ABN 95 112 425 788

Annual Financial Report

30 June 2019

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CORPORATE DIRECTORY

Pilbara Minerals Limited
ABN 95 112 425 788
Incorporated in Australia

BOARD OF DIRECTORS

Anthony Kiernan	Chairman (Non-Executive)
Ken Brinsden	Managing Director and CEO
Steve Scudamore	Director (Non-Executive)
Sally-Anne Layman	Director (Non-Executive)
Nicholas Cernotta	Director (Non-Executive)

COMPANY SECRETARY

Alex Eastwood

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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West Perth WA 6005
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ASX CODE

PLS

SHARE REGISTER

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AUDITORS

KPMG
235 St Georges Terrace
Perth WA 6000

DIRECTORS' REPORT

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 2019 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 Kiernan is a former solicitor with extensive experience gained over 35 years in the management and operation of listed public companies. As both a lawyer and general consultant, he has practiced and advised extensively in the fields of resources and business generally. Mr Kiernan is a member of the Remuneration and Nomination Committee. Mr Kiernan is also Chairman of the Fiona Wood Foundation which focuses on research into burns injuries. **Other current ASX directorships:** Saracen Mineral Holdings Limited (since September 2018) and Venturex Resources Limited (since 2010). **Former ASX directorships in the last three years:** Chalice Gold Mines Limited (2007 to September 2018), BC Iron Limited (2006 to December 2016) and Danakali Limited (2013 to February 2017).
Mr Ken Brinsden B. Eng (Mining), MAusIMM, MAICD **Chief Executive Officer and Managing Director** Appointed 4 May 2016	Mr Brinsden is a mining engineer with over 25 years' experience in surface and underground mining operations, including roles in mine management, production, and brown-fields and green-fields development roles across a range of commodities. 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 ASX directorships:** None. **Former ASX directorships in the last three years:** Atlas Iron Limited (February 2012 to April 2016).

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Steve Scudamore FCA, MA (Oxon), FAICD, SF Fin **Independent Non-Executive Director** Appointed 18 July 2016	Mr Scudamore is an experienced Australian company director. His distinguished career includes more than three decades with KPMG, including senior roles in Australia, London and PNG including Chairman of Partners WA, Head of Corporate Finance in WA and National Head of Valuations, KPMG Australia. Mr Scudamore is Chairman of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee. Since 2012, he has been a Non-Executive Director and Chairman of MDA National Insurance Pty Ltd, the insurance arm of a mutual medical defence organisation founded in Perth in 1925. He is a non-executive director of various not-for-profit and community organisations and until 11 June 2019, Mr Scudamore was also a non-executive director of a Malaysian listed company, Selangor Properties Berhad. **Other current ASX directorships:** Regis Resources Ltd (since May 2019) and Australis Oil & Gas Limited (since November 2016). **Former ASX directorships in the last three years:** Altona Mining Limited (March 2013 to April 2018).
Mr Nicholas Cernotta B. Eng (Mining) **Independent Non-Executive Director** Appointed 6 February 2017	Mr 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 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 ASX directorships**: Panoramic Resources Limited (since May 2018), New Century Resources Ltd (since March 2019) and Northern Star Resources Ltd (from July 2019). **Former ASX directorships in the last three years:** ServTech Global (October 2016 to November 2017).

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Ms Sally-Anne Layman B. Eng (Mining) Hon, B.Com, CPA, MAICD **Independent Non-Executive Director** Appointed 20 April 2018	Ms Layman is a mining professional, corporate financier and advisor with 25 years' of international and cross-commodity experience. Previously, Ms Layman held a range of senior positions with Macquarie Group Limited, including as Division Director and Joint Head of the Perth office of the Metals, Mining & Agriculture Division. More recently, Ms Layman has worked as a consultant providing financial consulting services to miners and explorers, including strategy and business development. Ms Layman is a member of the Audit and Risk Committee. **Other current ASX directorships**: Perseus Mining Limited (since September 2017), IMDEX Limited (since February 2017) and Beach Energy Limited (since February 2019). **Former ASX directorships in the last three years:** Gascoyne Resources Limited (June 2017 to May 2019).

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, Deacons (now Norton Rose) and K&L Gates in its Energy, Infrastructure and Resources division. He has extensive experience as an executive director in the corporate finance area including as a director of Blackswan Equities and New Holland Capital and has held a number of senior positions including as General Counsel and Company Secretary for ASX listed companies in the mining and mining services sectors.

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

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	14		5		3	
Director	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Anthony Kiernan	14	14	-	-	3	3
Ken Brinsden	14	14	-	-	-	-
Steve Scudamore	13	14	5	5	3	3
Nicholas Cernotta	14	14	5	5	3	3
Sally-Anne Layman	14	14	5	5	-	-

The Audit and Risk Committee and Remuneration and Nomination Committee consist solely of non-executive directors.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration, development and operation of the Pilgangoora Lithium-Tantalum Project ("**Pilgangoora Project**").

Objectives

The Group's objectives are:

- to sell premium products from the conduct of safe mining and processing activities at the 100% owned Pilgangoora Project located in the Pilbara region of Western Australia;
- to increase the existing JORC resource and reserve at the Pilgangoora Project, and to undertake further exploration at its other North Pilbara exploration projects; and
- to create opportunities through the establishment of deeper links with the lithium raw materials supply chain, including participation in downstream chemical processing opportunities to leverage the size and quality of the Pilgangoora Project.

In order to meet these objectives, the following targets have been set for the 2020 financial year and beyond:

- Safety:
  - total recordable injury frequency rate ("**TRIFR**") of less than 4.0.
- Operation of Pilgangoora Stage 1 (**"Stage 1"**) being the 2 million tonnes per annum ("**Mtpa**") operation:
  - achieve nameplate production capacity of 330,000dmt per annum of high-quality 6.0% spodumene concentrate and 300,000lbs per annum of tantalite product.
- Development of Pilgangoora Stage 2 (**"Stage 2"**) being an expansion of up to 5 Mtpa to produce approximately 800,000 to 850,000dmt per annum of 6.0% spodumene concentrate:
  - secure funding to enable commencement of development of the Stage 2 expansion with a view to target commissioning during the December 2020 half-year, or at a date that ensures alignment of the additional production from the Stage 2 expansion with the requirements of the Company's customers.
- Diversification into downstream lithium chemical processing:
  - agree terms to establish a joint venture with POSCO for Pilbara Minerals' 30% participation in the development and operation of a 40,000tpa downstream chemical conversion facility in South Korea.

REVIEW OF OPERATIONS

During the year, the Company became a major new global lithium producer having completed the commissioning and ramp up of the Stage 1 Pilgangoora Project. The first shipment of spodumene concentrate was delivered to customers in October 2018, with commercial production declared from April 2019. The Stage 1 operation comprises a 2Mtpa mining and processing operation to deliver a life of mine (LOM) nameplate production of 330,000tpa of 6% spodumene concentrate and 300,000lbs per annum of 5% tantalum concentrate.

The official opening of the Pilgangoora Project was held on site in November 2018 and came, just over four years after the date of the Company's first drill hole.

The opportunity to expand future production at the Pilgangoora Project was reinforced during September 2018 with the announcement of a 35% increase in Ore Reserves resulting in an extension to the mine life to approximately 23 years based on the proposed Stage 2, 5Mtpa operation.

In November 2018 the Board conditionally approved a Final Investment Decision (FID) for the Stage 2, 5Mtpa expansion of the Pilgangoora Project following the completion of a positive definitive feasibility study (DFS) in August 2018. The DFS financial outcomes included a post-tax $NPV_{10\%}$ of $2,160 million, average annual LOM EDITDA of $370M and an estimated initial capital spend of $231M.

Early in the 2019 calendar year, the Company exercised an option to participate in a 40ktpa LCE downstream joint venture chemical conversion facility in South Korea with POSCO, subject to completion of satisfactory technical due diligence by the Company and financing. The joint venture will provide an opportunity for the Company to participate in downstream chemical processing in South Korea which in turn allows the Company to diversify its spodumene concentrate sales arrangements. Arrangements are expected to be concluded during the second half of 2019, but at the date of this report remain subject to completion of technical due diligence, a final Board decision by the Company, the formalisation of joint venture terms, a technology licensing agreement (to facilitate the use of POSCO's PosLX patented technology) and supporting amendments to the existing offtake agreement.

During the March 2019 quarter the Company completed a positive Stage 3 scoping study to ultimately expand processing capacity at the Pilgangoora Project to up to 7.5Mtpa. The final decision on any Stage 3 expansion will be dependent on further feasibility studies, market conditions, and customer requirements.

In March 2019 the Company commenced a partnering process to consider the combination of Stage 3 offtake, a potential sell-down of a 20% to 49% interest in the Pilgangoora Project and participation in vertically integrated chemical facilities. At the date of this report, no agreement has been reached with any party and there is no certainty that any transaction will be entered into.

During the June 2019 quarter spodumene concentrate market conditions in China were tempered by delays in the construction, commissioning and ramp-up of chemical conversion facilities that handle spodumene concentrate supply as a raw material feedstock. This industry-wide phenomenon was also true for the Company's Stage 1 offtake customer group, with both General Lithium and Jiangxi Ganfeng Lithium Co Ltd (Ganfeng Lithium) taking longer than expected with the construction, commissioning and ramp-up of their new chemical conversion capacity during the last 6 to 9 months leading up to year end. These delays resulted in lower than expected shipped tonnes from the Pilgangoora Project during the June 2019 quarter.

In response to these softer market dynamics and following discussions with both Ganfeng Lithium and General Lithium, the Company responded proactively to these market conditions in June 2019 by moderating production at the Pilgangoora Project to better align with customer requirements.

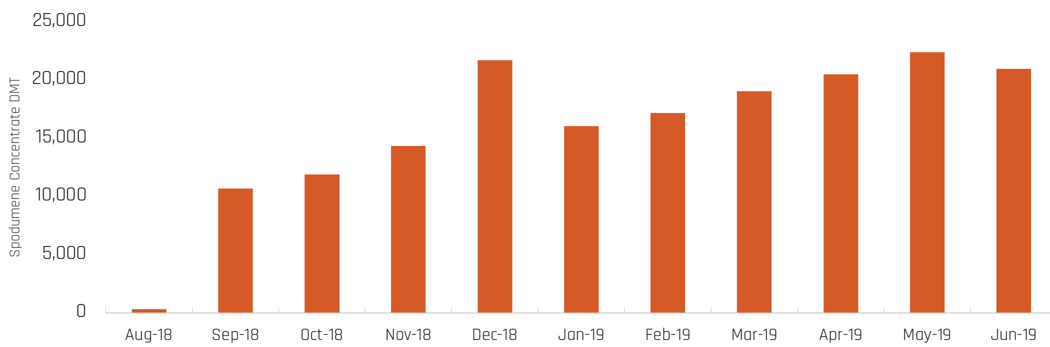
The Company continues to monitor market conditions on an ongoing basis, including engaging with its key offtake partners, and will make further changes to its operating strategy (where necessary) in response to changing customer requirements or market conditions.

