign currency, the Agreement was terminated.

ROM ore sales could provide significant early-stage project revenues for Pilbara Minerals during the construction and ramp-up phase. As such, the Company remains engaged with several customers to determine whether suitable sales arrangements can be established to initiate the direct shipping ore (DSO) program.

TANTALUM CONCENTRATES

The Pilgangoora Project will be producing tantalum concentrates as a by-product. The nominal capacity is approximately 300,000lbs per annum of tantalum concentrates and it would potentially become one of the top five global producers.

Global Advanced Metals (GAM) has a first right of refusal in relation to tantalum and has expressed interest in securing offtake of tantalum concentrates. In addition to GAM, several global processors of tantalite have indicated their interest and Pilbara Minerals is in negotiation with these potential customers. If GAM is unable to buy all the capacity, the Company is confident that it will be able to place the product with other buyers.

DEVELOPMENT STATUS, PROJECT CONSTRUCTION AND TIMELINE

DEVELOPMENT STATUS

Subsequent to the delivery of the DFS in September 2016, the Company has continued to progress development activities for the Project to maintain its aggressive delivery targets.

As previously highlighted, and shortly after the completion of the DFS, Pilbara Minerals embarked upon a competitive ECI in which it ultimately selected a single partner for the delivery of the Process Plant. An award of a Stage 1 of the EPC contract – Front End Engineering and Design (FEED) was undertaken during the second half of FY2017, and the award for Stage 2 occurred early in FY2018.

With the aid of an integrated Project Management Consultant (PMC) delivery team, the entire Project health, safety and environmental management systems were developed and rolled out, fully aligned to the Company's compliance requirements stipulated in the Mining Proposal approved in May 2017.

In addition, a significant amount of procurement and tendering was undertaken, particularly in the placement of key long-lead Process Plant items critical to maintain schedule.

During the financial year, key package awards occurred on the following areas (not exhaustive):

- Camp purchase from Roy Hill.
- Camp relocation and construction (Stage 1).
- Process Plant EPC (Stage 1 – FEED).
- Road upgrade works (initial).
- Camp management and catering.
- Bulk earthworks.

Tendering activity also ramped up significantly during the financial year, with several key packages progressed, inclusive of:

- Mining.
- Power station.
- Great Northern Highway intersection upgrade.
- Camp Stage 2.
- Communications infrastructure.

These awards are expected early in Q1 of FY2018, with other tendering activities required for the Project delivery program scheduled to occur during Q1 and Q2 of FY2018.

PROJECT CONSTRUCTION

Construction activity commenced at Pilgangoora in late-2016 with the initial site clearing, construction office and concrete batching facility establishment, and preparations for the first stage of the 300-man accommodation camp purchased in October 2016 from Roy Hill.

During the second half of the financial year, Pilbara Minerals worked with its key contractors in the successful relocation and re-establishment of the first stage of the camp, which encompassed installing and commissioning 60 of the 300 rooms, as well as all central facilities and amenities. The balance of the camp installation (i.e. 240 rooms) commenced during July 2017, consistent with agreed timelines.

The access road into the site is currently via the Great Northern Highway, and traverses a gazetted portion for approximately 8.5 kilometres, which includes three rail crossings (Roy Hill, Fortescue Metals Group and BHP Billiton). After that, there is approximately 15 kilometres of private road which resides on a pastoral station.

Part of the project construction will see this entire length of road, inclusive of rail crossings and the intersection onto the Great Northern Highway, upgraded to facilitate concentrate haulage through to Port Hedland.

Work commenced on these roads during FY2017, with upgrades targeted to improve overall safety and facilitate construction activity.

CONCRETE BATCH PLANT AT PILGANGOORA

EARTHWORKS CLEARING FOR ACCOMMODATION CAMP

ACCOMMODATION CAMP AT PILGANGOORA (JUNE 2017)

PROJECT IMPLEMENTATION TIMELINE

From the outset, Pilbara Minerals implemented an aggressive delivery program, and although there were some delays in securing the balance of funding for the Project, there has only been a small shift in the overall delivery timeline. This in part has been due to the fantastic collaborative efforts between the Company and its consultants, contractors and delivery partners alike.

With funding fully secured and a Final Investment Decision (FID) announced in June 2017, the Company is now solely focused on construction and delivery and is targeting commencement of plant commissioning in March 2018, with first production scheduled for Q2 of 2018.

An overall timeline of delivery outlining key activities through to commissioning and production is provided in Figure 12 below.

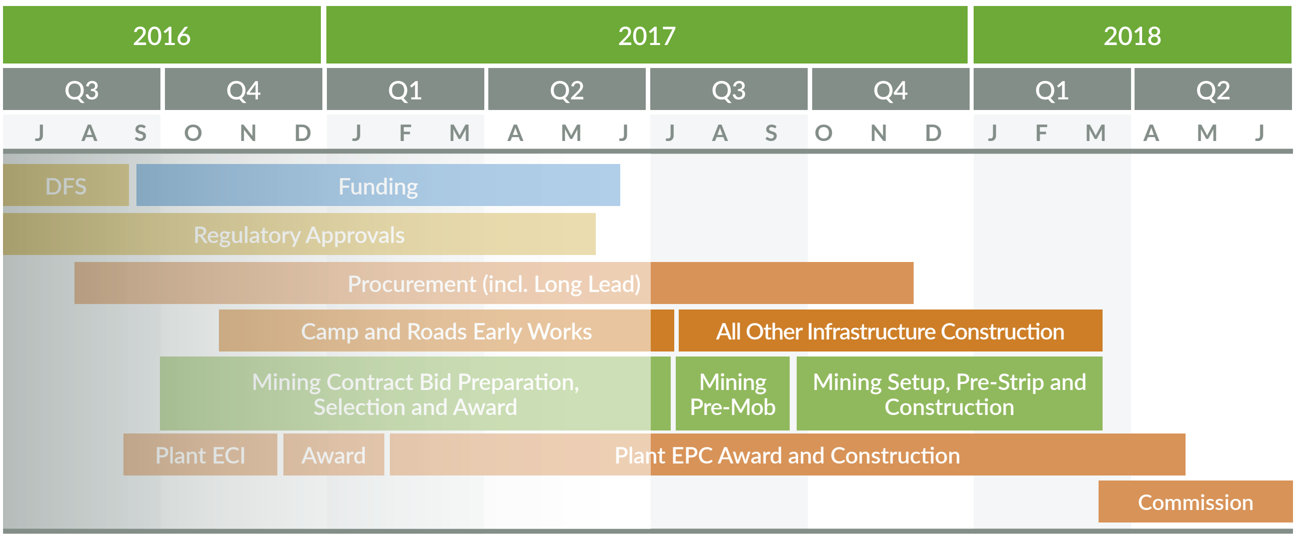


FIGURE 12: PROJECT DELIVERY TIMELINE

FUNDING OF PILGANGOORA PROJECT

As a result of the successful capital raising conducted during the previous financial year, the Company started the FY2017 with A$100 million of cash, which funded the completion of the successful DFS for the Pilgangoora Project and then allowed Pilbara Minerals to commence the fast-track development of the Project, including:

- Securing a number of key long-lead items;
- Acquiring a 300-room mine camp at a significant cost saving and subsequent relocation and re-establishment of this camp;
- Commencing bulk earthworks at the project site;
- Awarding of the EPC contract for the 2Mtpa lithium-tantalum plant and the related commitment to undertake the initial Stage 1 FEED program to determine the final scope of work, timeline and price; and
- Completing Pilot Plant testwork programs to better understand the recovery and grade characteristics of the orebody to optimise the process plant design and operation.

Following execution of the two binding offtake agreements with Jiangxi Ganfeng Lithium Co. Ltd (Ganfeng) and General Lithium Corporation (GLC) for a total of 300,000tpa of 6% Chemical Grade spodumene concentrate, Pilbara Minerals implemented a funding solution in June 2017 consisting of a mix of both debt and equity to ensure the Pilgangoora Project was fully funded through to first production in Q2 of CY2018.

The funding solution was successfully executed and comprised the following components:

- US$100 million senior secured bond, subject to customary closing conditions. The bond, which was settled on 21 June 2017, has a coupon rate of 12%, is to be repaid by June 2022 and requires the net proceeds from the issue to be applied towards development of the Pilgangoora Project.
- Equity placement totalling A$53 million to institutional and sophisticated investors and shareholders. Equity proceeds totalling A$66.47 million were received on 26 June 2017 following settlement of Tranche 1 of the equity placement together with a pro-rata component of the Ganfeng equity placement of US$20 million (A$26.2 million). Following shareholder approval on 26 July 2017, Tranche 2 of the equity placement together with a pro-rata component of the Ganfeng equity placement was settled on 2 August 2017 resulting in the receipt of A$13.5 million.
- Share Purchase Plan totalling A$15 million which was settled on 2 August 2017.

As a result of the successful debt and equity raisings undertaken, the Company's Board of Directors endorsed the final investment decision on 23 June 2017 to proceed with the full development of the Pilgangoora Project.

STAGE 2: 5Mtpa EXPANSION CASE

Given the significant scale of the Pilgangoora Resource and Reserve base (both of which grew substantially during the reporting period) and in light of the substantial demand the Company has observed from potential customers, Pilbara Minerals has initiated further engineering and feasibility studies to support the expansion of mine production to 5Mtpa ore processing capacity.

In September 2016, Pilbara Minerals published the Pilgangoora Stage 2 Pre-Feasibility Study, which demonstrated strong economics in support of the expansion initiative. The Company's intention during FY2018 will be to progress the 5Mtpa Project to a DFS level of assessment for presentation to the Pilbara Minerals Board.

OTHER PROJECTS

MT FRANCISCO PROJECT

Pilbara Minerals significantly enhanced its dominant landholding in the world-class Pilbara lithium region after entering into a binding farm-out and joint venture agreement with Atlas Iron Limited to acquire an initial 51% interest in the Mt Francisco Lithium-Tantalum Project for A$2.3 million. Pilbara Minerals is then required to spend a further $1 million on exploration in the first 12 months to increase its interest in the project to 70%, following which the Company may then earn an additional 10% upon completion of the DFS and decision to mine.

The Mt Francisco tenement is located 50 kilometres southwest of the Company's flagship Pilgangoora Lithium-Tantalum Project, and hosts the last remaining large occurrence of outcropping pegmatites located in close proximity to Port Hedland (Figure 13). Mt Francisco is considered to represent one of the highest-quality lithium-tantalum exploration assets in the Pilbara region outside of Pilbara Minerals' world-class Pilgangoora Project and Mineral Resources Wodgina Project.

It sits within an established zone of known lithium deposits and represents a highly attractive addition to the Company's world-class lithium portfolio, offering the potential for significant resource scale in close proximity to accessible infrastructure.

Pilbara Minerals plans to undertake geological mapping with a view to identify drill targets using its extensive North Pilbara lithium/tantalum exploration expertise, in parallel with commencing negotiations with Traditional Owners to secure access for drilling later in the year.

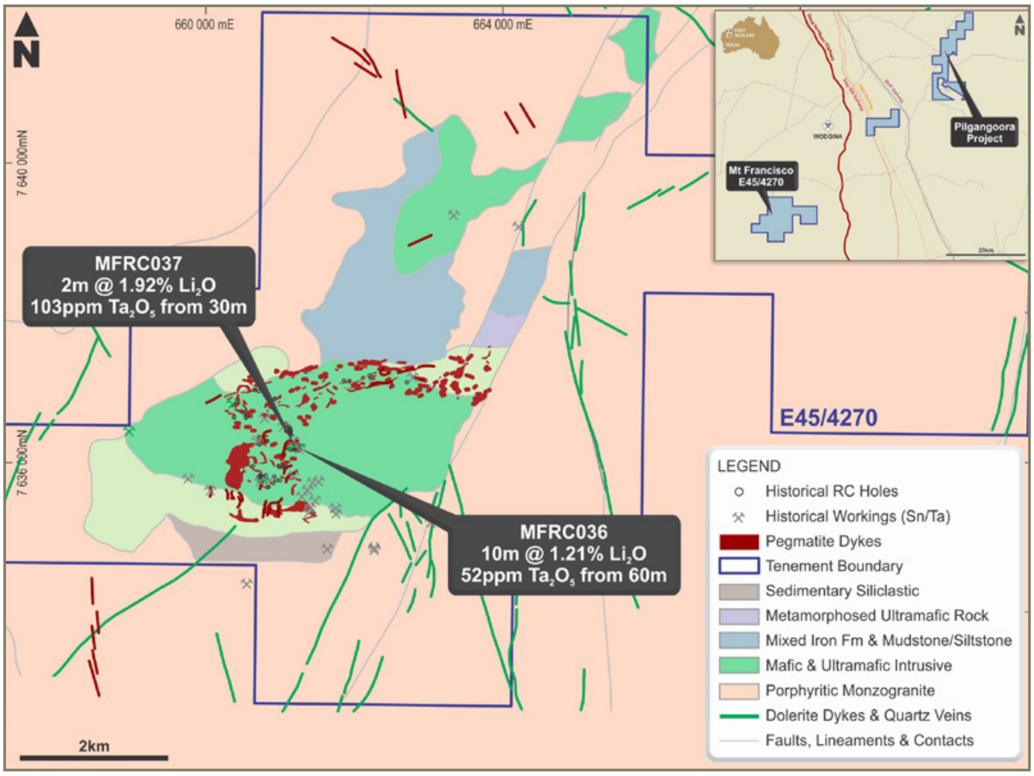


FIGURE 13: MT FRANCISCO SUMMARY PLAN

LYNAS FIND PROJECT

Pilbara Minerals entered in a binding agreement with Dakota Minerals Ltd (now Novo Litio Ltd) to acquire 100% of the adjoining Lynas Find Lithium Project. Under the agreement, Pilbara Minerals acquired the core Lynas Find granted tenements package, which included an Indicated and Inferred Mineral Resource of 7.3Mt @ 1.25% Li_2O, 85ppm Ta_2O_5 and 0.99% Fe_2O_3 (Dakota Minerals) for A$4 million. An additional A$1 million payment was made by Pilbara Minerals on the granting of a term extension on one of these core tenements.

The Company also agreed to pay a further A$750,000 for each of an additional four Pilgangoora exploration tenements which were under application by Dakota Minerals. These payments were triggered by the successful grant and transfer of these tenements to Pilbara Minerals. At Pilbara Minerals' election, these amounts were funded by issuing Dakota Minerals with fully paid ordinary shares in the Company.

The Lynas Find Lithium Project comprises granted Exploration Licences E45/3648, E45/4523, E45/4624, E45/4633, E45/4640, E45/4689 and Prospecting Licence P45/2783 (Figure 14). The project adjoins the Company's Pilgangoora Lithium-Tantalum Project to the east and north, adjacent to Pilbara Minerals' Monster deposit with the acquisition, set to substantially increase the Company's total landholding in the Pilgangoora lithium district by 268 square kilometres to 300 square kilometres.

Exploration completed since project acquisition has included diamond drilling for metallurgical and geotechnical purposes, high resolution aerial photography, bulk sampling and reclassification of resources.