Stage 1 – Pilgangoora Project

The move through commissioning and into production involved commencement of production activities including processing plant operation, concentrate production, stockpile creation and final product movements. The year ended with a total reportable injury frequency rate ("TRIFR") of 3.93, which was a 5.1% improvement on the prior year's TRIFR rate of 4.14.

The year was highlighted by the plant commissioning and ramp up of the 2Mtpa operation at the Pilgangoora Project, with commercial production declared effective from 1 April 2019 following sustained spodumene concentrate production and the achievement of pre-determined design capacity levels, plant feed rates, product quality and recovery rates.

Total spodumene concentrate production achieved for the year was 174,952dmt with the monthly ramp up of spodumene concentrate production (dmt) set out below:



During the year, 128,373dmt of spodumene concentrate was shipped to customers at an average selling price of US$674/dmt CIF, reflective of the offtake pricing model developed with key customers. Pending final assay results, a provisional 104,062lb of tantalite concentrate was sold during the year.

In addition, 205,766 tonnes of direct shipping ore was sold to Atlas Iron under a Mine Gate Sale Agreement.

Key operating statistics achieved at the Pilgangoora Project during the year include:

Table 1: Total ore mined and processed

	Units	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Total
Ore mined	*wmt*	487,978	762,531	540,426	640,173	2,431,117
Waste mined	*wmt*	1,921,907	2,154,690	2,445,917	1,900,027	8,422,540
Total material mined	*wmt*	2,409,894	2,917,220	2,986,342	2,540,200	10,853,657
Ore processed	*wmt*	173,667[1]	420,221	414,223	456,541	1,464,652

[1] A proportion of processed ore tonnes resulted in off-specification spodumene concentrate (approximately 5,074dmt) which is typical during the commissioning and process ramp-up phase. These tonnes will be either reprocessed or sold.

Table 2: Production and shipments

	Units	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Total
Direct Shipping Ore (DSO) sold [1]	*wmt*	205,766	-	-	-	205,766
Spodumene concentrate produced	*dmt*	11,015	47,859	52,196	63,752	174,952
Spodumene concentrate shipped	*dmt*	-	46,598	38,562	43,214	128,373
Tantalite concentrate produced	*lb*	22,151	56,663	33,374	67,075	180,077
Tantalite concentrate sold	*lb*	7,378	27,821	30,356	38,538[2]	104,062

[1] The DSO program was suspended in Q2 FY19 and subsequently terminated.

[2] Sales estimates pending final assays results.

Since 1 April 2019, the Company has continued to undertake plant improvement projects in parallel with production activities including works to optimise the processing plant to increase both lithia recovery and throughput. The Company is targeting to achieve design lithia recovery rates of approximately 75%.

The Company's engineering, procurement and construction (EPC) contractor went into administration in November 2018 and subsequently liquidation. At the time, plant construction was mostly complete. The Company has since exercised its contractual 'step-in' rights to complete a series of outstanding rectification works, which has been funded from the contract bank guarantees.

Pilgangoora Project expansion and partnering

During the year feasibility work was progressed on both the Stage 2 and 3 expansion projects that could incrementally increase the production capacity at the Pilgangoora Project from the current 2Mtpa capacity up to 7.5Mtpa.

In November 2018 the Board conditionally approved the Stage 2, 5Mtpa expansion, subject to securing the necessary approvals and balance of funding. This decision followed the completion in August 2018 of the Stage 2 DFS The Stage 2 expansion will be supported by offtake agreements with customers POSCO, Ganfeng Lithium and the Great Wall Motor Company. The timing of the Stage 2 expansion remains conditional on finalising approvals and funding, with delivery of product to be ultimately aligned with the requirements of customers.

In exchange for each customer accessing an additional 75,000tpa of Stage 2 product, Ganfeng Lithium provided an AU$50 million equity placement (completed in March 2019) and Great Wall Motor Company have committed to providing a US$25 million prepayment facility. It is contemplated that the design for Stage 2 will be engineered and built to allow for the potential Stage 3 expansion of up to 7.5Mtpa which will unlock future processing capacity.

Early project work on the engineering and procurement of long-lead items of capital equipment for Stage 2 commenced during the second half of the year. Commissioning of the Stage 2 project is indicatively targeted for the December 2020 half-year however, the delivery and timing of the Stage 2 expansion remains conditional on finalising funding and approvals, as well as ensuring alignment of the incremental Stage 2 production with the delivery requirements of the Company's customers.

The Company is also considering alternative project delivery strategies for Stage 2 that subdivide the capital investment and stage production growth to allow the Company to better utilise latent production capacity within the existing Stage 1 project to meet its customers' short-term delivery requirements. This approach will have the benefit of reducing the required investment in the near-term. Engineering studies considering these project delivery options are currently underway.

In March 2019 the Company released the outcomes of a scoping study to assess the merits of a Stage 3 expansion, from 5Mtpa to 7.5Mtpa, at the Pilgangoora Project. The study delivered strong economic results including a LOM project revenue of A$16.6B, a post-tax $NPV_{10\%}$ of A$3.73B and an average annual LOM cash operating cost of US$291/tonne CIF. An estimated incremental capital cost of A$225.83M (+/- 30%) would be required to deliver the proposed Stage 3 expansion.

If approved, the Stage 3 expansion would build off the current Stage 1 operation and the proposed Stage 2 expansion, through the construction of a parallel processing train. While the key process steps would remain unchanged, the build would involve the construction of an additional 2.5Mtpa crushing circuit to complement the combined 5Mtpa processing capacity of the Stage 1 and 2 circuits. A final investment decision and delivery schedule for Stage 3 will be dependent on further feasibility studies, market conditions, customer requirements and funding.

Exploration and Ore Reserves

On 17 September 2018 the Company announced an increase of 35% in the JORC Ore Reserve estimate at the Pilgangoora project to 108.2 million tonnes (Mt) grading 1.25% Li_2O, 120ppa Ta_2O_5 and 1.17% Fe_2O_3. The new ore reserve was calculated based on the updated JORC Mineral Resource also delivered in September 2018 of 226.0Mt @ 1.27% Li_2O containing an estimated 2.86Mt of Li_2O. The Mineral Resources used a cut-off of 0.2% Li_2O. The update in the mineral resource estimation supports the potential for further increase to meet future growth beyond Stage 2 and 3. Much of the Pilgangoora Project area remains under-explored and several recently identified target areas are showing potential for further resource growth.

Pilgangoora Tantalum-Lithium Project JORC Ore Reserve Estimate

Category	Tonnage (Mt)	Li_2O (%)	Ta_2O_5 (ppm)	Fe_2O_3 (%)	Li_2O (Mt)	Ta_2O_5 (Mlbs)
Proved	22.1	1.30	135	1.11	0.29	6.6
Probable	86.1	1.24	116	1.19	1.07	21.9
	108.2					

Notes:
1. Ore loss was estimated to be 10% of the convertible Measured and Indicated Mineral Resource.
2. The Ore Reserve estimate includes 6% of diluting material at zero grade for Li2O and Ta2O5.
3. The grade of Fe2O3 associated with waste rock dilution was estimated into a waste model using ordinary kriging and applied locally.
4. All Inferred Mineral Resource and unclassified mineral inventories within the mining envelope were treated as waste.
5. Oxidized mineralization was treated as waste.
6. The Lynas Find Pit and associated waste land forms are located on M45/1266, which is currently under application and expected to be granted in the near term. All other pits and landforms are located within existing granted mining leases held by Pilbara Minerals Ltd.
7. Totals may not add up due to rounding.
8. The Ore Reserve was estimated using the Net Smelter Return (NSR) method. The marginal economic cut-offs were estimated to be between $25-30 per tonne, depending on the distance from the process plant.

The Company completed its inaugural exploration program at Mt Francisco during the year resulting in a greatly improved understanding of the globally significant pegmatite system in the Pilgangoora district. Drilling intercepted multiple pegmatites with thicknesses ranging up to 30m. The pegmatites contain elevated levels of tantalum and lithium mineralisation, but geological logs and follow up sampling show that the lithium is associated with zinnwaldite and lepidolite. Whilst drilling to date has only focused on a relatively small portion of the Mt Francisco project area, numerous geological and surface geochemical targets remain untested with the Company's focus being on geology supporting spodumene occurrences. The Company has now satisfied the earn-in expenditure commitment and as a result increased its interest in the project from 51% to 70%. Future exploration will include a detailed assessment of the geology and analytical results prior to undertaking any further drilling.

During the year the Company also completed an extensive program of exploration, and strategic drilling at Pilgangoora with results continuing to demonstrate further exploration upside to the endowment of the Pilgangoora lithium-tantalum deposit. Drilling primarily focused on testing a selection of exploration targets outside the mine area with an additional objective to sterilise unexplored areas for potential infrastructure and materials handling. All up, a total of 98 holes were drilled for 10,725m. Drilling has returned a number of significant intersections, in particular along strike from the South End deposit with results including;

- 18m @ 1.62% Li_2O and 145ppm Ta_2O_5 from 89m (PLS1289)
- 12m @ 1.80% Li_2O and 74ppm Ta_2O_5 from 90m (PLS1291)
- 13m @ 1.26% Li_2O and 58ppm Ta_2O_5 from 153m (PLS1293)
- 13m @ 1.71% Li_2O and 53ppm Ta_2O_5 from 4m (PLS1299)

RC grade control drilling programs continued this year within the Central Pit and primarily in the Eastern area, with a total of 537 holes drilled for an advance of 20,756m. Average hole depth was 38 metres and the information gained from these programs has provided further confidence in the reserve base and will allow mining to continue in the current pits for an extended period before further RC grade control drilling is required.

The Company continued to make strong progress with its water exploration program with the discovery of a new borefield to the west of Pilgangoora during the year. A total of 50 exploration pilot holes were drilled of which 16 have been or will be developed into production bores. Pipelines, pumps and other infrastructure have been installed with extraction planned on receipt of regulatory approvals. The discovery of the supplementary water supply will add significantly to the overall water balance in support of current activities and future water requirements for project expansion(s).

Corporate

In July 2018, the final drawdown of the US$100 million Nordic Bond facility for Stage 1 of the Pilgangoora Project was completed following the satisfaction of the cost to complete tests. The Company achieved project completion under the terms of the bond in January 2019.

In August 2018, the Company executed a US$15 million working capital facility and foreign exchange hedging facility with BNP Paribas to support risk and capital management initiatives during the Company's growth phase and the commissioning of the Stage 1 operation and the potential Stage 2 expansion. At 30 June 2019 this working facility remained undrawn.

In March 2019 the Company received a A$50 million equity placement from its offtake customer Ganfeng Lithium. This equity placement allowed Ganfeng Lithium to secure an additional offtake supply of 75,000tpa of spodumene concentrate from Stage 2 production. Ganfeng's total Stage 2 offtake agreement is now 150,000tpa of spodumene concentrate.

The Company also reached agreement with Great Wall Motor Company to provide a US$25 million prepayment facility in exchange for an additional 75,000tpa of offtake supply of spodumene concentrate from Stage 2 production. Great Wall Motor Company's total Stage 2 offtake agreement is 150,000tpa. The pre-payment facility is presently undrawn and remains conditional on securing the balance of funding for Stage 2.

Following completion of the Stage 3 scoping study in the March 2019 Quarter, the Company commenced a partnering process to consider Stage 3 offtake, further vertically integrated chemical facilities and the potential sale of a minority project level interest in the Pilgangoora Project of between 20% to 49%. As at the date of this report no agreement has been reach with any party and there is no certainty that any transaction will be completed. This partnering process does not include the Company's potential interest in the proposed POSCO JV for a ~40ktpa lithium hydroxide facility in South Korea.

Review of financial conditions

The consolidated net loss for the year ended 30 June 2019 was $28.9 million (2018 loss $19.4 million). The loss included the following non-cash items:

- share based payment expense $2.2 million (2018: $4.6 million)
- depreciation and amortisation $4.3 million (2018: $1.5 million)
- unrealised foreign exchange loss of $6.5 million (2018: $6.4 million) largely related to the restatement of the USD denominated secured bond to AUD at the year end closing foreign exchange rate.

During the nine month period up to 31 March 2019 when the Pilgangoora operation was in pre-production commissioning and ramp up phase, all costs associated with the production of spodumene concentrate at the Pilgangoora Project (net of revenue derived from the sale of spodumene concentrate and inventory movements) were classified as project development costs and capitalised to the balance sheet accordingly. Following the declaration of commercial production effective 1 April 2019, all operating costs were either allocated to inventory or expensed to the statement of profit and loss.

At 30 June 2019 the Company had a cash balance of $63.6 million and a market capitalisation of $1.0 billion.

Share Placements and Issues

During the financial year, the Company issued the following shares, excluding options exercised, before costs:

Date	No. of shares	Price per share ($)	Amount issued ($'000)
26 March 19	77,663,871	$0.64	50,000

Options Issued

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

Option	Grant date	Exercise price	Expiry date	Vested	Options unexercised at 30 June 2019
2,000,000	28-Nov-18	$0.93	21-Dec-21	1,333,333 [a]	2,000,000
1,321,100	28-Nov-18	$0.88	31-Dec-21	- [b]	1,321,100
1,783,485	21-Dec-18	$0.88	31-Dec-21	- [b]	1,783,485

[a] The vesting conditions attached are:

- 33.33% vest on the date of allotment;
- 33.33% vest on 30 June 2019, subject to the Director remaining in service at that date; and
- 33.33% vest on 30 June 2020, subject to the Director remaining in service at that date.

[b] The vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

Performance Rights Issued

During the financial year, the Company granted the following performance rights:

Performance rights	Grant date	Expiry date	Vested
271,493	28-Nov-18	30-Jun-21	- [a]
769,206	21-Dec-18	30-Jun-21	- [a]

[a] The vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over a 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

DIVIDENDS

The Directors recommend that no dividend be declared or paid.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

ENVIRONMENTAL REGULATION

The Group holds all necessary approvals to undertake exploration, mining and construction and operation of the Pilgangoora Project and its associated activities. These approvals include conditions in relation to the protection of the environment through appropriate storage of dangerous substances, control of emissions, auditing and reporting obligations and the rehabilitation of disturbed land. The Group is committed to maintaining a high level of environmental performance and compliance with all regulations and obligations.

The Group reports emissions under the *National Greenhouse and Energy Reporting Act* and the *National Environmental Protection (National Pollutant Inventory) Measure*. The Group has developed data collection and management systems to support these reporting requirements. Water usage and efficiency is reported to State regulatory agencies, along with annual compliance reports for vegetation clearing, implementation of Mining Proposals and estimation of mine closure costs.

Following an internal review carried out in 2018 in relation to the Group's environmental approvals for the Pilgangoora Project, the Group implemented additional environmental management systems including compliance-specific training programs and the adoption of compliance and environmental monitoring databases. During the reporting period, the Group engaged with and submitted numerous reports and statements to the relevant regulatory authorities demonstrating compliance with all necessary licences and approval obligations. There have been no material breaches of the Groups licences during the reporting period and all mining, exploration and associated activities have been undertaken in accordance with the relevant environmental regulations.

DIRECTORS 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		Performance rights
Anthony Kiernan	287,858	8,000,000	(i)	-
Steve Scudamore	142,850	1,333,334	(i)	-
Nicholas Cernotta	156,570	2,000,000	(ii)	-
Sally-Anne Layman	88,600	2,000,000	(iii)	-
Ken Brinsden	7,838,165	1,321,100	(iv)	-

Vesting conditions attached to these options are set out in:

(i) footnote (c) of Note 2.2.2 to the Financial Statements.
(ii) footnote (f) of Note 2.2.2 to the Financial Statements.
(iii) footnote (g) of Note 2.2.2 to the Financial Statements.
(iv) footnote (h) of Note 2.2.2 to the Financial Statements.

SHARE OPTIONS

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

Expiry date	Exercise price	Number of options
08 September 2019[a]	$0.63	1,500,000
07 November 2019[b]	$0.55	500,000
17 November 2019[b]	$0.55	500,000
12 December 2019[c]	$0.63	9,333,334
31 August 2020[d]	$0.45	2,000,000
31 August 2020[e]	$0.45	750,000
08 December 2020[f]	$0.90	2,000,000
21 December 2021 [g]	$0.93	2,000,000
31 December 2021 [h]	$0.88	3,104,585

Vesting conditions attached to these options are set out in footnote (a) to (h) of Note 2.2.2 of the Financial Statements.

PERFORMANCE RIGHTS

At the date of this report, unissued shares of the Group pursuant to performance rights issued under the Company's Employee Award Plan are:

Date performance rights granted	Expiry date	Number of performance rights
28 November 2018 [a]	30 June 21	271,493
21 December 2018 [a]	30 June 21	769,206

(a) Vesting conditions attached to these performance rights are set out in Note 2.2.2 of the Financial Statements.

Unless stated there are no other vesting conditions on options or performance rights on issue.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has agreed to indemnify 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 provided non-audit services of $363 in the financial year ended 30 June 2019. 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 33 and forms part of the Directors' Report for the financial year ended 30 June 2019.

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.

AUDITED REMUNERATION REPORT

a. Introduction

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements for Directors and other Key Management Personnel ("**KMP**") of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

The information provided in this Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, and the following sections have been audited in accordance with Section 308(3C) of the *Corporations Act 2001*.

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	Other KMP
Anthony Kiernan Steve Scudamore Nicholas Cernotta Sally-Anne Layman	Ken Brinsden	Brian Lynn Alex Eastwood Dale Henderson

Within this Remuneration Report reference to 'executive(s)' includes Executive Directors and other KMP.

b. Role of remuneration and nomination committee

The Company has established a Remuneration and Nomination Committee under a formal charter which is comprised of independent Non-Executive Directors.

The role of the Remuneration and Nomination Committee is to advise the Board each year on remuneration arrangements for Executive Directors, Non-Executive Directors and other KMP in accordance with the Group's remuneration policy approved by the Board. Each year the Committee reviews and makes recommendations to the Board on such remuneration arrangements, including in relation to fixed remuneration for KMP, all awards by way of the long-term Incentives **(LTI)** under the Company's Employee Award Plan and the level of short-term incentives **(STI)**.

During the year ending 30 June 2019, the Remuneration and Nomination Committee consulted with Ernst and Young to obtain general information in relation to benchmarking executive remuneration against remuneration market data from comparator groups for S&P/ASX 200 companies based on comparable industry and market capitalisation. In addition, Ernst and Young were consulted on selecting a relative Total Shareholder Return **(TSR)** peer group in respect of the Company's long-term incentive remuneration framework. This did not involve providing the Committee with any remuneration recommendations as defined by the Corporations Act 2001. The total fees paid to Ernst and Young during the year to perform this work was $60,049 including GST.

Further information relating to the role of the Remuneration and Nomination Committee can be found in the Remuneration and Nomination Committee Charter on the Company's website.

c. Executive Remuneration policy and framework

The Directors are responsible for ensuring that the remuneration arrangements of its executives are aligned with the Company's overall business strategy and shareholder interests.

As part of the FY2019 Executive Remuneration Framework, the Board determined that remuneration packages should include an appropriate balance of fixed remuneration and performance based remuneration. The Board considers reward for performance is market competitive and it is appropriate to align executive reward with the achievement of short-term and long-term strategic objectives to create and drive shareholder value.

The Board endeavours to ensure that the executive remuneration 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, performance and shareholder return;
- reward executives against determined performance goals/targets to achieve successful and sustainable project development and operations;
- ensure effective benchmarking for total annual remuneration in accordance with market practices and clearly defined peer group 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.

Elements of Executive Remuneration

Executive remuneration packages for KMP each year comprise a mix of the following:

	Fixed Remuneration	**Variable Remuneration** Performance-based remuneration	
		Short-term Incentives (STIs)	**Long term Incentives (LTIs)**
Includes:	Base salary, superannuation as guaranteed fixed element of remuneration	Cash bonuses or incentives subject to achievement of annual performance targets.	Annual grant of options and/or performance rights issued under the shareholder approved Employee Award Plan which vest over a long term vesting period subject to achievement of performance targets.
Objective:	To attract and retain talent	Reward shorter term performance.	Reward longer term performance that drives long-term strategic growth of the Company and delivers shareholder return. Longer term retention of talent.
Purpose:	Provide competitive remuneration on or about the 50th percentile with benchmarking based on; • company size and industry • role complexity • individual responsibility • skills and experience	Achievement of a pre-defined set of shorter term (12-month period) performance targets that are linked to safety, production and cost.	Achievement of pre-defined longer-term performance targets linked to relative TSR and strategic objectives aligned with the Company's sustainable development and growth.