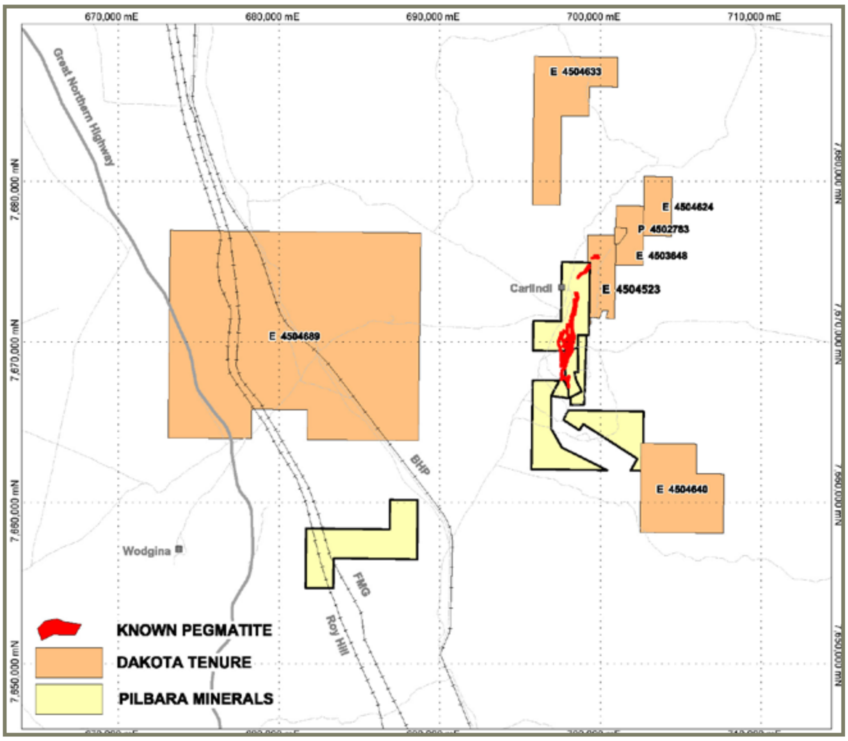


FIGURE 14: DAKOTA MINERALS LTD TENURE

WEST PILBARA TENEMENTS

Exploration over Pilbara Minerals' West Pilbara tenements included field reconnaissance, heritage surveys and aerial photography. Follow-up exploration is planned on these tenements.

TABBA TABBA TANTALITE PROJECT

Pilbara Minerals completed mine and plant construction at Tabba Tabba in late-2015, but suspended operations in December 2015 to undertake an engineering and project review at the site. This engineering review determined that considerable further expenditure would be required to modify the existing processing plant, resulting in the site being suspended indefinitely.

TABBA TABBA PLANT AND INFRASTRUCTURE IN OPERATION (DECEMBER 2015)

Since June 2017, the site has since been officially closed, with the Process Plant and other associated process infrastructure relocated to the Company's Pilgangoora site for storage purposes.

TABBA TABBA REHABILITATED SITE (JUNE 2017)

ABBREVIATIONS AND DEFINITIONS

ABBREVIATIONS

DFS	Definitive Feasibility Study
DSO	Direct Shipping Ore
ECI	Early Contractor Involvement
EPC	Engineering, Procurement And Construction
Fe_2O_3	Iron Oxide
FEED	Front End Engineering Design
FID	Final Investment Decision
GAM	Global Advanced Metals
Ganfeng	Jiangxi Ganfeng Lithium Co. Ltd
GLC	General Lithium Corporation
HLS	Heavy Liquid Separation
HMS	Heavy Media Separation
HPGR	High-Pressure Grinding Rolls
IRR	Internal Rate of Return
lbs	Pounds
LC	Lithium Carbonate
LCE	Lithium Carbonate Equivalent
LFP	Lithium Iron Phosphate
Li_2O	Lithium Oxide
LiOH	Lithium Hydroxide
Mlb	Million Pounds
MOU	Memorandum of Understanding
Mt	Million Tonnes
Mtpa	Million Tonnes Per Annum
NPV	Net Present Value
PAF	Potential Acid Forming
PFS	Prefeasibility Study
PMC	Project Management Consultant
ppm	Parts Per Million
RC	Reverse Circulation
ROM	Run of Mine
Ruifu	Shandong Ruifu Lithium Co. Ltd
t	Tonnes
tpa	Tonnes Per Annum
Ta_2O_5	Tantalite

DEFINITIONS

Mineral Resources
Is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such a form, quantity and quality that there are reasonable prospects for eventual economic extraction. The location, quality, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

Ore Reserves
Is the economically mineable part of a Measured and/or Indicated Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out that demonstrate at the time of reporting that extraction could be reasonably justified.

FINANCIAL STATEMENTS

The Directors present their report together with the consolidated financial statements of the Group comprising of Pilbara Minerals Limited ("**Pilbara Minerals**" or "**the Company**") and its subsidiaries for the financial year ended 30 June 2017 and the auditor's report thereon. The Directors' Report and consolidated financial statements are presented in Australian dollars, except where otherwise indicated.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Anthony Kiernan LLB **Chairman and Independent Non-Executive Director** Appointed 1 July 2016	Mr Anthony (Tony) Kiernan is a highly experienced public company director and former commercial solicitor who has extensive experience in the management and operation of listed public companies. Mr Kiernan is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Mr Kiernan is also Chairman of the Fiona Wood Foundation. **Other current directorships:** Mr Kiernan is a director of the following entities, which are listed on the Australian Securities Exchange: • Chalice Gold Mines Limited (since 2007) – Chairman • Venturex Resources Limited (since 2010) – Chairman. **Former directorships in the last three years:** BC Iron Limited (2006 to 7 December 2016) and Danakali Limited (2013 to 6 February 2017).
Mr Ken Brinsden BEng (Mining), MAusIMM, MAICD **Chief Executive Officer and Managing Director** Appointed 4 May 2016	Mr Brinsden is a mining engineer with over 22 years' experience in surface and underground mining operations. Since graduation from the Western Australian School of Mines, Mr Brinsden has worked for major mining companies including WMC Resources Limited, Normandy Mining Ltd, Central Norseman Gold Corporation, Iluka Resources Limited, Gold Fields Limited and more recently Atlas Iron Limited. Mr Brinsden joined Atlas Iron Limited in May 2006 as Operations Manager and held the roles of Chief Operating Officer and Chief Development Officer before being appointed as its Managing Director in 2012. Mr Brinsden was appointed as Chief Executive Officer of the Company in January 2016 and subsequently appointed to the Board as Managing Director effective from 4 May 2016. **Other current directorships:** None. **Former directorships in the last three years:** Atlas Iron Limited (22 February 2012 to 27 April 2016).
Mr Steve Scudamore FCA, MA (Oxon), FAICD, SF Fin **Independent Non-Executive Director** Appointed 18 July 2016	Mr Steve Scudamore is a Fellow of the Institute of Chartered Accountants, England, Wales and Australia (FCA), a Fellow of the Institute of Company Directors (FAICD) and a Senior Fellow of the Financial Services Institute of Australia (SF Fin). Mr Scudamore's career includes 28 years as a partner at KPMG, where he served as a member of KPMG's Global Energy and Natural Resources Group, KPMG's Australian Corporate Finance Executive and Board, and Chairman of Partners in Western Australia. Mr Scudamore is Chairman of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee. Mr Scudamore is also Chairman of MDA Insurance Pty Ltd, and holds board positions on industry, government and community boards, including as a Trustee of the Western Australian Museum, Chairman of Amana Living Incorporated (formerly Anglican Homes) and a member of Council at Curtin University. Mr Scudamore is also a senior advisor to Lazard Australia. **Other current directorships:** Non-Executive Director of Altona Mining Limited (since 2013) and Non-Executive Director of Australis Oil & Gas (since November 2016). **Former directorships in the last three years:** Aquila Resources Limited (10 December 2012 to 7 June 2016).

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr John Young BAppSc (Geology), Grad Dip – Technology Management, MAusIMM Executive Director 4 September 2015 to 31 July 2017 Non-Executive Director Appointed 1 August 2017	Mr John Young is a geologist having been engaged on exploration and production projects encompassing gold, uranium and specialty metals. From 2002 to 2006, Mr Young was Exploration Manager for Haddington Resources Limited and was responsible for resource exploration and resource definition for their Bald Hill Tantalum mine. Mr Young's corporate experience has included appointments as Chief Executive Officer of Marenica Energy Limited and Chief Executive Officer and Director of Thor Mining PLC. Mr Young has been responsible for exploration and evaluation for both the Pilgangoora and Tabba Tabba projects since their acquisition by the Company. **Other current directorships:** Mosman Oil and Gas Limited; Spitfire Materials Limited (from 29 June 2017). **Former directorships in the last three years:** None.
Mr Nicholas Cernotta B. Eng (Mining) Independent Non-Executive Director Appointed 6 February 2017	Mr Nicholas Cernotta has more than 30 years' experience in the mining industry, spanning various commodities and operations in Australia, Africa, South East and Central Asia, Saudi Arabia and Papua New Guinea. He holds a Bachelor of Mining Engineering and has held senior executive roles with extensive operational experience in both the public and private sectors of the mineral resources industry. Previous roles Mr Cernotta has held include Director of Operations at Fortescue Metals Group Ltd, Chief Operating Officer at MacMahon Contracting and Director of Operation at Barrick Gold. Mr Cernotta is a member of the Audit and Risk Committee and is Chairman of the Remuneration and Nomination Committee. **Other current directorships:** Non-Executive Chairman of ServTech Global (since October 2016). **Former directorships in the last three years:** None.
Mr Robert Adamson BSc, MSc (Hons), MAusIMM, CP (Geo), MAIMVA (CMV), MMICA Independent Non-Executive Director 1 July 2010 to 21 February 2017	Mr Adamson acted in the capacity of Non-Executive Director and was a member of the Audit and Risk Committee and Remuneration and Nomination Committee until his retirement as a Director on 21 February 2017. **Former directorships in the last three years:** None.
Mr Neil Biddle BAppSc (Geology), MAusIMM Executive Director 30 May 2013 to 19 August 2016 Non-Executive Director 20 August 2016 to 26 July 2017	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 to 2007, Border Gold NL from 1994 to 1998, and Consolidated Victorian Mines from 1991 to 1994. **Other current directorships:** Spitfire Materials Limited (from 29 June 2017). **Former directorships in the last three years:** Arunta Resources Ltd (4 April 2013 to 8 April 2015).

Mr Tony Liebowitz retired as a director effective 1 July 2016.

COMPANY SECRETARY

Mr Alex Eastwood, B. Economics; LLB

Mr Eastwood was appointed Company Secretary on 1 September 2016 and has more than 20 years' experience as a commercial lawyer, company secretary and corporate finance executive. Mr Eastwood has previously held partnerships with two international law firms, and has extensive experience as an executive director in the corporate finance area. Mr Eastwood has also held a number of senior corporate positions with ASX-listed companies including as General Counsel and Company Secretary with Gryphon Minerals Ltd and General Counsel with Imdex Limited.

Mr Alan Boys, B. Com, CA (resigned 31 August 2016)

Mr Boys was Company Secretary from 23 October 2014 until his date of resignation on 31 August 2016. He acted as an Alternate Director for Mr Biddle from 20 August 2016 until 23 September 2016.

DIRECTORS' MEETINGS

The number of board and committee meetings attended by each Director of the Company during the financial year are:

	Board Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
Number of Meetings	15		5		3	
Director	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Anthony Kiernan	15	15	5	5	3	3
Mr Robert Adamson*	10	11	4	5	-	2
Mr Ken Brinsden	15	15	-	-	-	-
Mr Neil Biddle**	12	15	-	-	-	-
Mr John Young	14	15	-	-	-	-
Mr Steve Scudamore***	14	14	5	5	3	3
Mr Nicholas Cernotta****	6	6	1	1	1	1

* Mr Adamson retired as a Non-Executive Director effective 21 February 2017.
** Mr Biddle retired as a Non-Executive Director on 26 July 2017.
*** Mr Scudamore was appointed as a Non-Executive Director on 18 July 2016.
**** Mr Cernotta was appointed as a Non-Executive Director on 6 February 2017.

Mr Tony Liebowitz retired as a director effective 1 July 2016.

During the year, the Company established a separate Audit and Risk Committee and reconstituted the Remuneration and Nomination Committee. Both committees consist solely of non-executive directors. In the prior year, the full board acted in the capacity of both the Audit and Risk Committee and Remuneration and Nomination Committee.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration and development of mineral resources, being the Pilgangoora Project. There were no significant changes in the nature of the activities of the Group during the year.

OBJECTIVES

The Group's objectives are to:

- Develop and mine the world class lithium-tantalum deposit at the 100% owned Pilgangoora Project ("**Project**") located in the Pilbara region of Western Australia;
- Continue to conduct exploration activities at the Project to increase the existing JORC resource and reserve; and
- Consider participation in downstream chemical processing opportunities to leverage the quality of the Project.

In order to meet these objectives, the following targets have been set for the 2018 financial year and beyond:

- Target Project commissioning in the third quarter of the 2018 financial year;
- First product on ship in the fourth quarter of the 2018 financial year;
- Undertake and complete the Definitive Feasibility Study ("**DFS**") for the 5 million tonnes per annum ("**Mtpa**") expansion case; and
- Develop partnerships with key lithium chemicals industry groups to participate in downstream chemical processing opportunities.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

During the year, the Company completed the Pilgangoora Lithium-Tantalum Project DFS which confirmed the technical and financial viability of a standalone 2Mtpa mining and on-site processing operation. The Company also completed a 4Mtpa Pre-Feasibility Study ("**PFS**") to assess the option for a future expansion of the Pilgangoora Project.

In addition, the Company successfully secured funding commitments comprising both debt in the form of a conditional senior secured bond facility (US$100 million) and equity ($95 million) to ensure the Pilgangoora Project was fully funded. This led to the final investment decision by the Board in June 2017 to develop the Project.

During the year, the Company announced a substantial increase in Proved and Probable JORC Ore Reserves for the Pilgangoora Lithium-Tantalite Project following various drilling programs.

The Company also acquired the Lynas Find Lithium Project from Novo Litio Ltd (formerly Dakota Minerals Limited) (adjoining the Pilgangoora Project) and entered into a farm-out and joint venture with Atlas Iron Limited to acquire an initial 51% interest in the Mount Francisco Lithium-Tantalum Project with the right to undertake exploration and definitive feasibility studies to earn up to an 80% interest.

The Tabba Tabba Tantalum Project site was closed during the year. The remainder of the Tabba Tabba site was rehabilitated during the fourth quarter of the 2017 financial year in accordance with mine closure obligations.

REVIEW OF PRINCIPAL BUSINESS

PILGANGOORA LITHIUM-TANTALUM PROJECT

The 100% owned Pilgangoora Lithium-Tantalum Project is 120 kilometres southeast of Port Hedland in Western Australia. Since acquiring Pilgangoora in mid-2014, the Company has made significant progress in identifying and increasing the size of the resource and reserve as well as further developing an understanding of the metallurgy of the deposit.

During the September 2016 quarter, the Company completed the DFS on the Project. The DFS confirmed the technical and financial viability of a 2Mtpa standalone mining and processing operation over an initial 36-year mine life based on an initial maiden Ore Reserve of 69.8Mt @ 1.26% Li_2O, 132ppm Ta_2O_5 and 1.04% Fe_2O_3.