Targeted remuneration mix

Market trends, strategic business objectives and shareholder interests as well as the experience, role and responsibilities of executives are considered each year when determining the mix of maximum remuneration for executives and how each component would drive desired outcomes. Based on these considerations, the target maximum remuneration components for executives for the 2019 financial year were as follows:

Name	Fixed Remuneration	STI [1]	LTI [1]
Managing Director ("**MD**") and Chief Executive Officer ("**CEO**")	100%	100%	100%
Other KMP	100%	60%	60%

[1] Calculated as a % of Fixed Remuneration comprising base salary and employer superannuation contributions.

In positioning the remuneration framework for KMP for FY2019, the Remuneration and Nomination Committee sought to create a performance based culture within the executive team of the Company. Fixed remuneration for KMP was therefore targeted at or about the 50th percentile with maximum total remuneration eligible to be received by executives (inclusive of performance based maximum STIs and LTIs) positioned to be aligned with the 50th to 75th percentile when compared to independent market surveys and the comparator groups in the S&P/ASX 200 based on comparable industry and market capitalisation of the Company.

d. 2019 Executive Remuneration

Overview

In developing the remuneration framework for the 2019 financial year, the Remuneration and Nomination Committee and Board recognised that the executives had previously delivered a high level of performance with a strong track record of delivering value for shareholders.

It was considered that the remuneration framework for FY19 needed to be aligned to:

- ensure retention of executives;
- provide market competitive fixed and variable remuneration for a high level of performance;
- keep executive's highly motivated to continue to achieve outstanding performance and shareholder value;
- recognise the levels of responsibilities and accountabilities they assume;
- ensure continued growth in the Company; and
- be fit for purpose for an ASX 200 company as it moved into the operational phase of its asset life cycle.

For 2019, the primary focus of the remuneration framework was on concluding the construction and commissioning of the Pilgangoora Project and achieving the commencement of safe and sustainable operations in line with production and unit cost goals set for FY2019. The longer term objectives of the framework focused on ongoing growth including the successful achievement of the Stage 2 expansion and achievement of participation in downstream chemical processing opportunities, both of which continue to be actively pursued by the Company.

With the objective of creating a performance based culture and positioning the remuneration of the executives at an appropriate level relative to market data and comparator peer groups, the Remuneration and Nomination Committee and the Board sought to remunerate executives for their fixed remuneration at or around the 50th percentile and their maximum total remuneration (inclusive of both fixed and variable performance based remuneration) within the 50-75th percentile.

To that end, and in addition to having regard to market data provided in independent market surveys, the Company sought external advice from an independent remuneration consultant, Ernst & Young, on the overall design of the remuneration framework including market practices in relation to STIs and LTIs and general information in relation to benchmarking executive remuneration against market data from comparator groups for S&P/ASX 200 companies based on comparable industry and market capitalisation.

For the 2020 financial year, the Company has adopted a similar remuneration framework by setting a performance based culture with performance targets for STIs focusing on continued safe and sustainable operations with specific sales and production targets for the financial year. Longer term targets for LTIs have continued to focus on relative total shareholder return and strategic goals linked to sustainable growth and development. Fixed remuneration of executives and their the maximum entitlements to STIs and LTIs as a percentage of fixed remuneration has remained unchanged from FY2019.

Further details of the remuneration framework for executives for the 2019 financial year including fixed remuneration paid and awarded STIs and LTIs inclusive of performance targets and vesting conditions are set out below.

Fixed Remuneration

For the year ended 30 June 2019, the executives received fixed remuneration in the form of a base cash salary plus superannuation entitlements.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The nature and amount of fixed remuneration for executives 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. The Committee ensures that the remuneration paid to executives is consistent with market conditions and practices and demonstrates a correlation to performance and creation of value for shareholders. During FY2019 the fixed salary for executives was reviewed to bring them in line with the market based on comparator groups for S&P/ASX 200 companies with comparable industry and market capitalisation. Details of executives' fixed remuneration is outlined in section (g) executive contractual arrangements. For FY2020, it was determined that there will be no changes recommended for the fixed remuneration for executives.

Short Term Incentives

Subsequent to the year ended 30 June 2019, the Board determined to pay STI to the executives in recognition of achievements made against performance targets set for the 2019 financial year. The STIs were assessed on the following criteria outlined in the 2019 KMP Remuneration Framework:

- 30% weighting for Safety;
- 60% weighting for Production and Costs; and
- 10% weighting for Personal Leadership and Management Performance.

No STI was paid in relation to the performance target concerning production and cost as performance targets were not met.

During the 2019 financial year the Company achieved a TRIFR of 3.93 against a TRIFR stretch target of 3.50 (100% payable) and a target TRIFR of 4.0 (75% payable) with the STIs paid, on a pro rata basis, to executives for the achievement of a TRIFR between these targets.

STIs were paid to KMP in relation to their assessed personal leadership and management performance objective during the year.

The maximum STI available to executives is in accordance with the targeted remuneration mix outline in section (c).

As a result of the assessment of each executive's performance against these outcomes, for FY2019 the Board approved payment of the following STIs in the form of cash:

Name	Position	Maximum STI ($)	Achieved STI ($)	Achieved STI (%)[1]
Ken Brinsden	MD and CEO	600,000	186,300	31.1%
Brian Lynn	Chief Financial Officer	270,000	90,585	33.6%
Alex Eastwood	General Counsel and Company Secretary	270,000	90,585	33.6%
Dale Henderson	Chief Operating Officer	270,000	90,585	33.6%

[1]% of STI achieved

Long Term Incentives

Vesting of LTIs under FY2018 Remuneration Framework

In FY2018 the Company granted 768,748 performance rights to executives under the FY2018 Remuneration Framework which had a 2 year vesting period and a vesting date of 30 June 2019.

The maximum value of LTIs awarded to executives under the FY2018 Remuneration Framework was at the time determined to be 60% of total remuneration for the MD and CEO and 40% of total fixed remuneration for other KMP.

The vesting of these FY2018 LTIs was subject to achievement of performance targets based on relative TSR and strategic objectives.

The LTI awards were payable in the form of a mix of cash bonuses (50%) and performance rights (50%) issued under the Company's shareholder approved Employee Awards Plan.

The performance targets set for these LTIs were based on:

- relative TSR measured against a defined peer group of companies based on for the 2 year measurement period with vesting to occur between the 50th and 85th percentile (50% weighting) (**TSR Performance Target**); and
- performance targets based on project and strategic objectives of the Company relevant to the development of the Pilgangoora Project (50% weighting) (**Strategic Performance Targets**).

At the time of their grant in 2017, the Company was considered to be at a crucial stage of development of the Pilgangoora Project. It was therefore considered appropriate to adopt a 2 year vesting period to ensure executives were retained and adequately motivated to achieve very specific and more 'shorter term' objectives required for the successful development of the Pilgangoora Project. This was a "one off" grant of LTIs on this basis and the subsequent remuneration frameworks for FY2019 and FY2020 adopted LTIs with longer 3 year vesting periods.

TSR Performance Target (50% weighting):
The TSR peer group for these LTIs was determined by the Remuneration and Nomination Committee at the beginning of FY2018 and was based on companies which at the time were of similar industry, size and life cycle to the Company. Companies in the peer group included: Altura Mining Limited, Galaxy Resources, Kidman Resources Limited, Western Areas Limited, Orocobre Limited, Neometals Limited, Metals X Limited, BC Iron Limited, Gold Road Resources, Dacian Gold Limited, Beadell Resources and Blackham Resources Limited.

In accordance with the terms of these LTIs the vesting of awards based on satisfaction of the relative TSR performance target was calculated as follows:

- if the Company's relative TSR was below the 50th percentile, none of the relevant cash bonuses or performance rights vest; or
- if the Company's relative TSR was in the 50th percentile or higher, the relevant cash bonuses or performance rights will vest according to a pro rata linear scale whereby:

- if the Company's TSR was at the 50th percentile, 50% of the relevant cash bonuses and performance rights vest; and
- if the Company's TSR was at the 85th percentile or higher, 100% of the relevant cash bonuses and performance rights vest.

Post 30 June 2019, the Company's relative TSR for the 2 year measurement period was independently determined to be 43.42% which was approximately in the 82nd percentile of the defined TSR peer group. Applying the TSR linear scale, for each executive, 95.7% of the maximum awards in cash bonuses (50%) and performance rights (50%) for the TSR performance target was achieved and will be paid out to the executive's post 30 June 2019.

For any future LTI awards based on relative total shareholder return, the Company proposes to introduce positive EBITDA as a vesting requirement. This will be introduced in future executive remuneration frameworks.

Strategic Performance Targets (50% weighting):
In relation to the vesting of LTIs issued to executives under the FY2018 Remuneration Framework, targets were also set for each executive in relation to the following strategic objectives:

- the shipment of stage 1 tonnes achieves FY19 budget (weighting 20%)
- Stage 1 being funded to first production (weighting 10%)
- Completion of Stage 2 definitive feasibility study (DFS), offtake, final investment decision and funding (weighting 10%)
- Stage 1 production and specifications against FY19 budget (weighting 5% to 10%)
- diversify customer sales (weighting 5%)
- downstream processing initiatives (weighting 5%)

The specific performance targets and weighting varied across each executive depending on their 'line of sight' over these objectives and their respective roles and responsibilities.

Post 30 June 2019 and as a result of the assessment of each executives performance against these strategic objectives, the Board has approved payment of the following LTIs in the form of cash bonuses (50%) and ordinary fully paid shares in the Company (upon vesting and conversion of performance rights on a 1 for 1 basis) (50%):

Name	Maximum		Achieved		
	50% cash $	50% ordinary shares	50% cash $	50% ordinary	LTI (%)
Ken Brinsden	147,825	317,221	103,995	223,165	70%
Brian Lynn	71,175	152,737	51,851	111,269	73%
Alex Eastwood	71,175	152,737	51,851	111,269	73%
Dale Henderson	68,400	146,781	48,974	105,095	72%
	358,575	769,476	256,671	550,798	

Options and Performance Rights Granted under FY2019 Remuneration Framework

During the year ended 30 June 2019 an annual grant of performance based LTIs were awarded to executives under the FY2019 Remuneration Framework in the form of options and performance rights under the Company's shareholder approved Employee Awards Plan.

The LTIs were issued to executives on the following basis:

- the maximum dollar value of LTIs awarded to KMP was determined to be 100% of total remuneration for the MD and CEO and 60% of total fixed remuneration for other KMP;

- the LTIs will vest subject to pre-determined and weighted performance conditions which are measured over a 3 year vesting period beginning 1 July 2018 and ending 30 June 2021; and
- Subject to vesting, LTI payments will comprise a mix of 60% options and 40% performance rights.

3,104,585 unlisted options and 638,006 performance rights over ordinary shares in the Company were granted to executives during the year under the Company's Employee Award Plan.

The awards were issued to executive's subject to achievement of the following conditions to be measured over the 3 year vesting period:

- 50% weighting towards relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies; and
- 50% weighting on performance conditions aligned to longer term project and strategic objectives of the Company as follows;
  - 30% weighting towards sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure, and
  - 20% weighting towards participation in a downstream processing opportunity at a level satisfactory to the board.

None of these options and performance rights were eligible for vesting in the 2019 financial year.

Further details of fixed remuneration paid, STI bonuses, options and performance rights are detailed in the Directors and Executive Officers Remuneration table in section (i) for the years ended 30 June 2018 and 30 June 2019.

e. Assessing performance and clawback of remuneration

The Board is responsible for assessing executive's performance against vesting conditions 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.

f. Consequences of performance on shareholder wealth

Executive remuneration is aimed at aligning the strategic and business objectives with the creation of shareholder wealth and return. 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.

	2019	2018	2017	2016	2015
Profit/(loss) for the year attributable to owners of Pilbara Minerals Limited ($'000)	(28,932)	(19,415)	(25,954)	(55,607)	(6,620)*
Basic earnings/(loss) per share (cents)	(1.63)	(1.19)	(2.11)	(6.76)	(1.12)*
Dividend payments ($'000)	-	-	-	-	-
Share price - 30 June	$0.55	$0.87	$0.38	$0.62	$0.11
Increase/(decrease) in share price (%)	(37.4)	128.9	(38.7)	463.6	452.6

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

g. Executive contractual arrangements

The agreements relating to remuneration and other terms of employment for the executives are set out below.

	K Brinsden Managing Director/ Chief Executive Officer	B Lynn Chief Financial Officer	A Eastwood Company Secretary & General Counsel	D Henderson Chief Operations Officer
Total fixed remuneration per annum inclusive of superannuation	$600,000	$450,000	$450,000	$450,000
Resignation notice	16 weeks	16 weeks	12 weeks	12 weeks
Termination notice for cause	None	None	None	None
Termination notice without cause	12 months	12 months	6 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	Greater of 1 month or NES
Redundancy*	NES	NES	NES	NES

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

h. Non-executive director 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 Remuneration and Nomination Committee and Board taking into account comparable roles and market data.

The maximum annual aggregate directors' fee pool limit is currently set at $750,000 and was approved by shareholders at the annual general meeting on 24 November 2016. No changes are currently proposed for FY2020.

The Board reviewed the Chairman's fee and Committee fees with effect from 1 July 2018.

	From 1 July 2018 $	From 1 July 2017 $
Base fees (annual)		
Non-Executive Chairman	170,000	150,000
Other Non-Executive Directors	100,000	70,000
Committee Fees (annual)		
Chairperson of Committee	10,000	10,000
Member of Committee	7,500	5,000

Fees for Non-Executive Directors are not linked to performance of the Company.

Other than Ms Sally-Anne Layman who was issued 2,000,000 options on 28 November 2018 following receipt of shareholder approval, there were no options or other equity-based instruments issued to Non-Executive Directors in the relevant period. The options issued to Ms Sally-Anne Layman are not subject to performance related conditions but vest in 3 tranches over a 3 year vesting period subject to remaining in service as a Non-Executive Director.

i. Directors' and Executive Officers' Remuneration

Details of the remuneration of the KMP of the Group for the 2018 and 2019 financial years are set out in the following tables.

		Fixed Remuneration			Variable Remuneration				Total	Performance Related Remuneration %
		Salary and fees	Annual and long service leave	Post-employment benefit	Non-performance shares[A]	Performance shares[B]	STI Cash Payment[C]	LTI Cash Payment[D]		
Non-Executive Directors										
Anthony Kiernan	2019	155,251	-	14,749	217,378	-	-	-	387,378	0%
	2018	136,986	-	13,014	845,958	-	-	-	995,958	0%
Steve Scudamore	2019	107,306	-	10,194	54,344	-	-	-	171,844	0%
	2018	77,626	-	7,374	211,490	-	-	-	296,490	0%
Nicholas Cernotta	2019	107,306	-	10,194	175,458	-	-	-	292,958	0%
	2018	77,626	-	7,374	666,742	-	-	-	751,742	0%
Sally-Anne Layman	2019	107,607	-	-	451,419	-	-	-	559,026	0%
	2018	13,111	-	1,364	-	-	-	-	14,475	0%
John Young[1]	2019	-	-	-	-	-	-	-	-	0%
	2018	53,273	-	5,061	-	-	-	-	58,334	0%
Neil Biddle[2]	2019	-	-	-	-	-	-	-	-	0%
	2018	4,892	-	-	-	-	-	-	4,892	0%
Executive Directors										
Ken Brinsden	2019	579,469	69,124	20,531	-	475,108	186,300	37,474	1,368,006	51%
	2018	472,701	26,768	20,049	-	848,288	295,650	66,521	1,729,977	70%
Other KMP										
Brian Lynn	2019	429,469	33,853	20,531	-	178,082	90,585	19,822	772,342	37%
	2018	335,826	14,040	20,049	-	392,921	142,350	32,029	937,215	61%
Alex Eastwood	2019	429,469	22,640	20,531	-	142,431	90,585	19,822	725,478	35%
	2018	335,826	10,304	20,049	-	291,619	142,350	32,029	832,177	56%
Dale Henderson	2019	429,469	22,794	20,531	-	105,359	90,585	19,049	687,787	31%
	2018	313,794	898	16,707	-	224,307	136,311	29,925	721,942	54%
Total Directors and KMP remuneration										
	2019	**2,345,346**	**148,411**	**117,261**	**898,599**	**900,980**	**458,055**	**96,167**	**4,964,819**	**29%**
	2018	**1,821,661**	**52,010**	**111,041**	**1,724,190**	**1,757,135**	**716,661**	**160,504**	**6,343,202**	**42%**

[A] Non-performance shares only have service based conditions. The amount disclosed in the table above relates to the non-cash value ascribed to share options under Australian Accounting Standards using the Black Scholes option valuation methodology.

[B] The amount disclosed in the table above relates to the non-cash value ascribed to share options and performance rights under Australian Accounting Standards using the Black Scholes and Monte Carlo valuation methodologies.

[C] 2019 STI cash bonuses relate to those declared for FY2019 but paid subsequent to the year ended 30 June 2019.

[D] Relates to the 2018 LTI cash bonuses accrued in FY2018 and FY2019. The bonuses will be determined subject to satisfying performance conditions at the end of the vesting period (30 June 2019) and paid subsequent to the year ended 30 June 2019.

[1] Mr Young resigned as an Executive Director on 31 July 2017 and subsequently resigned as Non-Executive Director on 20 April 2018.

[2] Mr Biddle resigned as Non-Executive Director on 26 July 2017.

j. Equity Instruments

Share Based Payment Expense

Details of the share based payment expense for the KMP of the Group for the year ending 30 June 2019 is shown in the table below:

	Year of Grant	Equity Options	Performance Rights	Non-performance	Performance		
				Equity Options	Equity Options	Performance Rights	Total
		No.	No.	($)	($)	($)	($)
Anthony Kiernan	2017	8,000,000	-	217,378	-	-	-
Steve Scudamore	2017	1,333,334	-	54,344	-	-	-
Nicholas Cernotta	2018	2,000,000	-	175,458	-	-	-
Sally-Anne Layman	2019	2,000,000	-	451,419	-	-	-
Ken Brinsden	2016	15,000,000	-	-	253,339	-	253,339
	2018	-	316,922	-	-	93,479	93,479
	2019	1,321,100	271,493	-	84,670	43,620	128,290
							475,108
Brian Lynn	2017	6,000,000	-	-	90,029	-	90,029
	2018	375,000	152,592	-	12,818	46,311	59,129
	2019	594,495	122,171	-	17,094	11,830	28,924
							178,082
Alex Eastwood	2017	4,000,000	-	-	54,378	-	54,378
	2018	375,000	152,592	-	12,818	46,311	59,129
	2019	594,495	122,171	-	17,094	11,830	28,924
							142,431
Dale Henderson	2018	2,000,000	146,642	-	34,182	42,253	76,435
	2019	594,495	122,171	-	17,094	11,830	28,924
							105,359
Total		**44,187,919**	**1,406,754**	**898,599**	**593,516**	**307,464**	**900,980**

Options over Equity Instruments granted as Compensation Instruments

All options refer to unlisted options over ordinary shares in the Company, which are exercisable on a one-for-one basis under the Employee Award Plan which was approved by shareholders on 25 January 2017.

Details on unlisted options over ordinary shares in the Company that were granted as compensation to each KMP during the financial year are as follows:

	No. of options granted during the year	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	No. of options vested during the year
Sally-Anne Layman[1]	2,000,000	28-Nov-18	$0.271	$0.93	21-Dec-21	1,333,333
Ken Brinsden[2]	660,550	28-Nov-18	$0.270	$0.88	31-Dec-21	-
Ken Brinsden[2]	660,550	28-Nov-18	$0.289	$0.88	31-Dec-21	-
Brian Lynn[2]	297,248	21-Dec-18	$0.121	$0.88	31-Dec-21	-
Brian Lynn[2]	297,247	21-Dec-18	$0.130	$0.88	31-Dec-21	-
Alex Eastwood[2]	297,248	21-Dec-18	$0.121	$0.88	31-Dec-21	-
Alex Eastwood[2]	297,247	21-Dec-18	$0.130	$0.88	31-Dec-21	-
Dale Henderson[2]	297,248	21-Dec-18	$0.121	$0.88	31-Dec-21	-
Dale Henderson[2]	297,247	21-Dec-18	$0.130	$0.88	31-Dec-21	-

[1] The vesting conditions attached to these unlisted options are as follows:

- 33.33% vest on the date allotment;
- 33.33% vest on 30 June 2019, subject to not having ceased to be a Director at that date; and
- 33.33% vest on 30 June 2020, subject to not having ceased to be a Director at that date.

[2] The vesting conditions attached to these unlisted options are as follows:

- 50% based on relative Total Shareholder Return (TSR) ranking (between the 50th to 85th percentile) of the Company over the vesting period relative to the performance of the nominated peer group;
- 30% vest upon a Board determination in respect of the sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure.; and
- 20% based upon a Board determination in respect of participation in a downstream processing opportunity at a level satisfactory to the Board.