Key financial outcomes included:

- Project post-tax $NPV_{10\%}$ of $709 million and IRR of 38.1% (DFS Reserve basis);
- Expected payback of approximately 2.7 years;
- Project capital estimate of $224 million +/-15% (subsequently updated to $234 million on 12 May 2017); and
- Life-of-mine operating cash costs of US$207/tonne of spodumene concentrate Cost and Freight ("**CFR**") (excluding royalties and native title costs).

In September 2016, the Company announced the results of a separate 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 internal rate of return of 46.3%.

During the year ending 30 June 2017, the Company delivered a significant increase in the Ore Reserve estimate for the Pilgangoora Project, further strengthening its ability to increase production beyond the 2Mtpa Stage 1.

The expanded Ore Reserve of **80.3Mt @ 1.27% Li_2O, 123ppm Ta_2O_5 and 1.08% Fe_2O_3** is based on the upgraded Mineral Resource announced in January 2017 of 156.3Mt @ 1.25% Li_2O containing an estimated 1.95Mt of Li_2O.

The upgraded Ore Reserve, which represents an approximate 15% increase on the Ore Reserve announced in the previous financial year, incorporates additional drilling completed since the DFS released in September 2016.

Detail of the Ore Reserve announced in June 2017 are shown in the table below:

Category	Tonnage (Mt)	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)	Li_2O (t)	Ta_2O_5 (Mlbs)
Proved	17.3	1.30	141	1.03	230,000	5.4
Probable	62.9	1.25	119	1.10	790,000	16.5
Total	**80.3**	**1.27**	**123**	**1.08**	**1,020,000**	**21.8**

Following completion of the DFS, the Company swiftly moved the Project to pre-execution activities ahead of reaching a Final Investment Decision ("**FID**") which included:

- Award of the integrated project management consultancy to assist in management and delivery of the Project;
- Completion of a competitive ECI (Early Contractor Involvement) process for the selection of the process plant Engineering, Procurement and Construction Contractor;
- Award of long lead procurement items for the process plant in continued efforts to maintain the project delivery schedule;
- Purchase of an existing 300-man accommodation facility, de-construction and relocation to the Project site;
- Securing of mining proposal and all other necessary ground disturbance related approvals;
- Commencement of initial camp construction and establishment of the project site;
- Obtained all necessary environmental and regulatory approvals; and
- Process plant Front End Engineering and Design activities.

The Board of the Company made a FID on 23 June 2017, paving the way for the continued development of the Project during the 2018 financial year.

TABBA TABBA TANTALUM PROJECT

The Tabba Tabba Tantalum Project was officially closed during the reporting year, with site closure activities completed in late June 2017. Formal acceptance from the Department of Mines, Industry Regulation and Safety (formerly Department of Mines and Petroleum) is expected in the first quarter of the 2018 financial year.

Subsequent to the year end, the Company entered into a binding agreement to sell the plant to Tungsten Mining NL.

CORPORATE REVIEW

During the year, the Company signed a six-year offtake agreement with General Lithium Corporation of China ("**General Lithium**") to supply 140,000tpa of 6% chemical-grade spodumene concentrate, subject to certain conditions precedent. General Lithium has the option to extend the offtake agreement for a further four years with committed annual tonnages to be agreed by the parties. In addition to the offtake commitments, General Lithium also agreed to invest $17.75 million into Pilbara Minerals via an equity placement for 35.5 million fully-paid Pilbara Minerals shares at an issue price of 50 cents per share. Settlement of the equity placement is subject to General Lithium obtaining all relevant regulatory approvals in China by no later than 30 September 2017. Further, the offtake agreement includes a binding commitment with General Lithium to evaluate joint venture opportunities outside of China to establish downstream processing plants for the production of lithium carbonate and/or lithium hydroxide, consistent with Pilbara Minerals' longer-term strategy of producing value-added materials to enable the Group to potentially move up the lithium value chain in the future, diversifying and enhancing its product offerings. A further 2% equity placement is required to be offered to General Lithium in the event a formal investment decision is made to proceed with the development of a lithium chemicals facility.

The Company also signed a 10-year offtake agreement for 6% chemical grade spodumene with China's largest integrated lithium producer, Ganfeng Lithium and its subsidiary GFL International Co. Limited, subject to certain conditions precedent including the completion of a US$20 million equity placement to Ganfeng Lithium, which has been completed in June 2017. The agreement is for the supply of 160,000tpa of 6% chemical grade spodumene concentrate (with agreed specifications) with the ability for Ganfeng Lithium to extend the agreement for a further 10 years through two five-year options. In addition, subject to a decision to develop the expanded 4Mtpa Stage 2 case at Pilgangoora Project, Pilbara Minerals and Ganfeng Lithium have agreed to enter into an additional offtake agreement to supply Ganfeng Lithium with at least 25% of the expanded Stage 2 production of chemical grade spodumene concentrate and up to 50% of this additional production, contingent on a funding commitment of not less than $65 million for Stage 2 being provided by Ganfeng Lithium (total of up to 150,000tpa of Stage 2 expanded production).

On 5 October 2016, the Company entered into an agreement with Novo Litio Ltd to acquire the Lynas Find Lithium Project which adjoins the Pilgangoora Project. The terms of the acquisition included a $5 million payment for the acquisition of the core tenements, with further payments of $750,000 each for four additional exploration tenements to be made to Novo Litio Ltd upon transfer of tenements to Pilbara Minerals. This acquisition has now been completed.

On 25 October 2016, the Company agreed to issue 104,166,167 shares to Mineral Resources Limited at an issue price of 48 cents per share (representing a total value of $50 million), in exchange for the Company acquiring the 2.5% net smelter royalty in relation to the Pilgangoora Project and the permanent extinguishment of a right of first refusal to purchase lithium products produced from the Project.

During the March 2017 quarter, the Company entered into a binding farm-out and joint venture agreement with Atlas Iron Limited to acquire an initial 51% interest in the Mt Francisco Lithium-Tantalum Project for $2.3 million. Pilbara Minerals may spend a further $1 million on exploration in the first 12 months to increase its interest in the project to 70%, following which the Company may earn an additional 10% upon completion of a definitive feasibility study and decision to mine. The Mt Francisco tenement is located 50 kilometres southwest of the Company's flagship Pilgangoora Lithium-Tantalum Project, and hosts the last remaining large occurrence of outcropping pegmatites located in close proximity to Port Hedland.

During June and July 2017, the Company undertook an equity raising and bond issue to complete the funding required to develop the Project.

On 21 June 2017, the Company confirmed settlement of a US$100 million senior secured bond, with drawdown subject to customary closing conditions including security documentation with the bond trustee and third-party consents to create security interests. The bond has a coupon rate of 12%, is to be repaid by June 2022 and requires the net proceeds from the issue to be applied towards capital and development costs associated with the Pilgangoora Project.

On 15 June 2017, the Company launched a $95 million equity raising at an issue price of 35 cents per ordinary share by way of:

- **Tranche 1 Placement** component – issue of 189.9 million ordinary shares to raise $66.5 million. This component of the raising was settled on 26 June 2017.
- **Tranche 2 Placement** component – issue of 38.7 million ordinary shares to raise $13.5 million. Following shareholder approval, this component of the raising settled on 2 August 2017.
- **Share Purchase Plan** component – issue of 42.9 million ordinary shares to raise approximately $15 million. This component settled on 2 August 2017.

REVIEW OF FINANCIAL CONDITIONS

The consolidated loss for the year ended 30 June 2017 was $25.95 million (2016 loss: $55.61 million). Excluding the following non-cash items, the consolidated entity achieved an unaudited operating loss of $13.39 million (2016 loss: $15.90 million):

- Non-cash share-based payment expenses of $12.42 million following the issue of options to directors, employees, consultants, service providers and convertible noteholders to preserve cash (2016: $26.56 million); and
- Non-cash depreciation charges related to corporate assets $0.09 million (2016: $0.05 million); and
- Other non-cash items of $0.05 million (2016: $13.10 million).

The operating loss of $13.39 million includes exploration, evaluation and feasibility costs expensed of $9.74 million (2016: $10.56 million) associated mainly with the Pilgangoora Project.

SHARE PLACEMENTS AND ISSUES

During the financial year, the Company issued the following capital before costs:

Date	Number of shares	Price per share ($)	Amount issued ($'000)
2 November 2016	104,166,667	$0.48	50,000
27 June 2017	189,900,000	$0.35	66,465

OPTIONS ISSUED

During the financial year, the Company granted the following options:

Options	Grant date	Exercise price	Expiry date	Vested	Options unexercised at 30 June 2017
4,000,000	08/08/2016	$0.63	08/09/2019	1,333,333[a]	4,000,000
3,000,000	16/08/2016	$0.63	08/09/2019	1,000,000[a]	3,000,000
500,000	19/09/2016	$0.55	17/11/2019	-[b]	500,000
500,000	07/11/2016	$0.55	07/11/2019	-[b]	500,000
10,000,000	24/11/2016	$0.63	12/12/2019	3,333,333[c]	10,000,000

[a] The vesting conditions attached to these unlisted options were:
- 33.33% vest upon the delivery of a final DFS for the Pilgangoora Project to a standard acceptable to the Board;
- 33.33% vest upon the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;*
- 33.33% vest upon the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time each milestone is achieved.

[b] The vesting conditions attached to these unlisted options were:
- 50% vest upon the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;
- 50% vest upon the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification;* and
- A continuing employment service condition at the time each milestone is achieved.

[c] The vesting conditions attached to these unlisted options were:
- 33.33% vest on the date of shareholder approval of the option grant;
- 33.33% vest 12 months after the grant date;
- 33.33% vest 24 months after the grant date;
- A continuing employment service condition at the time each milestone is achieved.

* These options are expected to vest upon satisfaction of the pre-disbursement conditions precedent associated with the US$ secured bond facility.

During the year, a total of $1.95 million was raised following the exercise of 24,420,832 unlisted options.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review, except as already noted in this Directors' Report.

DIVIDENDS

The Directors recommend that no dividend be declared or paid.

EVENTS SUBSEQUENT TO REPORTING DATE

At the Company's general meeting on 26 July 2017, shareholders approved Tranche 2 of the share placement as detailed in the Company's ASX announcements on 15 June and 19 June 2017 (38,671,430 shares at an issue price of 35 cents per share). On 2 August 2017, the Company received proceeds of $13,535,000 for Tranche 2 of the share placement and $15,322,038 associated with the Company's Share Purchase Plan (43,777,251 shares at 35 cents per share). Associated transaction costs of $1,032,000 were paid on settlement.

On 21 July 2017, the Company agreed to sell the processing plant assets associated with the Tabba Tabba Tantalum Project to Tungsten Mining NL. The carrying value of the Tabba Tabba processing plant assets at 30 June 2017 was $370,000. Consideration for the sale includes $300,000 in cash and $300,000 in shares of Tungsten Mining NL.

On 15 August 2017, the Company completed settlement of the Novo Litio (formerly Dakota Minerals Limited) Lynas Find tenement acquisition following the grant and transfer of the four remaining tenements to Pilbara Minerals. Total consideration of $3 million was paid via the issue of 7,577,671 ordinary fully shares in the Company at a share price of 39.59 cents.

LIKELY DEVELOPMENTS

The Group will continue with development and construction of the Pilgangoora Lithium-Tantalum Project with a view to commissioning in the third quarter of the 2018 financial year.

ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in Australia in relation to its mining, development and exploration activities. The Group is committed to achieving a high standard of environmental performance. Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no known instance of non-compliance noted. Based on the results of enquiries made, the Directors are not aware of any significant breaches during the period covered by this report.

INTERESTS

The relevant interest of each Director in the shares, rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Pilbara Minerals Limited	
	Ordinary shares	Options over ordinary shares
Mr Ken Brinsden	869,565	15,000,000(i)
Mr Anthony Kiernan	287,858	8,000,000 (ii)
Mr Steve Scudamore	142,850	2,000,000 (ii)
Mr John Young	18,701,213	5,000,000
Mr Nicholas Cernotta	228,570	-

(i) Vesting conditions attached to these options are set out in footnote (a) to the "Options Issued" section above.
(ii) Vesting conditions attached to these options are set out in footnote (c) to the "Options Issued" section above.

SHARE OPTIONS

At the date of this report, unissued shares of the Group under option are:

Expiry date	Exercise price	Number of options
1 December 2017	$0.15	1,427,273
16 May 2018	$0.40	37,500,000
16 May 2018*	$0.40	800,000
16 May 2018	$0.65	7,000,000
16 May 2019[a]	$0.40	30,500,000
8 September 2019[a]	$0.63	13,000,000
7 November 2019[b]	$0.55	500,000
17 November 2019[b]	$0.55	500,000
12 December 2019[c]	$0.63	10,000,000

* The vesting conditions attached to this set of options were employees providing six months of continuous services to the Company.
[a] Vesting conditions attached to these options are set out in footnote (a) to the "Options Issued" section above.
[b] Vesting conditions attached to these options are set out in footnote (b) to the "Options Issued" section above.
[c] Vesting conditions attached to these options are set out in footnote (c) to the "Options Issued" section above.

Unless stated, there are no other vesting conditions on options on issue.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has agreed to indemnify the following current and past directors and officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a 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. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not, during or since the financial period, indemnified or agreed to indemnify the auditor of the Company against a liability incurred as an auditor.

INSURANCE PREMIUMS

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors, officers, and senior executives of the Company and its controlled entities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

NON-AUDIT SERVICES

KPMG held the position of interim auditor of the Group from 10 June 2016 following the resignation of Somes Cook. Their appointment was confirmed at the Annual General Meeting held on 24 November 2016.

KPMG provided non-audit services of $7,455 in the financial year ended 30 June 2017. 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*. The Directors are satisfied that the provision of non-audit services did not compromise the auditor independence requirements of the *Corporations Act 2001* because none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 45 and forms part of the Directors' Report for the financial year ended 30 June 2017.

ROUNDING OF AMOUNTS

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

REMUNERATION REPORT – AUDITED

This Remuneration Report for the year ended 30 June 2017 outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001 (Cth)* ("**Act**") and its regulations. The Remuneration Report details the remuneration arrangements for Key Management Personnel ("**KMP**") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

PRINCIPLES OF COMPENSATION – AUDITED

The nature and amount of remuneration for an executive and non-executive director depends on the nature of the role and market rates for the position, which are determined with the assistance of external advisors (where necessary), surveys and reports, taking into account the experience and qualifications of each individual. During the year ended 30 June 2017, the Group did not use any external advisors. The Board ensures that the remuneration paid to KMP is relevant to market conditions and practices, demonstrating a correlation to KMP performance and creation of value for shareholders and balances the commercial interest of not paying excessive remuneration. Fees and payments to the Non-Executive Directors reflect the demands made, and the responsibilities placed on the Non-Executive Directors. Non-executive director fees and payments are reviewed annually by the Board.