The exercise price of the options issued to Ms Sally-Anne Layman during the year ended 30 June 2019 of 93 cents was based on the Volume Weighted Average Share Price (“**VWAP**”) for the 30-day period ending 30 September 2018, and represented a 14.3% premium to the closing share price on the date the Board approved the grant of option, subject to obtaining shareholder approval.

The exercise price of the options issued to other KMP during the year ended 30 June 2019 of 88 cents represented the VWAP for the 1st quarter of FY2019 being the period from 1 July 2018 to 30 September 2018.

Fair value of options granted

All options issued as compensation to 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. The model inputs for the options granted during the year include:

	Options expiring 21 December 2021	Options expiring 31 December 2021	Options expiring 31 December 2021
Exercise price	$0.930	$0.884	$0.884
Grant date	28-Nov-18	28-Nov-18	21-Dec-18
Expiry date	21-Dec-21	31-Dec-21	31-Dec-21
Share price at grant date	$0.84	$0.84	$0.58
Expected volatility of the Company’s shares	50%	50%	50%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	2.09%	2.09%	1.90%

Exercise of Options granted as Compensation Instruments

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

	No. of shares	Amount paid per share
Ken Brinsden	15,000,000	$0.40
Brian Lynn[1]	1,335,320	$0.00
Alex Eastwood[2]	890,213	$0.00

[1] Exercised 6,000,000 options under the cashless exercise facility available under the Company's Employee Award Plan
[2] Exercised 4,000,000 options under the cashless exercise facility available under the Company's Employee Award Plan

There are no amounts unpaid on any ordinary shares issued as a result of the exercise of unlisted options during the 2019 financial year.

Performance Rights over Equity Instruments granted as Compensation Instruments

Details on performance rights over ordinary shares in the Company that were granted as LTI compensation to each KMP and details on performance rights that vested during the reporting period are shown in the table below:

2019	No. of performance rights granted	Grant date[1]	Fair value per performance right at grant date	Expiry date	No. of performance rights vested
Ken Brinsden	135,747	28-Nov-18	$0.840	30-Jun-21	-
Ken Brinsden	135,747	28-Nov-18	$0.628	30-Jun-21	-
Brian Lynn	61,086	21-Dec-18	$0.580	30-Jun-21	-
Brian Lynn	61,085	21-Dec-18	$0.349	30-Jun-21	-
Alex Eastwood	61,086	21-Dec-18	$0.580	30-Jun-21	-
Alex Eastwood	61,085	21-Dec-18	$0.349	30-Jun-21	-
Dale Henderson	61,086	21-Dec-18	$0.580	30-Jun-21	-
Dale Henderson	61,085	21-Dec-18	$0.349	30-Jun-21	-

[1] In relation to Mr Brinsden, these performance rights were approved by shareholders on 28 November 2018

As disclosed above, 50% of the performance rights will vest based on relative TSR as measured against a defined peer group and 50% will vest on the achievement of performance conditions linked to the Company's strategic objectives. The performance rights were provided at no cost and expire on the earlier of the expiry date or termination of the KMP's employment.

Fair value of performance rights granted

All performance rights issued as compensation to KMPs are non-cash in nature. They are valued using the Monte Carlo simulation model (market based conditions) and the Black Scholes option valuation methodology (non-market based conditions) that takes into account the term of performance rights, the share price at grant date and expected volatility of the underlying performance right, the expected dividend yield, the risk free rate for the term of the performance right and the correlations and volatilities of the peer companies. The model inputs for the performance rights granted during the year include:

	Executive Director	Other KMP
	Performance rights granted	Performance rights granted
Exercise price	-	-
Grant date	28-Nov-18	21-Dec-18
Expiry date	30-Jun-21	30-Jun-21
Share price at grant date	$0.84	$0.58
Expected volatility of the	50%	50%
Expected dividend yield	0%	0%
Risk-free interest rate	2.09%	1.90%

Details of Equity Incentives affecting Current and Future Remuneration

Details of vesting profiles of the unlisted options and performance rights held by each KMP of the Group as at 30 June 2019 are detailed below.

	Instrument	No. of instruments	Grant date	% vested in year	% forfeited in year [1]	Financial year in which grant vests
Anthony Kiernan	Options	8,000,000	24-Nov-16	33.33%	0%	2017, 2018 and 2019
Steve Scudamore	Options	1,333,334	24-Nov-16	33.33%	0%	2017, 2018 and 2019
Nicholas Cernotta	Options	2,000,000	23-Nov-17	33.33%	0%	2018 and 2019
Sally-Anne Layman	Options	2,000,000	28-Nov-18	66.67%	0%	2019 and 2020
Ken Brinsden	Options	1,321,100	28-Nov-18	0%	0%	2021
	Performance Rights	316,922	23-Nov-17	70%	30%	2019
	Performance Rights	271,493	28-Nov-18	0%	0%	2021
Brian Lynn	Options	375,000	01-Sep-18	50%	0%	2019
	Options	594,495	21-Dec-18	0%	0%	2021
	Performance Rights	152,592	11-May-18	73%	27%	2019
	Performance Rights	122,171	21-Dec-18	0%	0%	2021
Alex Eastwood	Options	375,000	01-Sep-18	50%	0%	2019
	Options	594,495	21-Dec-18	0%	0%	2021
	Performance Rights	152,592	11-May-18	73%	27%	2019
	Performance Rights	122,171	21-Dec-18	0%	0%	2021
Dale Henderson	Options	2,000,000	01-Sep-17	100%	0%	2019
	Options	594,495	21-Dec-18	0%	0%	2021
	Performance Rights	146,642	11-May-18	72%	28%	2019
	Performance Rights	122,171	21-Dec-18	0%	0%	2021

1 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

The number and total fair value of unlisted options and performance rights over ordinary shares in the Company granted during the reporting period is detailed below.

	Options		Performance Rights	
	Options granted in the year	Fair value of options granted in year [1] ($)	Performance Rights granted in year	Fair value of performance rights granted in the year [1] ($)
Sally-Anne Layman	2,000,000	542,000	-	-
Ken Brinsden	1,321,100	369,247	271,493	199,276
Brian Lynn	594,495	74,609	122,171	56,748
Alex Eastwood	594,495	74,609	122,171	56,748
Dale Henderson	594,495	74,609	122,171	56,748

1 The value of options and maximum value of performance rights granted during the year is the fair value of the unlisted options and performance rights calculated at grant date. These amounts are allocated to remuneration over their applicable vesting periods.

Unlisted Options over Equity Instruments

The movement during the current financial year, by number of unlisted options over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1-Jul-18	Granted as compensation	Exercised/ transferred	Held at 30-Jun-19	Vested during the year
Anthony Kiernan	8,000,000	-	-	8,000,000	2,666,667
Steve Scudamore	1,333,334	-	-	1,333,334	666,667
Nicholas Cernotta	2,000,000	-	-	2,000,000	666,667
Sally-Anne Layman	-	2,000,000	-	2,000,000	1,333,333
Ken Brinsden	15,000,000	1,321,100	(15,000,000)	1,321,100	5,000,000
Brian Lynn	6,375,000	594,495	(6,000,000)	969,495	2,375,000
Alex Eastwood	4,375,000	594,495	(4,000,000)	969,495	1,708,334
Dale Henderson	2,000,000	594,495	-	2,594,495	2,000,000

Key Management Personnel Transactions

Movements in Shares

The movement during the current financial year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2018	Received on exercise of options	Other changes[1]	Held at 30 June 2019
Anthony Kiernan	287,858	-	-	287,858
Steve Scudamore	142,850	-	-	142,850
Nicholas Cernotta	156,570	-	-	156,570
Sally-Anne Layman	-	-	88,600	88,600
Ken Brinsden	869,565	15,000,000	(8,254,565)	7,615,000
Brian Lynn	293,865	1,335,320	(597,045)	1,032,140
Alex Eastwood	280,876	890,213	(680,876)	490,213
Dale Henderson	-	-	-	-

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

End of Audited Remuneration Report.

COMPETENT PERSONS STATEMENTS

The information in this report that relates to Exploration Results and Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr John Holmes (Exploration Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Holmes is a member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Holmes consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to Mineral Resources is based on and fairly represents information compiled by Mr Lauritz Barnes, (Consultant with Trepanier Pty Ltd) and Mr John Holmes (Exploration and Geology Manager of Pilbara Minerals Limited). Mr Holmes is a shareholder of Pilbara Minerals. Mr Barnes is a member of the Australasian Institute of Mining and Metallurgy and Mr Holmes is a member of the Australasian Institute of Geoscientists and both have sufficient experience of relevance 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 Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barnes and Mr Holmes consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

The information in this report that relates to Ore Reserves is based upon information and supporting documentation prepared by Mr Kim Russell (Technical Manager – Mining of Pilbara Minerals Limited) and mine planning work compiled by Mr Glen Williamson (Principal Consultant of AMC). Mr Russell is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Williamson is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Russell and Mr Williamson consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

Note for Exploration Targets: Any discussion in relation to Exploration Targets including potential quantity and grade are conceptual in nature. There has been insufficient exploration to define a mineral resource in addition to the current JORC compliant Mineral Resources and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

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

Anthony Kiernan
Chairman

Dated this 22nd day of August 2019

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 2019 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