The following were KMP of the Group during the financial year and unless otherwise indicated were KMP for the entire financial year:

Non-Executive Directors	Executive Directors	Executives
Mr Anthony Kiernan[1] Mr Tony Leibowitz[2] Mr Robert Adamson[3] Mr Neil Biddle[4] Mr Nicholas Cernotta[5] Mr Steve Scudamore[6] Mr John Young[7]	Mr Ken Brinsden	Mr Brian Lynn Mr Alex Eastwood[8] Mr Alan Boys[9]

1 Mr Kiernan was appointed as Chairman of the Board on 1 July 2016.
2 Mr Leibowitz resigned as Chairman of the Board on 1 July 2016.
3 Mr Adamson resigned as a Non-Executive Director on 21 February 2017.
4 Mr Biddle resigned as an Executive Director on 19 August 2016 and was appointed as Non-Executive Director on 20 August 2016. He resigned as Non-Executive Director on 26 July 2017.
5 Mr Cernotta was appointed as a Non-Executive Director on 6 February 2017.
6 Mr Scudamore was appointed as a Non-Executive Director on 18 July 2016.
7 Mr Young resigned as an Executive Director on 31 July 2017, but continues as a Non-Executive Director.
8 Mr Eastwood was appointed as Company Secretary on 1 September 2016.
9 Mr Boys acted as Company Secretary until 31 August 2016 and acted in the capacity of Alternate Director from the 20 August 2016 to 23 September 2016.

The objective of the Company's remuneration strategy is to ensure reward for performance is competitive and appropriate for the results delivered. The remuneration framework aligns executive reward with the achievement of short term and long term strategic objectives and the creation of value for longer term shareholder return. The Board ensures that the executive reward framework satisfies the following key criteria in line with appropriate corporate governance practices:

- Attract, retain and motivate key executives at important stages of the Company's development linked to strategy and performance;
- Reward executives against pre-determined performance goals/targets to achieve successful project development;
- Ensure effective benchmarking for total annual remuneration in accordance with market practices and clearly defined peer groups of similar companies to ensure remuneration is fair and competitive;
- Align executive interests with those of the Company's shareholders; and
- Comply with applicable legal requirements and appropriate standards of governance.

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation. Executive remuneration packages may comprise a mix of the following:

- **Fixed remuneration** comprising base salary and employer superannuation contributions. Salaries are reviewed on an annual basis to ensure competitive remuneration is paid to executives with reference to their role, responsibility, experience and performance. Salaries are reviewed on an annual basis and are based on external surveys and reports that provide market rates.

- **Short-term incentives** ("**STIs**") comprising cash bonuses. The STIs are structured to provide remuneration for the achievement of individual and Company shorter term performance targets linked to the Company's strategic objectives.
- **Long-term incentives** ("**LTIs**") may comprise cash bonuses and/or participation in equity based schemes. The LTIs provide remuneration for the achievement of corporate objectives linked to the long-term growth of the Company.

The STIs and LTIs are all at risk.

For the year ended 30 June 2017, no STIs were made available under the Executive Remuneration Framework.

During the year, the Company achieved the significant milestones of completion of the definitive feasibility study and project funding. In prior years, the Company preserved cash for its successful exploration activities by granting unlisted options over ordinary shares to Executives as part of an Employee Share Option Plan. The vesting of these options issued under the plan are subject to the milestone achievements of:

- Delivery of the DFS for the Pilgangoora Project (achieved in September 2016);
- Project funding acceptable to the Board with a commensurate "decision to mine" in respect of the Pilgangoora Project (achieved in June 2017, subject to satisfying pre-disbursement conditions precedent to the drawdown of US$D bond funds); and
- Completion of mine development and construction at Pilgangoora with the process plant achieving 85% design throughput at a saleable product specification.

During the year, 14,000,000 unlisted options over ordinary shares in the Company were granted to directors and KMP including 10,000,000 unlisted options over ordinary shares being issued to Directors following receipt of shareholder approval in November 2016.

Of the 10,000,000 unlisted options noted above, 8,000,000 were issued to Mr Kiernan (Non-Executive Chairman) and 2,000,000 were granted to Mr Scudamore (Non-Executive Director) both with service-related vesting conditions.

With the final milestone for the options issued under the Employee Share Option Plan targeted to be achieved by the fourth quarter of the 2018 financial year, the Directors have adopted a new remuneration policy and formulated a framework which is more appropriate for the Company's transition from development to a mining operation, to align a reward structure with strategic objectives that have a longer term focus consistent with a developing company and reflective of best practice in the market place. It is expected that the proposed framework will be implemented early in the 2018 financial year. This remuneration framework encompasses both at risk short term (STI) and long term (LTI) incentive components with established performance hurdles and measures required to be achieved.

The new remuneration framework is formulated to attract and retain key executives at a vital stage in the Company's development and to ensure that all executive remuneration is directly and transparently linked with strategy and performance. The STIs and LTIs will be aligned with the achievement of the Company's short-term and long-term strategic objectives and longer-term shareholder return. Other key objectives of the new remuneration framework include:

- The establishment of performance goals and rewarding performance for successful project development in a way that is sustainable including health and safety, environment and community;
- Ensuring all equity based instruments issued to executives are performance based in accordance with recommended corporate governance practices;
- Ensuring effective benchmarking of total annual remuneration for executives. In this regard, the Company may seek external advice on market practices for a clearly defined peer group of similar companies to ensure remuneration is fair, competitive and responsible including the appropriate balance of fixed remuneration and performance based remuneration;
- Rewarding individual and group objectives thus promoting a balance of individual performance and teamwork across the executive management team;
- Preserving cash where necessary for exploration and project development;
- Encouraging new appointments to the Board to improve diversity; and
- Promoting independence and impartial decision making across the non-executive directors.

A) ASSESSING PERFORMANCE AND CLAWBACK OF REMUNERATION

The Board is responsible for assessing performance against key performance indicators and determining the STI and LTI components to be paid based upon reports from management, market conditions and Company performance.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may in its discretion cancel or defer performance-based remuneration and may also clawback performance-based remuneration paid in previous financial years.

B) CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

Executive remuneration is aimed at aligning the strategic and business objectives with the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2017	2016	2015	2014	2013
Profit/(loss) for the year attributable to owners of Pilbara Minerals Limited ($'000)	(25,954)	(55,607)	(6,620)*	(3,187)	(1,156)
Basic earnings/(loss) per share (cents)	(2.11)	(6.76)	(1.12)*	(1.15)	(1.63)
Dividend payments ($'000)	-	-	-	-	-
Share price	$0.38	$0.62	$0.11	$0.02	$0.01
Increase/(decrease) in share price (%)	(38.7)	463.6	452.6	58.3	(14.3)

* Restated for the change in exploration and evaluation accounting policy.

C) SERVICE CONTRACTS

The remuneration and other terms of employment for the Managing Director and other KMP during the period are formalised in employment agreements, which are set out below.

	K Brinsden[1] (Managing Director/ Chief Executive Officer)	B Lynn[2] (Chief Financial Officer)	A Eastwood[3] (Company Secretary & General Counsel)
Total fixed remuneration per annum inclusive of superannuation	$350,000	$240,000	$292,604
Resignation notice	16 weeks	16 weeks	12 weeks
Termination notice for cause	None	None	None
Termination notice without cause	12 months	12 months	6 months
Termination in case of illness or injury or incapacity	Greater of 1 month or NES	Greater of 1 month or NES	Greater of 1 month or NES
Redundancy*	NES	NES	NES

1 Mr Brinsden – employment agreement commenced 2 December 2015 as Chief Executive Officer. Mr Brinsden was appointed Managing Director on 4 May 2016.

2 Mr Lynn – employment agreement commenced 22 June 2016.

3 Mr Eastwood – employment agreement commenced 8 August 2016.

* Any payment made to the Executive in lieu of notice is set off against National Employment Standards (NES).

During the year, Mr Young was employed as Executive Director under an employment agreement with a remunerated salary of $260,000 per annum exclusive of superannuation. The agreement specifies duties and obligations to be fulfilled and provides for an annual review of base remuneration taking into account performance. On 31 July 2017, Mr Young resigned as an Executive Director and became a Non-Executive Director of the Company at which point the service agreement was terminated.

Remuneration for the Managing Director and other KMP is at the date of the Report being reviewed as part of the Company's new remuneration framework to be implemented in FY18.

D) NON-EXECUTIVE

The maximum annual aggregate directors' fee pool limit is $750,000 and was approved by shareholders at the annual general meeting on 24 November 2016.

	From 1 July 2016	18 July 2016
Base fees (annual)		
Non-Executive Chairman	130,000	-
Other Non-Executive Directors	-	70,000
Committee Fees (annual)		
Non-Executive Chairman	-	-
Other Non-Executive Directors	-	5,000

Fees are reviewed annually by the Board taking into account comparable roles and market data. The Board reviewed the Chairman's fee on the appointment of Mr Kiernan as Chairman and Non-Executive Director with effect from 1 July 2016 and the Non-Executive Director fees on the appointment of Mr Scudamore effective from 18 July 2016.

E) EXECUTIVE REMUNERATION FRAMEWORK AND PERFORMANCE PAY OUTCOMES

The Group's executive KMP total remuneration structure provides for:

- Fixed remuneration;
- Short-term, performance linked equity remuneration (STI); and
- Long-term, performance linked equity remuneration (LTI).

During the period, the Managing Director and Chief Executive Officer received 10.6% of his remuneration as fixed and 89.4% of his remuneration as LTI. The Chief Financial Officer received 14.1% of his remuneration as fixed and 85.9% of his remuneration as LTI. The Company Secretary and General Counsel received 23.3% of his remuneration as fixed, and 76.7% of his remuneration as LTI.

For the year ended 30 June 2017, no STIs were made available under the executive remuneration framework.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION – AUDITED

Details of the remuneration of the Directors and the KMP of the Group are set out in the following tables.

		Short term		Post-employment benefits	Share-based payments Equity options		Total
		Salary and fees	Consulting fees	Superannuation benefits	Non-performance related	Performance related	
Non-Executive Directors							
Tony Leibowitz[1]	2017	-	-	-	-	-	-
	2016	86,000	215,200	-	3,008,088	-	3,309,288
Robert Adamson[2]	2017	40,000	-	-	-	-	40,000
	2016	56,000	-	-	752,022	-	808,022
Anthony Kiernan[3]	2017	118,722	-	11,279	1,655,064	-	1,785,065
	2016	-	-	-	-	-	-
Steve Scudamore[4]	2017	65,420	-	6,215	413,766	-	485,401
	2016	-	-	-	-	-	-
Neil Biddle[5]	2017	68,924	54,867	-	-	-	123,791
	2016	56,000	281,500	-	3,008,088	-	3,345,588
John Young[6]	2017	193,492	-	16,812	-	-	210,304
	2016	56,000	180,000	-	2,366,920	-	2,602,920
Nicholas Cernotta[7]	2017	27,520	-	2,614	-	-	30,134
	2016	-	-	-	-	-	-
Executive Directors							
Ken Brinsden	2017	330,384	-	19,622	-	2,961,590	3,311,596
	2016	150,507	-	10,264	-	1,786,291	1,947,062
Other KMP							
Alan Boys[8]	2017	-	38,000	-	-	-	38,000
	2016	-	216,000	-	2,254,893	-	2,470,893
Brian Lynn	2017	222,446	-	19,798	-	1,481,228	1,723,472
	2016	7,969	-	757	-	62,382	71,108
Alex Eastwood[9]	2017	246,795	-	17,604	-	869,563	1,133,962
	2016	-	-	-	-	-	-
Total Directors' and KMP remuneration	**2017**	**1,313,703**	**92,867**	**93,944**	**2,068,830**	**5,312,381**	**8,881,725**
	2016	**412,476**	**892,700**	**11,021**	**11,390,011**	**1,848,673**	**14,554,881**

1 Mr Leibowitz retired as Chairman of the Board and Non-Executive Director on 1 July 2016.
2 Mr Adamson resigned as Non-Executive Director on 21 February 2017.
3 Mr Kiernan was appointed as Chairman of the Board and Non-Executive Director on 1 July 2016. The options were granted on 24 November 2016 when the share price was 54 cents. The exercise price of the options is 63 cents and the valuation* per option is 33.98 cents.
4 Mr Scudamore was appointed as Non-Executive Director on 18 July 2016. The options were granted on 24 November 2016 when the share price was 54 cents. The exercise price of the options is 63 cents and the valuation* per option is 33.98 cents.
5 Mr Biddle resigned as Executive Director on 19 August 2016 and was appointed a Non-Executive Director effective 20 August 2016 until his resignation on 26 July 2017.
6 Mr Young resigned as an Executive Director on 31 July 2017 and was appointed a Non-Executive Director on 1 August 2017.
7 Mr Cernotta was appointed a Non-Executive Director on 6 February 2017.
8 Mr Boys acted as Company Secretary until 31 August 2016 and was appointed as Alternate Director from 20 August 2016 until 23 September 2016.
9 Mr Eastwood was appointed Company Secretary on 1 September 2016. The options were granted on 8 August 2016 when the share price was 54 cents. The exercise price of the options is 63 cents and the valuation* per option is 26.99 cents.

* The Black Scholes option valuation methodology was used to value the options.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION – UNAUDITED

The statutory remuneration disclosures detailed above for the year ended 30 June 2017 were significantly impacted by non-cash values ascribed to unlisted share options issued to directors and KMP, in accordance with Australian Accounting Standards.

To comply with Australian Accounting Standards, the unlisted share options issued during the year were valued at the date of grant using the Black Scholes valuation methodology (refer below). These valuations were significantly impacted by the high volatility of the Company's share price in the 16 months leading up to the option grant date. High volatility increases the fair value of options when the Black Scholes valuation methodology is applied. The exercise price of the options issued to directors during the year ended 30 June 2017 was based on the Volume Weighted Average Share Price ("**VWAP**") for the quarter ending 30 June 2016 of 63 cents representing a 36.1% premium to the closing share price on the date the Board approved the option grant, subject to shareholder approval. The options were actually issued to Directors following shareholder approval on 24 November 2016 when the share price was 54 cents.

Set out below are non-statutory details of the Directors and KMP remuneration for the year ended 30 June 2017, whereby the non-cash values ascribed to share options (to comply with Australian Accounting Standards) have been replaced with the market value of the share options at the time the Directors approved their issue, to arrive at an Adjusted Remuneration Total.

Director/KMP	Total statutory remuneration	LESS: Non-cash accounting value of share options	ADD: Market value of share options on approval by Directors	Unaudited adjusted remuneration total
Robert Adamson	40,000	-	-	40,000
Ken Brinsden	3,311,596	(2,961,590)	-	350,006
Neil Biddle	123,791	-	-	123,791
John Young	210,304	-	-	210,304
Alan Boys	38,000	-	-	38,000
Brian Lynn	1,723,472	(1,481,228)	-	242,244
Anthony Kiernan	1,785,065	(1,655,064)	-	130,001
Steve Scudamore	485,401	(413,766)	-	71,635
Nicholas Cernotta	30,134	-	-	30,134
Alex Eastwood	1,133,962	(869,563)	-	264,399
Total	**8,881,725**	**(7,381,211)**	**-**	**1,500,514**

The market value of share options above was calculated as the difference between the Company's share price on the date the Director's approved the issue of the share options and the exercise price of the options. Where the Company's share price was below the exercise price, a nil market value was assigned to an option.