R Gambitta
Partner

Perth

22 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue from contracts with customers	2.1.1	42,785	10,188
Cost of sales	2.1.2	(36,581)	(6,213)
Gross profit		**6,204**	**3,975**
Other income		570	1,157
Expenses			
General and administration expense		(14,906)	(9,889)
Exploration costs expensed	2.2.1	(8,000)	(7,367)
Depreciation and amortisation expense		(179)	(151)
Share based payment expense	2.2.2	(2,229)	(4,630)
Operating loss		**(18,540)**	**(16,905)**
Finance income		1,586	6,704
Finance costs		(11,978)	(9,214)
Net financing costs	2.3	**(10,392)**	**(2,510)**
Loss before income tax expense		**(28,932)**	**(19,415)**
Income tax expense	2.6	-	-
Net loss for the period		**(28,932)**	**(19,415)**
Other comprehensive income			
Changes in the fair value of other financial assets		-	3,975
Other financial assets reclassified to profit or loss on disposal		-	(3,975)
		-	**-**
Total comprehensive loss for the period		**(28,932)**	**(19,415)**
Basic and diluted loss per share for the period (cents per share)	2.7	(1.63)	(1.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	4.1.1	63,576	119,978
Restricted cash	4.1.1	-	12,308
Trade and other receivables	4.2	11,087	12,807
Inventories	4.3	51,197	7,543
Total current assets		**125,860**	**152,636**
Non-current assets			
Property, plant, equipment and mine properties	3.1	433,948	372,985
Deferred exploration and evaluation expenditure	3.2	6,401	6,361
Inventories	4.3	16,062	-
Total non-current assets		**456,411**	**379,346**
Total assets		**582,271**	**531,982**
Liabilities			
Current liabilities			
Trade and other payables	4.4	48,146	49,733
Provisions	3.3	1,953	867
Borrowings	5.2	8,912	177
Total current liabilities		**59,011**	**50,777**
Non-current liabilities			
Provisions	3.3	16,523	6,997
Borrowings	5.2	130,087	130,965
Total non-current liabilities		**146,610**	**137,962**
Total liabilities		**205,621**	**188,739**
Net assets		**376,650**	**343,243**
Equity			
Issued capital	5.1	479,720	419,610
Reserves	5.1	9,216	18,924
Retained earnings		(112,286)	(95,291)
Total equity		**376,650**	**343,243**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Notes	Issued Capital $'000	Share-based payment reserve $'000	Investment revaluation reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017		261,756	32,502	-	(94,084)	200,174
Loss for the period		-	-	-	(19,415)	(19,415)
Other comprehensive income		-	-	3,975	-	3,975
Assets reclassified to profit or loss		-	-	(3,975)	-	(3,975)
Total comprehensive income/(loss) for the period		-	-	-	(19,415)	(19,415)
Issue of ordinary shares	5.1.1	139,910	-	-	-	139,910
Share issue costs	5.1.1	(2,026)	-	-	-	(2,026)
Option conversions	5.1.1	19,970	-	-	-	19,970
Issue of options and performance rights	5.1.2	-	4,630	-	-	4,630
Transfer on conversion of options	5.1.2	-	(18,208)	-	18,208	-
Balance at 30 June 2018		**419,610**	**18,924**	**-**	**(95,291)**	**343,243**
Balance at 1 July 2018		419,610	18,924	-	(95,291)	343,243
Loss for the period		-	-	-	(28,932)	(28,932)
Total comprehensive income/(loss) for the period		-	-	-	(28,932)	(28,932)
Issue of ordinary shares	5.1.1	50,000	-	-	-	50,000
Share issue costs	5.1.1	(586)	-	-	-	(586)
Option conversions	5.1.1	10,696	-	-	-	10,696
Issue of options and performance rights	5.1.2	-	2,229	-	-	2,229
Transfer on conversion of options	5.1.2	-	(11,937)	-	11,937	-
Balance at 30 June 2019		**479,720**	**9,216**	**-**	**(112,286)**	**376,650**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		47,735	6,997
Cash paid to suppliers and employees		(54,182)	(14,034)
Payments for exploration and evaluation expenditure		(7,569)	(7,238)
Interest received		1,961	2,229
Other receipts		1,614	3,048
Net cash outflow from operating activities	4.1.2	**(10,441)**	**(8,998)**
Cash flows from investing activities			
Sales proceeds from commercial pre-production activities		83,837	-
Payments for property, plant, equipment and mine properties[1]		(178,216)	(219,043)
Payments for acquired exploration and evaluation expenditure		(40)	(30)
Proceeds from sale of property, plant and equipment		-	300
Proceeds from sale of investments		-	4,283
Net cash outflow from investing activities		**(94,419)**	**(214,490)**
Cash flows from financing activities			
Proceeds from the issue of shares and exercise of options		60,697	156,430
Capital raising costs		(586)	(3,044)
Transaction costs related to borrowings		(1,526)	(626)
Transfer from restricted cash		12,308	120,709
Repayment of borrowings		(4,800)	(161)
Interest and other costs of finance paid		(17,110)	(17,264)
Net cash inflow from financing activities		**48,983**	**256,044**
Net (decrease)/increase in cash held		(55,877)	32,556
Cash and cash equivalents at the beginning of the period		119,978	87,248
Effect of exchange rate fluctuations on cash held		(525)	174
Cash and cash equivalents at the end of the period	4.1.1	**63,576**	**119,978**

1. Includes Stage 1 pre-production commissioning and ramp costs, and costs associated with the development and construction of both Stage 1 and Stage 2 of the Pilgangoora Project. The Company declared commercial production effective 1 April 2019, with the Pilgangoora Project considered to have been in the commissioning and ramp-up phase until this date. Prior to the declaration of commercial production, all commissioning and pre-production ramp-up costs incurred at the Pilgangoora Project (net of revenue derived from the sale of spodumene concentrate) were capitalised against project development costs. Similarly, cash flows associated with commissioning and pre-production ramp-up activities were classified as cash flows from investing activities until such time as commercial production was declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 1 – BASIS OF PREPARATION

In preparing the 2019 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, Liabilities and Provisions 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.

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*.

1.1 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, development and mining 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 22 August 2019.

1.3 New and Amended Accounting Standards

1.3.1 New and Amended Standards Adopted by the Group

AASB 15 *Revenue from Contracts with Customers*

The Group has applied the new provisions from 1 July 2018 in accordance with the standard and the Group's accounting policies. Under the new standard, receivables arising from provisional pricing adjustments outlined in AASB15 *Revenue from Contracts with Customers* will be measured at fair value through the profit and loss however the overall impact to the Statement of Profit or Loss and balance sheet is the same as under the previous standards. Therefore, there has been no material impact to the Group's assets from the implementation of the standard.

1.3.2 New and Amended Standards issued but not yet Effected and Adopted

AASB 16 Leases

The standard has an effective date for the Group of 1 July 2019. The Group will adopt the new standard on the required effective date.

The new standard principally removes the distinction between finance and operating leases with all leases brought onto the balance sheet. The key change is in the definition of a lease away from a transfer of "substantially all the risks and reward incidental to ownership of an asset" to "the right to control the use of an identified asset".

The Group is required to recognise all 'right to use' assets and liabilities, except for short-term (12 months or less) and low value leases on the balance sheet. The lease liability is measured at the present value of the future lease payments and includes lease extension options when the Group is reasonably certain that it will exercise the option. The right to use asset at initial recognition reflects the lease liability and is depreciated over the term of the lease.

The Groups' contracts that contain leases under the new standard include; office and vehicle leases, mining equipment and mining contractor equipment contracts.

The adoption of the new standard will result in lower operating costs and higher finance and depreciation expenses in the statement of profit or loss. The impact to the statement of finance position will be an increase to non-current assets (right to use asset) and an increase in current and non-current liabilities (lease liability).

All new contracts of the Group will need to be assessed, on an ongoing basis, to determine if a right to use asset exists and if they require recognition under the requirements of AASB 16 *Leases*.

For transition, as permitted by AASB 16, the Group will apply the modified retrospective approach to existing leases which will be capitalised under the new standard (i.e. retrospectively, with the cumulative effect recognised at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

On 1 July 2019 the Group estimates an initial recognition of $39.6 million of right to use assets and lease liabilities on the balance sheet. $8.3 million of the lease liability will be recorded as a current liability.

1.4 Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group's principal cash generating asset is the Pilgangoora Project located in Western Australia. The Group declared commercial production at the Pilgangoora Project effective 1 April 2019, having achieved a sustained level of spodumene concentrate production. Since 1 April 2019 the Group has continued to undertake plant improvement projects in parallel with works to optimise the processing plant to increase both lithia recovery and throughput in order to achieve nameplate capacity.

During the June 2019 quarter, spodumene market conditions in China were tempered by delays in the construction, commissioning and ramp-up of chemical conversion facilities that handle spodumene concentrate supply as a raw material feedstock. These delays resulted in lower than expected shipped tonnes from the Pilgangoora Project during the June 2019 quarter. The Group has responded to these market dynamics by moderating future production at the Pilgangoora Project to better align with customer requirements.

For the year ended 30 June 2019 the Group incurred a loss of $28.9 million (2018: $19.4 million) and had a net current asset surplus of $66.8 million (2018: $101.9 million).

At the date of this report, the Directors are satisfied there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due and the Group complies with debt covenants at 30 June 2019 (refer note 5.2.3). At 30 June 2019 the Group had cash and cash equivalents of $63.6 million (2018: $119.9 million), finished goods on hand of $36.7 million (2018: $2.1 million) and an undrawn working capital facility of $21.4 million (US$15.0 million).

Future operating cashflows are largely dependent on the achievement of key operating parameters such as spodumene concentrate sales and production (through forecast improved recoveries), forecast spodumene concentrate selling prices and reduction in all-in sustaining costs. Should adverse operating conditions continue to prevail the Group has the ability, if required, to raise additional funding through debt or equity markets or a combination of both.

1.5 Basis of Consolidation

1.5.1 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.

1.5.2 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.

1.5.3 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.

1.6 Foreign Currency Translation

1.6.1 Functional and Presentational Currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

1.6.2 Transactions and balances

Foreign currency transactions are translated into foreign 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.

1.7 Use of Judgements 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. Judgements and estimates which are material to the financial report are found in the following sections:

- Note 2.1.1 – measurement of provisional pricing for sales revenue
- Note 2.2.2 – measurement of share-based payment transactions
- Note 3.1 – estimation of ore resources and reserves and deferred stripping costs
- Note 3.3 – measurement of mine rehabilitation provision
- Note 4.3 – estimation of selling prices and cost to completion for any net realisable value calculations of inventory

1.8 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.

Financial assets measured at amortised cost are assessed at each reporting date to determine whether they require impairment by way of a forward looking expected credit loss (ECL) review. In accordance with AASB9 *Financial Instruments* the Group applies the simplified approach for lease, trade and other receivables and the general approach for all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk.

Under the simplified approach ECL are based on lifetime ECL based on the Group's historical credit loss experience adjusted for other debtors, specific and economic environment factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 2 – RESULTS FOR THE YEAR

Sales of spodumene concentrate from the Pilgangoora Project commenced in October 2018. The Group declared commercial production effective from 1 April 2019 with the project considered to have been in a commissioning and ramp up phase until that date. Prior to that date, all operational, commissioning and pre-production ramp up costs (net of revenue derived from spodumene concentrate sales) were capitalised to project development costs.

Following the achievement of commercial production all revenue from spodumene concentrate sales and operational costs associated with the Pilgangoora Project were recognised in the statement of profit or loss.

Revenue and operating costs related to the direct shipping ore (DSO) minegate sales program were recognised in the statement of profit or loss until its suspension in the second quarter of 2019.

2.1.1 Revenue from contracts with customers

Accounting policy

Revenue from contracts with customers

The Group early adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2017, resulting in a change to the Group's revenue recognition accounting policy. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under the new standard revenue recognition changed from one based on the transfer of risk and reward of ownership, to one based on the transfer of control of ownership.