This table demonstrates that the Directors and KMP will benefit when the Company's share price exceeds the exercise price of the options issued, which aligns the interests of the Directors and KMP with those of the Company's shareholders. The realised value of options exercised by Directors and KMP during the year is set out in the table titled "Analysis of Movements in Equity Instruments – Audited" contained within the Remuneration Report.

EQUITY INSTRUMENTS – AUDITED

All options refer to unlisted options over ordinary shares in Pilbara Minerals, which are exercisable on a one-for-one basis under the Employee Share Option Plan which was approved by shareholders on 18 April 2016 and 25 January 2017.

All options issued as compensation to directors and KMPs are non-cash in nature. They are valued using the Black Scholes option valuation methodology which calculates an implied value for each option based on the Company's share price volatility, the risk free rate of return, the life of the option, the Company's share price at the grant date and the option exercise price.

OPTIONS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION INSTRUMENTS – AUDITED

Details on unlisted options over ordinary shares in the Company that were granted as compensation to each KMP during the reporting period and details on unlisted options that vested during the reporting period are as follows:

	No. of options granted during 2017	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	No. of options vested during 2017
Anthony Kiernan	8,000,000*	24/11/2016	$0.3398	$0.63	12/12/2019	2,666,666
Steve Scudamore	2,000,000*	24/11/2016	$0.3398	$0.63	12/12/2019	666,666
Ken Brinsden	-	18/04/2016	$0.3815	$0.40	16/05/2019	5,000,000**
Alex Eastwood	4,000,000**	08/08/2016	$0.2699	$0.63	08/09/2019	1,333,333
Brian Lynn	-	22/06/2016	$0.3151	$0.63	08/09/2019	2,000,000**

* The vesting conditions attached to these unlisted options were:

- 33.33% vest on the date of shareholder approval of the option grant;
- 33.33% vest 12 months after the grant date;
- 33.33% vest 24 months after the grant date; and
- A continuing employment service condition at the time each milestone is achieved.

** Unlisted options were issued with the following vesting conditions:

- 33.33% vest upon the delivery of a final DFS for the Pilgangoora Project to a standard acceptable to the Board;
- 33.33% vest upon the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;
- 33.33% vest upon the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time each milestone is achieved.

EXERCISE OF OPTIONS GRANTED AS COMPENSATION INSTRUMENTS – AUDITED

During the reporting period, the following ordinary shares were issued on the exercise of unlisted options previously granted as compensation.

	No. of shares	Amount paid per share
Robert Adamson*	1,000,000	$0.10
Alan Boys*	312,500	$0.05
Alan Boys*	200,000	$0.10
John Young	5,000,000	$0.10

* Messrs Adamson and Boys resigned during the reporting period. The numbers included in the table only include options exercised up to the date of resignation.

There are no amounts unpaid on any ordinary shares issued as a result of the exercise of unlisted options during the 2017 financial year.

DETAILS OF EQUITY INCENTIVES AFFECTING CURRENT AND FUTURE REMUNERATION – AUDITED

Details of vesting profiles of the unlisted options held by each KMP of the Group as at 30 June 2017 are detailed below.

	Instrument	No. of options	Grant date	% vested in year	% forfeited in year (A)	Financial year in which grant vests
Ken Brinsden	Options	15,000,000	18/04/2016	33.33%	0%	2017, 2018 and 2019
Neil Biddle	Options	8,000,000	18/04/2016	0%	0%	2016
John Young	Options	5,000,000	18/04/2016	0%	0%	2016
Anthony Kiernan	Options	8,000,000	24/11/2016	33.33%	0%	2017, 2018 and 2019
Steve Scudamore	Options	2,000,000	24/11/2016	33.33%	0%	2017, 2018 and 2019
Brian Lynn	Options	6,000,000	22/06/2016	33.33%	0%	2017, 2018 and 2019
Alex Eastwood	Options	4,000,000	08/08/2016	33.33%	0%	2017, 2018 and 2019

(A) The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to performance criteria not being achieved.

ANALYSIS OF MOVEMENTS IN EQUITY INSTRUMENTS – AUDITED

The value of unlisted options over ordinary shares in the Company granted and exercised by each KMP during the reporting period is detailed below.

	Granted in year (A)	Value of options exercised in year (B)
Robert Adamson*	-	395,000
John Young	-	1,825,000
Alan Boys*	-	231,125
Anthony Kiernan	2,718,400	-
Steve Scudamore	679,600	-
Alex Eastwood	1,079,600	-

(A) The value of options granted during the year is the fair value of the unlisted options calculated at grant date. The total value of the unlisted options granted is included in the table above. This amount is allocated to remuneration over the applicable vesting period.

(B) The value of unlisted options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the unlisted options were exercised less the price paid to exercise the unlisted option.

* Messrs Adamson and Boys resigned during the reporting period. The numbers included in the table only include options exercised up to the date of resignation.

UNLISTED OPTIONS OVER EQUITY INSTRUMENTS – AUDITED

The movement during the reporting period, by number of unlisted options over ordinary shares in Pilbara Minerals held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2016	Granted as compensation	Exercised/ transferred (A)	Other changes	Held at 30 June 2017	Vested during the year
Tony Leibowitz	7,100,000	-	-	(7,100,000)	-	-
Robert Adamson	4,000,000	-	(1,000,000)	(3,000,000)	-	-
Ken Brinsden	15,000,000	-	-	-	15,000,000	5,000,000
Neil Biddle	8,000,000	-	-	-	8,000,000	-
John Young	10,000,000	-	(5,000,000)	-	5,000,000	-
Anthony Kiernan	-	8,000,000	-	-	8,000,000	2,666,666
Steve Scudamore	-	2,000,000	-	-	2,000,000	666,666
Alan Boys	7,412,500	-	(512,500)	(6,900,000)	-	-
Brian Lynn	6,000,000	-	-	-	6,000,000	2,000,000
Alex Eastwood	-	4,000,000	-	-	4,000,000	1,333,333

(A) Includes options exercised as free-attaching options with convertible notes acquired.

KEY MANAGEMENT PERSONAL TRANSACTIONS – AUDITED

MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares in Pilbara Minerals held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2016	Received on exercise of options	Other changes[1]	Held at 30 June 2017
Tony Leibowitz	25,419,269	-	(25,419,269)	-
Robert Adamson	3,937,851	1,000,000	(4,937,851)	-
Ken Brinsden	869,565	-	-	869,565
Neil Biddle	36,221,930	-	(3,000,000)	33,221,930
John Young	16,158,316	5,000,000	(2,499,960)	18,658,356
Anthony Kiernan	-	-	95,000	95,000
Steve Scudamore	-	-	-	-
Nicholas Cernotta	-	-	-	-
Alan Boys	1,565,004	512,500	(2,077,504)	-
Brian Lynn	-	-	-	-
Alex Eastwood	-	-	-	-

[1] Other changes represent shares that were purchased or sold during the year or shares held by KMP or directors who resigned in the year.

COMPETENT PERSONS STATEMENTS

The Company confirms it is not aware of any new information or data that materially affects the information included in the 25 January 2017 Pilgangoora 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 resource announcement made on 25 January 2017.

The Company confirms it is not aware of any new information or data that materially affects the information included in the 29 June 2017 Pilgangoora Ore 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 resource announcement made on 29 June 2017.

This Directors' Report is made out in accordance with a resolution of the directors:

Anthony Kiernan
Chairman

Dated this 23rd day of August 2017

KPMG

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 audit of Pilbara Minerals Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in 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.

KPMG.

KPMG

R Gambitta
Partner

Perth

23 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Other income			
Other income		2,074	4
Expenses			
General and administration		(7,790)	(4,728)
Exploration costs expensed	2.1.2	(9,743)	(10,556)
Depreciation and amortisation expense		(91)	(51)
Impairment expense	2.1.4	-	(12,136)
Loss on sale of property, plant and equipment		(16)	-
Gain on equity investment		-	812
Share based payment expense	2.1.1	(12,415)	(26,562)
Other expenses		(46)	-
Operating loss		(28,027)	(53,217)
Finance income		2,204	149
Finance costs		(131)	(2,350)
Net financing income/(costs)	2.2	2,073	(2,201)
Loss before income tax expense		(25,954)	(55,418)
Income tax expense	2.5	-	(189)
Net loss for the period		(25,954)	(55,607)
Total comprehensive loss for the period		(25,954)	(55,607)
Basic and diluted loss per share for the period (cents per share)	2.6	(2.11)	(6.76)

The notes on pages 50 to 71 are an integral part of these consolidated financial statements.

	Notes	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	4.1.1	87,248	100,040
Restricted cash	4.1.1	134,322	-
Trade and other receivables	4.2	4,155	1,545
Inventories		43	46
Total current assets		225,768	101,631
Non-current assets			
Property, plant, equipment and mine properties	3.2.1	104,373	833
Deferred exploration and evaluation expenditure	3.1.1	6,331	263
Other financial assets		6	6
Total non-current assets		110,710	1,102
Total assets		336,478	102,733
Liabilities			
Current liabilities			
Trade and other payables	4.3	11,428	2,952
Provisions	4.3	243	1,004
Borrowings	5.2	64	137
Total current liabilities		11,735	4,093
Non-current liabilities			
Provisions	4.3	207	-
Borrowings	5.2	124,364	209
Total non-current liabilities		124,571	209
Total liabilities		136,306	4,302
Net assets		200,172	98,431
Equity			
Issued capital	5.1.1	261,756	146,476
Reserves	5.1.2	32,501	21,731
Retained earnings		(94,085)	(69,776)
Total equity		200,172	98,431

The notes on pages 50 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Issued capital $'000	Share-based payment reserve $'000	Foreign currency reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015		**22,526**	**1,325**	**(68)**	**(19,882)**	**3,901**
Loss for the period		-	-	-	(55,607)	(55,607)
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**(55,607)**	**(55,607)**
Issue of ordinary shares		114,551	-	-	-	114,551
Share issue costs		(7,021)	-	-	-	(7,021)
Conversion of convertible notes		8,319	-	-	-	8,319
Option conversions		8,101	-	-	-	8,101
Issue of options		-	26,187	-	-	26,187
Transfer on conversion of options		-	(5,713)	-	5,713	-
Balance at 30 June 2016		**146,476**	**21,799**	**(68)**	**(69,776)**	**98,431**
Balance at 1 July 2016		**146,476**	**21,799**	**(68)**	**(69,776)**	**98,431**
Loss for the period		-	-	-	(25,954)	(25,954)
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**(25,954)**	**(25,954)**
Issue of ordinary shares	5.1.1	116,465	-	-	-	116,465
Share issue costs	5.1.1	(3,131)	-	-	-	(3,131)
Option conversions	5.1.1	1,946	-	-	-	1,946
Issue of options	5.1.2	-	12,415	-	-	12,415
Transfer on conversion of options	5.1.2	-	(1,713)	-	1,713	-
Transfer to reserves		-	-	68	(68)	-
Balance at 30 June 2017		**261,756**	**32,501**	**-**	**(94,085)**	**200,172**

The notes on pages 50 to 71 are an integral part of these consolidated financial statements.

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash paid to suppliers and employees		(7,986)	(4,818)
Payments for exploration and evaluation expenditure		(10,523)	(9,702)
Interest received		2,149	149
Income tax paid		-	(189)
Other receipts		76	-
Net cash outflow from operating activities	4.1.2	(16,284)	(14,560)
Cash flows from investing activities			
Payments for property, plant, equipment and mine properties		(44,926)	(4,626)
Payments for acquired exploration and evaluation expenditure		(7,872)	-
Proceeds from sale of property, plant and equipment		147	-
Cash acquired		-	251
Additional interests acquired in associates and joint ventures		-	(2,000)
Loan to related party		-	(1,224)
Net cash outflow from investing activities		(52,651)	(7,599)
Cash flows from financing activities			
Proceeds from the issue of shares and exercise of options		68,411	122,721
Capital raising costs		(2,112)	(7,021)
Proceeds from borrowings		132,310	4,000
Transaction costs related to borrowings		(5,491)	-
Transfer to restricted cash		(136,651)	-
Repayment of borrowing costs		(257)	(143)
Interest paid		(67)	(574)
Net cash inflow from financing activities		56,143	118,983
Net (decrease)/increase in cash held		(12,792)	96,824
Cash and cash equivalents at the beginning of the period		100,040	3,216
Cash and cash equivalents at the end of the period	4.1.1	87,248	100,040

The notes on pages 50 to 71 are an integral part of these consolidated financial statements.

NOTE 1 – BASIS OF PREPARATION

In preparing the 2017 financial statements, Pilbara Minerals Limited ("**the Company**") has grouped notes into sections under six key categories:

1. Basis of Preparation
2. Results for the Year
3. Assets and Liabilities supporting Exploration, Evaluation, Development and Mining
4. Working Capital
5. Equity and Funding
6. Other Disclosures

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

1.1 REPORTING ENTITY

Pilbara Minerals Limited is a listed public company incorporated and domiciled in Australia.

The Company's registered office is at Level 2, 88 Colin Street, West Perth, WA 6005. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "**Group**").

The Group is a for-profit entity and is primarily involved in the exploration for and development of minerals.

1.2 BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("**AAS**") adopted by the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("**IFRS**") adopted by the International Accounting Standards Board ("**IASB**"). They were authorised for issue by the Board of Directors on 23 August 2017.

1.3 BASIS OF CONSOLIDATION

1.3.1 BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

1.3.2 SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.3.3 INTERESTS IN EQUITY-ACCOUNTED INVESTEES

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

1.3.4 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 FOREIGN CURRENCY TRANSLATION

1.4.1 FUNCTIONAL AND PRESENTATIONAL CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

1.4.2 TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

1.5 USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments and estimates which are material to the financial report are found in the following sections:

- Note 2.1.1 – Measurement of share based payment transactions
- Note 3.2.1 – Determining the fair value of mine development assets acquired in a share based payment transaction and estimation of ore reserves and resources.

1.6 MEASUREMENT OF FAIR VALUES

The consolidated financial statements have been prepared on the historical cost basis. The Group does not have any assets or liabilities measured at fair value at the reporting date.

A financial asset measured at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Refer to Note 2.1.4 for policies on non-financial assets.

NOTE 2 – RESULTS FOR THE YEAR

2.1 EXPENSES

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

2.1.1 SHARE-BASED PAYMENT EXPENSE

ACCOUNTING POLICY

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to holders of equity based instruments (including employees) are generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

In determining the fair value of share based payments granted, a key estimate and judgement is the volatility input assumed within the option pricing model. The Company uses historical volatility of the Company to determine an appropriate level of volatility expected, commensurate with the expected option life.

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

	2017 $'000	2016 $'000
Share options expense	12,415	26,562

The following table shows total options granted (or deemed to be granted) during the year ended 30 June 2017 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	2,068
KMP	4,000,000	$0.63	08/09/2019	$0.2699	1,080	870
Subtotal – Directors/KMP	**14,000,000**				**4,478**	**2,938**
Employees	3,000,000 500,000 500,000	$0.63 $0.55 $0.55	08/09/2019 07/11/2019 17/11/2019	$0.2647 $0.2382 $0.2955	794 119 148	638 80 102
Subtotal – Employees	**4,000,000**				**1,061**	**820**
Subtotal – Options issued current year	**18,000,000**				**5,539**	**3,758**
Options issued in prior years						8,657
TOTAL	**18,000,000**					**12,415**

All options issued to Directors were approved by shareholders at General Meeting held in November 2016.

The number and weighted average exercise prices of unlisted share options are as follows:

	2017		2016	
	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
Outstanding at 1 July	$0.351	109,422,346	$0.036	41,469,994
Exercised during the period	$0.080	(24,420,832)	$0.066	(122,793,103)
Lapsed during the period	$0.288	(1,433,333)	-	-
Granted during the period	$0.622	18,000,000	$0.236	190,745,455
Outstanding at 30 June	$0.467	101,568,181	$0.351	109,422,346
Exercisable at 30 June		65,234,847		71,122,346

The classes of the options on issue as at 30 June 2017 are as follows:

Options issued	Expiry date	Exercise price	No. of options not yet exercised
17,045,455	1 December 2017	$0.15	1,768,182
37,500,000	16 May 2018	$0.40	37,500,000
800,000 [a]	16 May 2018	$0.40	800,000
7,000,000	16 May 2018	$0.65	7,000,000
31,500,000 [b]	16 May 2019	$0.40	30,500,000
13,000,000 [b]	8 September 2019	$0.63	13,000,000
500,000[c]	7 November 2019	$0.55	500,000
500,000[c]	17 November 2019	$0.55	500,000
10,000,000[d]	12 December 2019	$0.63	10,000,000

[a] The vesting conditions attached to this set of options were employees providing six months of continuous service to the Company.

[b] The vesting conditions attached to these unlisted options were:

- 33.33% vest upon the delivery of a final DFS for the Pilgangoora Project to a standard acceptable to the Board;
- 33.33% vest upon the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;*
- 33.33% vest upon the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time each milestone is achieved.

[c] The vesting conditions attached to these unlisted options were:

- 50% vest upon the funding required to develop the Pilgangoora Project being raised or procured based on parameters acceptable to the Board and a "decision to mine" being made by the Board in respect of the Pilgangoora Project;*
- 50% vest upon the Pilgangoora Project mine development and plant construction being largely complete (both for civil works and mine establishment) and the process plant having achieved a nominal 85% of its design throughput capacity during production runs, at a saleable product specification; and
- A continuing employment service condition at the time each milestone is achieved.

[d] The vesting conditions attached to these unlisted options were:

- 33.33% vest on the date of shareholder approval of the option grant;
- 33.33% vest 12 months after the grant date;
- 33.33% vest 24 months after the grant date;
- a continuing employment service condition at the time each milestone is achieved.

* These options are expected to vest upon completion of pre-disbursement conditions associated with the US$ secured bond.

Unless stated, there are no other vesting conditions on options on issue.

2.1.2 EXPLORATION AND EVALUATION EXPENDITURE

ACCOUNTING POLICY

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each "area of interest". Each "area of interest" is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation costs are written off in the year they are incurred, apart from acquisition costs which are carried forward where right 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.

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Exploration and evaluation assets are transferred to Mine Properties in Development once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are tested for impairment, and any impairment loss is recognised, prior to being reclassified.

	2017 $'000	2016 $'000
Costs expensed in relation to areas of interest in the exploration and evaluation phase	(9,743)	(10,556)

Included in this balance are $6.3 million of costs associated with the Definitive Feasibility Study and additional studies at the Pilgangoora Project. On 1 October 2016, the Group transitioned the Pilgangoora Project from the exploration stage 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 mine properties in development (refer Note 3.2.1).

2.1.3 OPERATING LEASE COMMITMENTS

ACCOUNTING POLICY

Leases

At inception of an arrangement, the Group determines whether an arrangement is, or contains, a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Statement of Financial Position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Group has entered into an operating lease for its head office premises for a lease term of three years. The Group has an option to extend the lease for an additional term of three years.

The operating lease expense recognised within the Statement of Profit or Loss is as follows:

	2017 $'000	2016 $'000
Operating lease expense	214	-

Future minimum rentals payable under non-cancellable operating leases as at 30 June are, as follows:

	2017 $'000	2016 $'000
Within one year	314	-
After one year but not more than five years	430	-
	744	**-**

2.1.4 IMPAIRMENT EXPENSE

ACCOUNTING POLICY

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("**CGUs**"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The impairment expense recognised within the Statement of Profit or Loss in 2016 relates to the Tabba Tabba Tantalum Project and can be broken down as follows:

	2017 $'000	2016 $'000
Impairment – property, plant and equipment	-	4,449
Impairment – mine development	-	7,660
	-	12,109
Reversal of liability	-	(1,300)
Impairment – goodwill	-	1,327
	-	12,136

For the 2017 financial year, no indicators of impairment have been identified and as such no testing for impairment has been performed.

2.2 NET FINANCING COSTS

ACCOUNTING POLICY

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- foreign exchange gains and losses.

Interest income or expense is recognised using the effective interest method.

Net financing costs can be analysed as follows:

	2017 $'000	2016 $'000
Interest income on bank deposits	2,204	149
Finance income	**2,204**	**149**
Interest expense – convertible notes	(40)	(2,318)
Interest expense – hire purchase assets	(33)	(27)
Interest expense – borrowings	(27)	-
Interest expense – other	(2)	-
Net foreign exchange loss	(29)	(5)
Finance costs	**(131)**	**(2,350)**
Net finance income/(costs) recognised in profit or loss	**2,073**	**(2,201)**

Interest costs of $0.4 million directly attributable to the US$ secured bond debt facility were capitalised as part of the cost of the Pilgangoora Project, as a result of it being a qualifying development asset.

2.3 OPERATING SEGMENTS

For management purposes, the Group has one operating segment, being mineral exploration, evaluation and development in Australia. Segment results that are reported to the Group's chief 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.

2.3.1 INFORMATION ABOUT REPORTING SEGMENTS

	Mineral exploration, evaluation and development	
	2017 $'000	2016 $'000
For the year ended 30 June		
Reportable segment other income	2,109	-
Reportable segment costs expensed	(10,329)	(22,692)
Reportable segment loss before income tax	(8,220)	(22,692)
Reportable segment assets	246,920	763
Reportable segment liabilities	134,044	3,470
Reconciliation of reportable segment loss and assets		
Loss		
Total loss for reportable segments	(8,220)	(22,692)
Unallocated amounts: corporate expenses	(19,829)	(30,714)
Net finance income/(costs)	2,095	(2,201)
Loss before income tax	(25,954)	(55,607)
Asset		
Total assets for reportable segments	246,920	763
Assets for corporate segment	89,558	101,970
	336,478	102,733

2.4 PERSONNEL EXPENSES

ACCOUNTING POLICY

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

The table below sets out personnel costs expensed during the year:

	2017 $'000	2016 $'000
Wages and salaries	2,898	883
Superannuation expense	239	110
	3,137	993

2.5 INCOME TAX EXPENSES

ACCOUNTING POLICY

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.5.1 INCOME TAX EXPENSE

	2017 $'000	2016 $'000
Current income tax expense	-	(189)

2.5.2 RECONCILIATION OF EFFECT TAX RATES

	2017 $'000	2016 $'000
Loss before tax from continuing operations	(25,954)	(55,418)
Tax using the Company's domestic tax rate of 30% (2016: 30%)	(7,786)	(16,625)
Subsidiary tax liability	-	(189)
Tax effect of:		
Non-deductible expenses		
Share based payment expense	3,725	7,969
Gain on equity investment	-	(244)
Financing costs	-	523
Other	20	30
Tax losses not recognised	4,445	4,316
Temporary differences not brought to account	(404)	4,031
Income tax expense reported in the consolidated statement of profit or loss	-	(189)

Potential deferred tax assets have not been recognised at 30 June 2017 for deductible temporary differences and tax losses because it is not probable that future taxable profit will be available against which the Company can use the benefits. The deferred tax losses not recognised at 30 June 2017 have a tax effected value of $10.4 million (2016: $6.4 million).

2.6 LOSS PER SHARE

Basic loss per share

	2017 $'000	2016 $'000
Net loss attributable to ordinary shareholders	(25,954)	(55,607)
Issued ordinary shares at 1 July	1,148,051	658,579
Effect of shares issued	81,516	164,403
Weighted average number of ordinary shares at 30 June	1,229,567	822,982
Basic and diluted loss per share (cents)*	(2.11)	(6.76)

* Due to the fact that the Company made a loss, potential ordinary shares from the exercise of options have been excluded due to their anti-dilutive effect.

NOTE 3 – ASSETS AND LIABILITIES SUPPORTING EXPLORATION, EVALUATION, DEVELOPMENT AND MINING

This section focuses on the exploration, evaluation, development and mining assets which form the core of the Group's business, including those assets and liabilities that support the ongoing exploration, evaluation, development and mining activities as well as commitments existing at the year end.

3.1 EXPLORATION AND EVALUATION EXPENDITURE

ACCOUNTING POLICY
Refer to Note 2.1.2 for the Company's exploration and evaluation expenditure policy.

3.1.1 EXPLORATION AND EVALUATION ASSETS

	2017 $'000	2016 $'000
Costs carried forward in relation to areas of interest in the exploration and evaluation phase	6,331	263
Reconciliations: Exploration and evaluation phase		
Carrying amount at the beginning of the year	263	263
Acquisitions	10,872	-
Transfer to mine properties in development phase	(4,804)	-
Carrying amount at the end of the year	6,331	263

3.1.2 EXPLORATION LICENCE EXPENDITURE COMMITMENTS

The Company has minimum exploration licence commitments as follows:

	2017 $'000	2016 $'000
Within one year	482	125
Later than one year but less than five years	1,395	260
Greater than five years	2,272	557

3.2 PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES

ACCOUNTING POLICY

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

Depreciation

Depreciation is calculated to write off the cost of items of property plant and equipment less their estimated residual value using either the straight line or units of production methods over either the estimated useful life or the estimated resource. Depreciation is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Office equipment 2 to 10 years
- Plant and equipment 5 years
- Motor vehicles 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted appropriately.

Mine Properties in Development

Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred. Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred into Property, Plant and Equipment or Mineral Rights (depending on whether it is a tangible or intangible asset) and depreciated over the useful life of the asset. Any development expenditure incurred once a mine property is in production is immediately expensed to the Statement of Profit or Loss except where it is probable that future economic benefits will flow to the Group, in which case it is capitalised as Property, Plant and Equipment or Mineral Rights.

Development expenditure includes the direct costs of construction, pre-production costs, borrowing costs incurred during the construction phase, reclassified exploration and evaluation assets (acquisition costs) and subsequent development expenditure on the reclassified areas of interest.

Mineral Rights

Mineral Rights are capitalised exploration and evaluation acquisition costs transferred from Deferred Exploration and Evaluation Expenditure upon a decision to mine, as well as other intangible assets that are transferred from Mine Properties in Development upon completion of development and commencement of commercial production.

Resources and Reserves

Resources are estimates of the amount of saleable product that can be economically extracted from the Group's mine properties. In order to calculate resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long-term commodity prices and exchange rates.

Estimating the quantity and/or grade of resources requires the size, shape and depth of orebodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group determines and reports ore resources under the Australian Code of Reporting for Mineral Resource and Ore Reserves (2012), known as the JORC Code. The JORC Code requires the use of reasonable assumptions to calculate resources. Due to the fact that economic assumptions used to estimate resources may change from period to period, and geological data is generated during the course of operations, estimates of resources may change from period to period. Changes in reported resources may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimates of future cash flows
- Amortisation charged in the profit and loss statement may change where such charges are calculated using the units of production basis
- Decommissioning, site restoration and environmental provisions may change due to changes in the estimated resources after expectations about the timing or costs of the activities change; and
- Recognition of deferred tax assets, including tax losses.

3.2.1 PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES

	Property, plant and equipment $'000	Hire purchase equipment $'000	Mine properties in development $'000	Mineral rights $'000	Mine rehabilitation $'000	Total $'000
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)
Balance at 30 June 2016	459	175	-	-	199	833
At 30 June 2017						
Opening net book value	459	175	-	-	199	833
Additions	172	-	48,810	50,000	147	99,129
Disposals	(33)	(130)	-	-	-	(163)
Transfers and other movements	-	-	-	4,804	(139)	4,665
Depreciation charge	(91)	-	-	-	-	(91)
Balance at 30 June 2017	507	45	48,810	54,804	207	104,373

Since the positive outcome of the Pilgangoora Project's Definitive Feasibility Study in September 2016, the Group has continued with the development of the Project, spending $48.8 million.

During the year ending 30 June 2017, the Group issued $50 million of Company shares to Mineral Resources Limited as consideration for the relinquishment of a 2.5% net smelter lithium royalty and the permanent extinguishment of a right of first refusal to purchase lithium products produced from the Pilgangoora Project. The corresponding impact on equity is shown in Note 5.1.1.

As at 30 June 2017 the Group had outstanding contractual capital commitments of $28.7 million (2016: nil) which are expected to be settled prior to 30 June 2018.

NOTE 4 – WORKING CAPITAL

4.1 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

ACCOUNTING POLICY

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to six months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

Restricted cash represents funds whose access is restricted until such time as certain conditions precedent are satisfied.

4.1.1 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	2017 $'000	2016 $'000
Bank balances	118	6,019
Call deposits	87,130	94,021
Cash and cash equivalents in the Statement of Financial Position	87,248	100,040
Restricted cash	134,322	-
	221,570	100,040

The restricted cash balance of $134.3 million represents funds received following settlement of a US$100 million senior secured bond in June 2017 (refer Note 5.2). Funds received are required to be held in a US$ denominated escrow bank account in the name of the Company's 100% wholly owned subsidiary Pilgangoora Operations Pty Ltd, with access to the cash restricted until pre-disbursement conditions precedent are satisfied. Upon satisfaction, the funds will be capable of drawdown, subject to an ongoing cost to complete test being achieved.

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and all call deposits.

	2017 $'000	2016 $'000
Cash, cash equivalents and restricted cash	221,570	100,040
Less: Restricted cash	(134,322)	-
Cash and cash equivalents in the Statement of Cash Flows	87,248	100,040

4.1.2 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2017 $'000	2016 $'000
Cash flows from operating activities		
Loss for the period	(25,954)	(55,607)
Adjustments for:		
- Depreciation	91	51
- Loss on sale of property, plant and equipment	16	-
- Finance costs	125	2,350
- Impairment expense	-	12,136
- Inventory write down	46	-
- Share based payment expense	12,415	26,562
- Gain on equity investment	-	(812)
Operating loss before changes in working capital and provisions	(13,261)	(15,320)
Change in trade and other receivables	(1,566)	(620)
Change in trade payables and employee benefits	(1,457)	1,380
Net cash used in operating activities	(16,284)	(14,560)

4.2 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are recognised initially at fair value which is usually the value of the invoice sent to the counterparty and subsequently at the amounts considered recoverable. Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the profit or loss statement.

The Group undertakes expenditure on activities that are categorised as "eligible expenditure" under the Research and Development Tax Incentive which, dependent upon certain criteria, may be subject to a tax offset. Where a tax offset has been received or is receivable in cash, the Group accounts for the tax offset as follows:

- Where a grant is received or receivable in relation to research and development costs which have been capitalised, the tax offset is deducted from the carrying amount of the asset; or
- Where a grant is received or receivable in relation to research and development costs which have been charged to profit or loss during this or a prior financial year, the tax offset shall be credited to the Statement of Profit or Loss.

	2017 $'000	2016 $'000
Current		
Goods and services tax receivable	770	671
Security deposits	673	759
Research and development grant	2,033	-
Other receivables	679	115
	4,155	**1,545**

4.3 TRADE AND OTHER PAYABLES AND PROVISIONS

ACCOUNTING POLICY

Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually payable within 30 days' net of recognition. Trade payables are recognised initially at the value of the invoice received from a supplier.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Mine rehabilitation

In accordance with the applicable legal requirements, a provision for site rehabilitation in respect of returning the land to its original state is recognised when land is disturbed.

At each reporting date, the site rehabilitation provision is remeasured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the Group.

	2017 $'000	2016 $'000
Current – Trade and other payables		
Trade payables	3,855	2,093
Accruals	7,174	802
Interest payable	395	-
Other payables	4	57
	11,428	2,952
Current – Provisions		
Mine rehabilitation provision	-	962
Annual leave provision	243	42
	243	1,004
Non-Current – Provisions		
Mine rehabilitation provision	207	-
	207	-

NOTE 5 – EQUITY AND FUNDING

5.1 CAPITAL AND RESERVES

ACCOUNTING POLICY

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

5.1.1 ORDINARY SHARES

	2017 $'000	2017 Number ('000)	2016 $'000	2016 Number ('000)
Fully paid ordinary shares	261,756	1,466,538	146,476	1,148,051
Total share capital on issue at 30 June	261,756	1,466,538	146,476	1,148,051
Movements in ordinary shares on issue:				
On issue at 1 July	146,476	1,148,051	22,526	658,579
Shares issued during the period:				
Issued for cash	66,465	189,900	114,551	338,195
Issued for assets (refer Note 3.2.1)	50,000	104,167	-	-
Exercise of share options	1,946	24,420	8,101	122,793
Conversion of convertible notes and accrued interest	-	-	8,319	28,484
Share issue costs	(3,131)	-	(7,021)	-
On issue at 30 June	261,756	1,466,538	146,476	1,148,051

To ensure the development of the Pilgangoora Project was fully funded, the Company launched a $95 million equity raising on 15 June 2017 at an issue price of 35 cents per ordinary share by way of the following components:

- **Tranche 1 Placement** – issue of 189.9 million ordinary shares to raise $66.5 million which was settled on 26 June 2017;
- **Tranche 2 Placement** – issue of 38.7 million ordinary shares to raise $13.5 million, which was settled on 2 August 2017 following the receipt of shareholder approval; and
- **Share Purchase Plan** – issue of 43.8 million ordinary shares to raise $15.3 million which was settled on 2 August 2017 (refer to Note 6.5 for details of subsequent events).

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors with respect to any proceeds of liquidations.

5.1.2 RESERVES

	2017 $'000	2016 $'000
Share-based payment reserve	32,501	21,799
Foreign currency reserve	-	(68)
	32,501	21,731

Share-based payment reserve

	2017 $'000	2016 $'000
Share-based payment reserve	32,501	21,799
Movements in share-based payment reserve:		
Balance at 1 July	21,799	1,325
Share based payment expense following issue of options	12,415	26,187
Options exercised and transferred to accumulated losses	(1,713)	(5,713)
Balance at reporting date	32,501	21,799

The share-based payment reserve is used to record the fair value of the options issued. Options issued to directors, consultants and employees during the year and their associated value impact on the share based payment reserve are as follows:

Options	Grant date (valuation purposes)*	Share price on date of grant	Exercise price	Expiry date	Valuation (cents per option)
6,000,000**	22/06/2016	$0.57	$0.63	08/09/2019	31.51
3,000,000**	16/08/2016	$0.53	$0.63	08/09/2019	26.47
4,000,000**	08/08/2016	$0.54	$0.63	08/09/2019	26.99
500,000**	19/09/2016	$0.54	$0.55	17/11/2019	29.55
500,000**	07/11/2016	$0.47	$0.55	07/11/2019	23.82
10,000,000**	24/11/2016	$0.54	$0.63	12/12/2019	33.98

* This is the grant date used for valuation purposes and represents the date options are awarded to employees or directors, it is not the date the options are issued.

** The vesting conditions attached to these unlisted options are detailed in Note 2.1.1.

All option valuations during the period were performed by an independent third party valuer. The Black Scholes option valuation methodology was used to value the options. Inputs to the option valuation model included the Company's share price volatility, risk free rates, option life, and the option exercise price. Option volatility was calculated using the share price movement of the Company over the past 12 months up until the date the options were granted.

The key inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	2017	2016
Expected volatility (weighted average)	103.9%	102.4%
Expected life (weighted average)	2.6 years	2.0 years
Risk free interest rate (based on government bonds) (weighted average)	1.7%	1.8%

5.2 LOANS AND BORROWINGS

ACCOUNTING POLICY

Loans and borrowings are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see Note 6.1.

	2017 $'000	2016 $'000
Current		
Hire purchase liability	64	137
Total borrowings – current	64	137
Non-current		
Hire purchase liability	33	209
Secured debt (US$ denominated bond) (refer Note 5.2.2)	124,331	-
Total borrowings – non-current	124,364	209

5.2.1 TERMS AND REPAYMENT SCHEDULE

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2017		2016	
				Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Hire purchase	A$	6.5%	2019	97	97	346	346
US$100 million secured bond	US$	12.0%	2022	132,310	124,331	-	-
Total interest-bearing liabilities				**132,407**	**124,428**	**346**	**346**

5.2.2 US$ SECURED BOND

On 21 June 2017, the Group completed settlement of a US$100 million senior secured bond facility as part of the funding package for the development of the Pilgangoora Project. The bonds were issued by the Company's wholly owned subsidiary, Pilgangoora Operations Pty Limited and are administered by the bond trustee, Nordic Trustee ASA. The coupon rate is 12% per annum with interest payable quarterly in arrears. Pursuant to the bond terms, the proceeds are to be applied towards capital and development costs associated with the Pilgangoora Project following the satisfaction of pre-disbursement conditions. The bond facility is secured against the assets of the Pilgangoora Project.

The carrying amount of the US$ secured bond is made up as follows:

	2017 $'000
Bond proceeds at inception	132,310
Unrealised foreign exchange gain[1]	(2,305)
Bond proceeds at 30 June 2017	130,005
Directly attributable transaction costs	(5,705)
Amortisation of transaction costs	31
Carrying amount at 30 June 2017	124,331

[1] The value of the US$ secured bond is required to be re-stated at the end of each financial period utilising the closing foreign exchange rate.

5.3 CAPITAL MANAGEMENT

Capital consists of ordinary share capital, retained earnings, reserves and net debt. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so as to maintain a strong capital base sufficient to maintain future exploration, development and operating activities.

There were no changes to the Group's approach to capital management during the year.

NOTE 6 – OTHER DISCLOSURES

6.1 FINANCIAL RISK MANAGEMENT

ACCOUNTING POLICY

The Group classifies non-derivative financial assets into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity financial assets;
- Loans and receivables; and
- Available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories:

- Financial liabilities at fair value through profit or loss; and
- Other financial liabilities.

Non-derivative financial assets and financial liabilities – Recognition and de-recognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Set out below are details of the Group's financial assets and liabilities at the end of the reporting period.

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	87,248	100,040
Restricted cash	134,322	-
Trade and other receivables	4,155	1,545
Other financial assets	6	6
Total financial assets	225,731	101,591
Financial liabilities		
Trade and other payables	11,428	2,952
Borrowings	124,428	346
Total financial liabilities	135,856	3,298

6.1.1 OVERVIEW

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the exploration, evaluation and development of the Pilgangoora Project and ancillary exploration activities.

The principal financial instruments as at the reporting date include cash, receivables, payables and loan and finance agreements.

Set out below is information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

6.1.2 CREDIT RISK

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash at bank and term deposits.

The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk by only transacting with high credit quality financial institutions. During the year the Group maintained all cash, cash equivalents and restricted cash balances with banks and financial institutions holding a AA- rating based on S&P Global ratings.

The trade and other receivables balance consists of 67% of receivables being from the Australian Tax Office and 16% in bonds with a high credit quality financial institution.

6.1.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also manages liquidity risk by producing cash flow forecasts to ensure that there is a clear and up-to-date view of the short to medium term funding requirements and the possible sources of those funds. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount $'000	Contractual cashflows				
		Total $'000	Six months or less $'000	Six to 12 months $'000	One to two years $'000	Two to five years $'000
30 June 2017						
Non-derivative financial liabilities						
Hire purchase	97	102	34	34	34	-
Secured debt	124,331	199,233	7,800	7,800	15,601	168,032
Trade payables	3,855	3,855	3,855	-	-	-
	128,283	203,190	11,689	7,834	15,635	168,032
30 June 2016						
Non-derivative financial liabilities						
Hire purchase	346	373	77	77	155	64
Trade payables	2,093	2,093	2,093	-	-	-
	2,439	2,466	2,170	77	155	64

The secured debt has certain financial covenants that if breached could cause early repayment. The Group is not anticipating any breach of covenants.

6.1.4 MARKET RISK

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Group's exposure to market risk has changed during the period ending 30 June 2017 due to settlement of a senior secured bond facility (US$100 million) resulting in increased exposure to foreign exchange risk.

a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group's functional currency. The Group manages its foreign exchange risk exposure arising from future commercial transactions through sensitivity analysis, cash flow management and forecasting.

The Group is exposed to foreign exchange risk principally through the holding of US$ denominated restricted cash and borrowings.

The Group's exposure to foreign currency risk at the end of the Reporting Period was as follows:

	2017 USD $'000	2016 USD $'000
Restricted cash	103,321	-
Borrowings	100,000	-

The year-end exchange rate used to recalculate the US$ dominated balances on 30 June 2017 was 0.7692. Subsequent to year end the Group entered into an $ call option to minimise the foreign exchange risk exposure associated with the holding of US$ denominated restricted cash.

Group sensitivity

Based on financial instruments held at 30 June 2017, had the Australian dollar strengthened/weakened by 10% against the US dollar, with all other variables held constant, the Group's loss for the year would have been $392,000 higher/$480,000 lower, as a result of foreign exchange gains/losses on translation of US dollar denominated restricted cash and borrowings.

b) Cash Flow Interest Rate Risk

Interest rate risk arises from the Group's cash, cash equivalents and restricted cash earning interest at variable rates. The significance and management of the risks to the Group are dependent on several factors including:

- Interest rates;
- Level of cash, liquid investments and borrowings and their term; and
- Maturing dates of investments.

On 21 June 2017, the Group completed settlement of a US$100 million senior secured bond facility. The bond has a fixed coupon rate of 12% per annum resulting in a nil sensitivity.

At the end of the Reporting Period, the Group's exposure to interest rate risk and effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	2017	
	Weighted average interest rate	Balance $'000
Cash, cash equivalents and restricted cash	1.08%	221,570

The risk is managed by the Group by maintaining an appropriate mix between short-term and floating rate cash, cash equivalents and restricted cash.

Group sensitivity

Based on the financial instruments at 30 June 2017, if interest rates had changed by +/-50 basis points from the year-end rates, with all other variables held constant, loss and equity for the year would have been $1,108,000 lower/$1,108,000 higher.

6.1.5 FAIR VALUES

The carrying value of cash and cash equivalents, restricted cash, other receivables, trade creditors, other creditors and accruals are considered to be a reasonable approximation of fair value.

The fair value of the bond is equal to $130,005,000, being the carrying value of the bond excluding any capitalised borrowing costs.

6.2 RELATED PARTIES

6.2.1 PARENT AND ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Pilbara Minerals Limited.

6.2.2 KEY MANAGEMENT PERSONNEL

The following people were considered as key management personnel during the financial year:

	Position	Appointed	Resigned
Tony Leibowitz	Non-executive Chairman	11 June 2013	1 July 2016
Robert Adamson	Non-executive Director	1 July 2010	21 February 2017
Ken Brinsden	Managing Director	18 January 2016	
Neil Biddle	Executive Director Non-executive Director	30 May 2013 20 August 2016	19 August 2016 26 July 2017
John Young	Executive Director Non-Executive Director	4 September 2015 1 August 2017	31 July 2017
Alan Boys	Company Secretary and Alternate Director	23 October 2014	31 August 2016 as Company Secretary and 23 September 2016 as Alternate Director
Brian Lynn	Chief Financial Officer	22 June 2016	
Anthony Kiernan	Non-executive Chairman	1 July 2016	
Steve Scudamore	Non-executive Director	18 July 2016	
Alex Eastwood	Company Secretary and General Counsel	1 September 2016	
Nicholas Cernotta	Non-executive Director	6 February 2017	

Key management personnel compensation comprised the following:

	2017 $	2016 $
Short term employee benefits	1,406,570	1,305,176
Post-employment benefits	93,944	11,021
Share-based payments (non-cash)	7,381,211	13,238,684
	8,881,725	**14,554,881**

Compensation of the Group's key management personnel includes salaries, and contributions to a post-employment defined contribution plan. Information regarding individual directors and executive's compensation and some equity instruments are required to be disclosed by s300A of the Corporations Act and Corporations Regulations 2M.3.03 and are provided in the Remuneration Report section of the Directors' Report.

6.2.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL RELATED PARTIES

During the year, the Group transacted with related parties of key management personnel.

Neil Biddle is a director and shareholder of the following related party entity which transacted with the Company during the year:

Entity	Services provided	2017	2016
Hatched Creek Pty Ltd	Director and corporate advisory services	$123,791	$337,500

Robert Adamson was a director and shareholder of the following related party entity which transacted with the Company during the year:

Entity	Services provided	2017	2016
Robert G Adamson Consultants	Director services	$40,000	$56,000

Alan Boys acted as Company Secretary and Alternate Director and is a shareholder of the following related party entity which transacted with the Company during the year:

Entity	Services provided	2017	2016
Dubois Group Pty Ltd	Accounting and secretarial services	$38,000	$216,000

All transactions with key management personnel related party entities were on commercial terms.

6.3 GROUP ENTITIES

6.3.1 PARENT ENTITY

Pilbara Minerals Limited.

6.3.2 SIGNIFICANT SUBSIDIARIES

	Country of incorporation	2017	2016
Tabba Tabba Tantalum Pty Ltd	Australia	100%	100%
Sturt Resources Ltd	Australia	100%	100%
Sturt Resources PNG Ltd*	Papua New Guinea	-	100%
Star 15 Limited*	Papua New Guinea	-	100%
New Global Limited*	Papua New Guinea	-	100%
Pilbara Lithium Pty Ltd	Australia	100%	100%
Pilgangoora Holdings Pty Ltd	Australia	100%	-
Pilgangoora Operations Pty Ltd	Australia	100%	-

* These companies were deregistered in February 2017.

6.4 PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2017, the parent company of the Group was Pilbara Minerals Limited.

	2017 $'000	2016 $'000
Results of the parent entity		
Loss for the period	(27,539)	(55,697)
Total comprehensive loss for the period	(27,539)	(55,697)
Financial position of the parent entity at year end		
Current assets	93,999	100,796
Total assets	204,333	101,393
Current liabilities	11,308	3,058
Total liabilities	5,841	3,058
Total equity of the parent comprising of:		
Share capital	261,756	146,476
Share-based payment reserve	32,501	21,799
Accumulated losses	(95,765)	(69,940)
Total equity	**198,492**	**98,335**

6.5 SUBSEQUENT EVENTS

At the Company's general meeting on 26 July 2017, shareholders approved Tranche 2 of the share placement as detailed in Note 5.1.1 (38,671,430 shares at an issue price of 35 cents per share). On 2 August 2017, the Company received proceeds of $13,535,000 for Tranche 2 of the share placement and $15,322,038 for the Share Purchase Plan (43,777,251 shares at 35 cents per share). Associated transaction costs of $1,032,000 were paid on settlement.

On 21 July 2017, the Company agreed to sell the processing plant assets associated with the Tabba Tabba Tantalum Project to Tungsten Mining NL. The Tabba Tabba Project was terminated during December 2016 and closure activities at site finalised by 30 June 2017. The carrying value of the assets at 30 June 2017 was $370,000. Upon settlement of the sale, the Company will receive consideration of $300,000 in cash and $300,000 in shares of Tungsten Mining NL.

On 15 August 2017, the Company completed settlement of the Novo Litio Ltd (formerly Dakota Minerals Limited) Lynas Find tenement acquisition following the transfer of the four remaining tenements to Pilbara Minerals. Total consideration of $3 million was paid via the issue of 7,577,671 shares at a share price of 39.59 cents.

6.6 AUDITOR'S REMUNERATION

The Directors resolved to appoint KPMG, as the interim auditor of the Group with their appointment confirmed at the Annual General Meeting held on 24 November 2016.

	2017 $	2016 $
Audit services – KPMG	83,000	30,000
Audit services – Somes Cooke	-	10,000
Advisory service – KPMG	7,455	-
Total auditor's remuneration – KPMG	90,455	30,000
Total auditor's remuneration – Somes Cooke	-	10,000

6.7 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Many new standards and amendments to standards are effective for annual periods beginning after 1 July 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
AASB 9 Financial Instruments	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9. The revisions to the classification and measurement requirements and hedging changes are not currently expected to have a significant impact to the Group. Changes in relation to the expected credit loss model for calculating impairment on financial assets are not expected to have a material impact based on the short-term nature of the Group's assets. Moving forward the Group will continue to assess the impact of this standard as contracts are entered into for the Pilgangoora Development Project.
AASB 15 Revenue from Contracts with Customers	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction contracts, and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15. The Group does not currently have any revenue so there will not be a material impact. As contracts are put in place and the project moves into development the Standard will continue to be monitored to assess the impact for the Group.
AASB 16 Leases	The key feature of AASB 16 (for lease accounting) are as follows: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use asset similarly to other non-financial assets and lease liabilities similar to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. AASB 16 is effective for annual reporting periods beginning on 1 January 2019, with early adoption permitted.	As at 30 June 2017 the Group has minimal operating leases to which this standard would impact. The Group will continue to assess the potential impact on its consolidated financial statements resulting from the application of AASB 16 as the contracts are in place for the Pilgangoora development project.

1. In the opinion of the Directors of Pilbara Minerals Limited ("**the Company**"):

   a) the consolidated financial statements and notes set out on pages 46 to 71 and the Remuneration Report contained within the Directors' Report are in accordance with the *Corporations Act 2001*, including:

      i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

      ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

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

Anthony Kiernan
Director

23rd August 2017

KPMG

Independent Auditor's Report

To the shareholders of Pilbara Minerals Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Pilbara Minerals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matter*** we identified was:

- Acquisition of Mineral Rights

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

The matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

KPMG

Acquisition of Mineral Rights ($50 million)	
Refer to Note 3.2.1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**

Identification and measurement of assets acquired in the transaction with Mineral Resources Limited was considered to be a key audit matter due to:
• the size of the transaction ($50 million); and
• the judgement required in the application of AASB 2 *Share-Based Payment (the standard).*
The Group performed a valuation of the Mineral Rights acquired in accordance with the standard. The significant judgements that we focused on included:
• the rationale for capitalising (as opposed to expensing) the costs associated the extinguishment of a future royalty payable and the right of first refusal to purchase lithium products;
• the assessment of the fair value of the Mineral Rights acquired; and
• the fair value of the shares issued based on the terms of the transaction.
To assess the significant judgements of this key audit matter, we involved senior audit team members, including share-based payment specialists.
	Our procedures included:
	• Evaluating the basis on which the extinguished royalty and right of first refusal is able to be capitalised as a Mineral Right in accordance with AASB 138 *Intangible Assets*.
	• Working with our share-based payment specialists, we challenged the valuation assumptions used in determining the fair value of the acquired Mineral Right. This included:
	  • Evaluating whether the Mineral Right were reliably estimable, or whether the cost of the acquired Minerals Right should be based on the fair value of the shares issued as consideration. This included, critically assessing the Group's assessment for determining a value for the Mineral Right utilising a discounted cash flow methodology. This was analysed with reference to definitive feasibility studies completed, ongoing studies for the expansion of the Pilgangoora project and the risks of the Pilgangoora project.
	  • Analysing the underlying agreement to assess the Group's assessment of the grant date and fair value of shares issued as consideration.

Other Information

Other Information is financial and non-financial information in Pilbara Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's Report, Managing Director's Report, ASX additional information and other operational update reports are expected to be made available to us after the date of the Auditor's Report, but prior to the issuance of Pilbara Minerals Limited's Annual Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Pilbara Minerals Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG.

KPMG

R Gambitta
Partner

Perth

23 August 2017

In accordance with Listing Rule 4.10, the following information is provided.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is available on the Company's website at:
http://www.pilbaraminerals.com.au

SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

The Company has the following substantial shareholders as at 19 September 2017:

- Mineral Resources Limited – 126,313,746 ordinary shares.

NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES AND THE VOTING RIGHTS ATTACHED (as at 19 September 2017)

ORDINARY SHARES

There are 14,160 holders of ordinary shares. Each shareholder is entitled to one vote per share.

In accordance with the Company's Constitution, on a show of hands 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 37 holders of unlisted options. There are no voting rights attaching to the options.

A total of 104,727,273 options are on issue. The 104,727,273 options, if exercised, will convert into 104,727,273 ordinary shares.

The options have the following exercise prices and expiry dates:

No. of holders	No. of options	Exercise price	Expiry date
3	1,427,273	$0.15	1 December 2017
22	38,300,000	$0.40	16 May 2018
2	7,000,000	$0.65	16 May 2018
9	30,500,000	$0.40	16 May 2019
3	13,000,000	$0.626	8 September 2019
1	500,000	$0.547	7 November 2019
1	500,000	$0.547	17 November 2019
2	10,000,000	$0.626	12 December 2019
3	3,500,000	$0.45	31 August 2020

DISTRIBUTION SCHEDULE OF THE NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITY AT 19 SEPTEMBER 2017

ORDINARY SHARES

Spread of holdings	Holders	Units	Percentage of issued capital
1 to 1,000	766	503,795	0.03
1,001 to 5,000	3,908	11,073,106	0.71
5,001 to 10,000	2,317	18,813,541	1.21
10,001 to 100,000	5,695	198,131,654	12.73
100,001 and over	1,474	1,328,383,507	85.32
Total	**14,160**	**1,556,905,603**	**100.00**

UNLISTED OPTIONS – EXPIRY DATE 1/12/2017, EXERCISE PRICE $0.15

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	3	1,427,273	100.00
Total	**3**	**1,427,273**	**100.00**

UNLISTED OPTIONS – EXPIRY DATE 16/5/2018, EXERCISE PRICE $0.40

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	22	38,300,000	100.00
Total	**22**	**38,300,000**	**100.00**

UNLISTED OPTIONS – EXPIRY DATE 16/5/2018, EXERCISE PRICE $0.65

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	2	7,000,000	100.00
Total	**2**	**7,000,000**	**100.00**

UNLISTED OPTIONS – EXPIRY DATE 16/5/2019, EXERCISE PRICE $0.40

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	9	30,500,000	100.00
Total	9	30,500,000	100.00

UNLISTED OPTIONS – EXPIRY DATE 8/9/2019, EXERCISE PRICE $0.626

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	3	13,000,000	100.00
Total	3	13,000,000	100.00

UNLISTED OPTIONS – EXPIRY DATE 7/11/2019, EXERCISE PRICE $0.547

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	1	500,000	100.00
Total	1	500,000	100.00

UNLISTED OPTIONS – EXPIRY DATE 17/11/2019, EXERCISE PRICE $0.547

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	1	500,000	100.00
Total	1	500,000	100.00

UNLISTED OPTIONS EXPIRY DATE 12/12/2019, EXERCISE PRICE $0.626

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	2	10,000,000	100.00
Total	2	10,000,000	100.00

UNLISTED OPTIONS – EXPIRY DATE 31/8/2020, EXERCISE PRICE $0.45

Spread of holdings	Holders	Units	Percentage of options on issue
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	3	3,500,000	100.00
Total	3	3,500,000	100.00

MARKETABLE PARCEL

There are 395 shareholders with less than a marketable parcel, based on the closing price of $0.570 on 19 September 2017.

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED SECURITY

The names of the 20 largest holders of each class of quoted security, the number of equity securities each holds and the percentage of issued capital each holds (as at 19 September 2017) are set out below:

	Name of holder	Number	Percentage
1	HSBC Custody Nominees (Australia) Limited	131,421,456	8.44
2	Mineral Resources Limited	126,313,746	8.11
3	J P Morgan Nominees Australia Limited	118,641,913	7.62
4	GFL International Co Limited	74,941,452	4.81
5	Citicorp Nominees Pty Limited	63,378,398	4.07
6	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	20,971,669	1.35
7	Biddle Partners Pty Ltd <The Biddle Super Fund A/C>	20,421,930	1.31
8	USB Nominees Pty Ltd	16,401,523	1.05
9	National Nominees Limited	14,271,728	0.92
10	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	14,249,731	0.92
11	Nohuni Pty Ltd <Super Fund A/C>	10,742,857	0.69
12	Andium Pty Limited	10,700,000	0.69
13	HSBC Custody Nominees (Australia) Limited – A/C 2	10,365,436	0.67
14	S A Coupe Pty Limited <The Coupe Super Fund A/C>	10,000,000	0.64
15	Mr John Alexander Young & Mrs Cheryl Kaye Young <The Forever Young S/F A/C>	9,592,857	0.62
16	Mr John Alexander Young & Mrs Cheryl Kaye Young <Forever Young Family A/C>	9,108,356	0.59
17	Xue Investments Pty Limited <Xue Family A/C>	8,962,736	0.58
18	Wansbone Nominees Pty Ltd <Wansbone Super Fund A/C>	8,000,000	0.51
19	Sydes Holdings Pty Ltd <The Sydes Staff S/F A/C>	7,930,407	0.51
20	Novo Litio Ltd	7,577,671	0.49
	Top Twenty Shareholders	693,993,866	44.58
	Total Remaining Shareholders	862,911,737	55.42
	Total Shareholders	1,556,905,603	100.00

HOLDERS OF 20% OR MORE OF UNQUOTED EQUITY SECURITIES

The names of holders and number of unquoted equity securities held for each class of unquoted equity securities (but excluding securities held under an employee incentive scheme) where the holding was 20% or more of each class of security as at 19 September 2017 are set out below:

Name	Option class			% of class
	Number	Exercise price	Expiry date	
Momentum North Pty Ltd <The Halliley Super Fund A/C>	1,039,773	$0.15	1/12/2017	72.9
Biddle Partners Pty Ltd <Biddle Family A/C>	8,000,000	$0.40	16/5/2018	20.9
Shellback Pacific Inc <Union Square Cap Advisors>	2,000,000	$0.65	16/5/2018	28.6
Foster Stockbroking Nominees Pty Ltd <No 1 Account>	5,000,000	$0.65	16/5/2018	71.4
Brinsden Holdings Pty Ltd <Brinsden Investment A/C>	14,000,000	$0.40	16/5/2018	45.9
Central Manhattan Pty Ltd <A W Kiernan Super Fund A/C>	8,000,000	$0.626	12/12/2019	80.0
Stephen John Scudamore	2,000,000	$0.626	12/12/2019	20.0

COMPANY SECRETARY

The name of the Company Secretary is Alex Eastwood.

ADDRESS AND DETAILS OF THE GROUP'S REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 2, 88 Colin Street, West Perth WA 6005, Australia
Telephone: +61 8 6266 6266 Fax: +61 8 6266 6288

ADDRESS AND TELEPHONE DETAILS OF THE OFFICE AT WHICH A REGISTRY OF SECURITIES IS KEPT

Advanced Share Registry Services
110 Stirling Highway, Nedlands WA 6009
Telephone: +61 8 9389 8033
Website: www.advancedshare.com.au

STOCK EXCHANGE ON WHICH THE COMPANY'S SECURITIES ARE QUOTED

The Company's listed equity securities are quoted on the Australian Securities Exchange – Code: PLS.

RESTRICTED SECURITIES

There are no restricted securities on issue at 19 September 2017.

ON-MARKET BUY-BACK

There is no current on-market buy-back of securities.

SCHEDULE OF TENEMENTS

A listing of the Group's tenements as at 19 September 2017 is set out below:

Project	Location	Tenement	Beneficial interest	Status
Pilgangoora	Western Australia	E45/4523	100%	Granted
Pilgangoora	Western Australia	L45/413	100%	Granted
Pilgangoora	Western Australia	L45/414	100%	Granted
Pilgangoora	Western Australia	L45/417	100%	Granted
Pilgangoora	Western Australia	L45/402	100%	Granted
Pilgangoora	Western Australia	L45/396	100%	Granted
Pilgangoora	Western Australia	E45/2241	100%	Granted
Pilgangoora	Western Australia	P45/2783	100%	Granted
Pilgangoora	Western Australia	E45/4624	100%	Granted
Pilgangoora	Western Australia	E45/4633	100%	Granted
Pilgangoora	Western Australia	E45/4640	100%	Granted
Pilgangoora	Western Australia	L45/403	100%	Granted
Pilgangoora	Western Australia	E45/4689	100%	Granted
Pilgangoora	Western Australia	M45/333	100%	Granted
Mt Francisco	Western Australia	E45/4270	51%	Granted
Pinga	Western Australia	E45/4648	100%	Granted
Pilgangoora	Western Australia	M45/511	100%	Granted
Pilgangoora	Western Australia	E45/3648	100%	Granted
Pinnacle	Western Australia	E45/3560	100%	Granted
Pilgangoora	Western Australia	M45/78	100%	Granted
Pilgangoora	Western Australia	M45/1256	100%	Granted
Pilgangoora	Western Australia	L45/388	100%	Granted

CORPORATE DIRECTORY

DIRECTORS

Anthony Kiernan	Chairman
Ken Brinsden	Managing Director and Chief Executive Officer
Steve Scudamore	Non-Executive Director
Nick Cernotta	Non-Executive Director
John Young	Non-Executive Director

COMPANY SECRETARY

Alex Eastwood

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ASX CODE

PLS

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