Product Sales

Revenue is recognised when the control of the product has passed to the customer based upon the agreed cost, insurance and freight (CIF) terms. For spodumene concentrate there are three performance obligations with the first recognised when the product is loaded onto the ship and revenue from shipping and insurance recognised when the vessel arrives at the port of discharge. Tantalum and direct shipping ore sales have only one performance obligation as they are collected from the minesite and revenue is recognised at the time of collection.

Customer sales contracts can contain provisional pricing at the time the product is delivered to the vessel, with the final pricing to be determined at a later time when the relevant pricing information is available. The provisional pricing related to quality and quantity of the product is included in sales to customers under contracts. Provisional pricing related to market-based pricing indices are accounted for as an embedded derivative in accordance with AASB 9 *Financial Instruments* and disclosed separately as other revenue.

Shipping and insurance

Customer sales that involve the Group being responsible for shipping and insurance create separate performance obligations. Revenue related to shipping and insurance are recognised when these obligations have been met and included in sales to customers under contracts.

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

	2019 $'000	2018 $'000
Sales to customers under contracts	42,205	9,880
Recovery of royalties under contracts with customers	580	308
	42,785	10,188

2.1.2 Cost of sales

	2019 $'000	2018 $'000
Mining and processing costs	49,623	3,089
Royalty expenses	4,540	1,844
Depreciation and amortisation	4,081	1,350
Inventory movement[1]	(19,337)	-
By-product revenue	(2,293)	-
Foreign exchange (gain)/loss	(33)	(70)
	36,581	6,213

1. Inventory movement includes $1.7M of low grade spodumene concentrate inventory written down to net realisable value

2.2 Expenses

2.2.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Accounting policy
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 included in testing for impairment, and any impairment loss is recognised, prior to being reclassified.

	2019 $'000	2018 $'000
Costs expensed in relation to areas of interest in the exploration and evaluation phase	8,000	7,367

The current years' expense includes $1.2 million (2018: $4.5 million) for the definitive feasibility study ("DFS") of the Stage 2, 5Mtpa expansion of Pilgangoora Project, which was completed on 2 August 2018.

2.2.2 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-market 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 pricing model. The Group uses historical volatility of the Group to determine an appropriate level of volatility expected, commensurate with the expected instrument's life.

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

	2019 $'000	2018 $'000
Share options expense	1,883	4,325
Performance rights expense	346	305
	2,229	4,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Share options

The following table shows options issued during the year ended 30 June 2019 and the value attributed to each option granted, by the category holder:

Holder	No. of options	Exercise Price	Expiry Date	Fair Value ($/option)	Total Value ($'000)
Non-executive Directors	2,000,000	$0.93	21-Dec-21	$0.271	542
Executive Directors	660,550	$0.88	31-Dec-21	$0.270	178
Executive Directors	660,550	$0.88	31-Dec-21	$0.289	191
Other KMP	891,744	$0.88	31-Dec-21	$0.121	108
Other KMP	891,741	$0.88	31-Dec-21	$0.130	116

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

	2019		2018	
	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
Outstanding at 1 July	$0.52	55,083,334	$0.47	101,568,181
Exercised during the period *^	$0.47	(38,242,000)	$0.43	(51,984,847)
Forfeited during the period	$0.40	(258,000)	-	-
Granted during the period	$0.90	5,104,585	$0.61	5,500,000
Outstanding at 30 June	$0.69	21,687,919	$0.52	55,083,334
Exercisable at 30 June		17,916,667		38,500,000

* 2019 includes 11,500,000 cashless options exercised and subsequently converted to 2,501,123 ordinary shares.
^ 2018 includes 5,800,000 cashless options exercised and subsequently converted to 3,193,585 ordinary shares.

The classes of the unlisted options on issue as at 30 June 2019 are as follows:

Expiry date	Options issued	Exercise price	Number of options not yet exercised
08 September 2019[a]	13,000,000	$0.63	1,500,000
07 November 2019[b]	500,000	$0.55	500,000
17 November 2019[b]	500,000	$0.55	500,000
12 December 2019[c]	10,000,000	$0.63	9,333,334
31 August 2020[d]	2,000,000	$0.45	2,000,000
31 August 2020[e]	1,500,000	$0.45	750,000
08 December 2020[f]	2,000,000	$0.90	2,000,000
21 December 2021[g]	2,000,000	$0.93	2,000,000
31 December 2021[h]	3,104,585	$0.88	3,104,585

[a] The vesting conditions attached are:

- 33.33% vest upon the delivery of a final DFS for the 2Mtpa 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

- 33.33% vest upon a Board determination in respect of 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 are:

- 50% vest upon a Board determination in respect of 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 a Board determination in respect of 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 are:

- 33.33% vest on the date of allotment;
- 33.33% vest on 31 December 2017 subject to the Directors remaining in service at that date; and
- 33.33% vest on 31 December 2018 subject to the Directors remaining in service at that date.

[d] The vesting conditions attached are:

- 6 months service condition;
- a Board determination in respect of 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 the above performance milestone is achieved.

[e] The vesting conditions attached are:

- 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
- 50% vest immediately on the date of allotment.
- A continuing employment service condition at the time each milestone is achieved.

[f] The vesting conditions attached are:

- 33.33% vest on the date of allotment;
- 33.33% vest on 30 June 2018, subject to the Director remaining in service at that date; and
- 33.33% vest on 30 June 2019, subject to the Director remaining in service at that date.

[g] The vesting conditions attached are:

- 33.33% vest on the date of allotment;
- 33.33% vest on 30 June 2019, subject to the Director remaining in service at that date; and
- 33.33% vest on 30 June 2020, subject to the Director remaining in service at that date.

[h] The vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over the 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure;
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Performance rights

The following table shows performance rights issued during the year ended 30 June 2019 and the value attributed to each performance right granted, by the category holder:

Holder	No of performance rights	Expiry Date	Fair value ($/Right)	Total Value ($'000)
Executive Director	135,747	30-Jun-21	$0.840	114
Executive Director	135,747	30-Jun-21	$0.628	85
Other KMP	183,258	30-Jun-21	$0.580	106
Other KMP	183,255	30-Jun-21	$0.349	64
Other employees	201,347	30-Jun-21	$0.580	117
Other employees	201,346	30-Jun-21	$0.349	70

The Pilbara Performance Rights Plan ("**Plan**") was introduced following approval at the AGM on 23 November 2017.

The performance rights granted and on issue pursuant to the Performance Rights Plan as at 30 June 2019 are as follows:

Date performance rights granted	Expiry date	Number of performance rights
23 November 2017 [a]	30 June 19	316,922
11 May 2018 [a]	30 June 19	451,826
28 November 2018[b]	30 June 21	271,493
21 December 2018[b]	30 June 21	769,206

[a] These performance rights vested on 30 June 2019 and will be automatically exercised, in August 2019 on the vesting notice date. The vesting conditions attached to these unlisted performance rights were:

- Service Condition: Holder must remain an employee until the period ending 30 June 2019.
- Market Condition: Ranking of relative Total Shareholder Return (TSR) of Pilbara Minerals to a nominated peer group of companies measured over the period 1 July 2017 to 30 June 2019 ("Performance Period").
- Strategic Objective Conditions measured over the Performance Period based on the following metrics:
  - Production capacity development (growth) based on the following performance indicators:
    - Target shipment of Stage 1 product; and
    - FID of the Board in respect of Stage 2 (5Mtpa).
  - Sustainability of operations (sustainability) based on the following performance indicators:
  - Achieve product specifications for target production capacity;
  - Diversify customer sales; and
  - Participation in downstream processing initiatives.

[b] The vesting conditions attached are:

- 50% vest upon the Company achieving specified relative TSR targets (between the 50th to 85th percentile) against a defined peer group of companies measured over a 3 year vesting period;
- 30% vest upon achievement of sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure; and
- 20% vest upon participation in a downstream processing opportunity at a level satisfactory to the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

2.3 Net Financing Costs

Accounting policy
The Group's finance income and finance costs include: • interest income; • interest expense; • foreign exchange gains and losses; • income from sale of financial investments; and • gains and losses on derivatives related to financing activities. Interest income or expense is recognised using the effective interest method. In addition to contracts with customers, the Group receives interest income from monies held in its bank accounts. Interest revenue is recognised on an accruals basis based on the interest rate, deposited amount and time which lapses before the reporting period end date.

Net financing costs can be analysed as follows:

	2019 $'000	2018 $'000
Interest income on bank accounts	1,586	2,729
Income on sale of financial assets	-	3,975
Finance income	1,586	6,704
Fair value movement in derivative	-	(1,557)
Interest expense - borrowings	(5,470)	(1,200)
Interest expense - other	-	(28)
Net foreign exchange loss [1]	(6,508)	(6,429)
Finance costs	(11,978)	(9,214)
Net finance costs recognised in profit or loss	(10,392)	(2,510)

[1] Unrealised foreign exchange loss relates to the revaluation of the US$100 million denominated bond, cash held in US$ denominated bank accounts and US$ denominated debtors.

Interest costs of $12.62 million (2018: $14.80 million) incurred prior to the declaration of commercial production and directly attributable to the US$ secured bond debt facility were capitalised during the year as part of the cost of the Pilgangoora Project, as a result of it being considered a qualifying development asset.

2.4 Operating Segments

The Group has one reportable operating segment which is exploration, development and mining of minerals in Australia.

The Group's operating segment has been determined with reference to the information and reports the Chief Operating Decision Makers use to make strategic decisions regarding Company resources.

Due to the size and nature of the Group, the Managing Director is considered to be the Chief Operating Decision Maker. Financial information is reported to the Managing Director and Board as a single segment and all significant operating decisions are based upon analysis of the Group as one segment. The financial results of this segment are equivalent to the financial statements of the Group as a whole.

2.5 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.

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:

	2019 $'000	2018 $'000
Wages and salaries (including superannuation)	20,984	5,264

2.6 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 other comprehensive income.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Accounting policy

- 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 future taxable profits will be available (convincing evidence is required) 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.

Tax consolidation legislation

Pilbara Minerals and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

Pilbara Minerals recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

2.6.1 Income tax expense

	2019 $'000	2018 $'000
Current income tax expense	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

2.6.2 Reconciliation of income tax expense

	2019 $'000	2018 $'000
Loss before tax from continuing operations	(28,932)	(19,415)
Income tax benefit at the Australian tax rate of 30% (2018: 30%)	(8,680)	(5,825)
Tax effect of items which are not deductible in calculating taxable income:		
Non-deductible expenses		
Share based payment expense	670	1,389
Research and development offset	(122)	(278)
Unrealised foreign currency translation	2,188	-
Other	38	18
Tax losses not recognised	19,669	11,366
Temporary differences not brought to account	(13,763)	(6,670)
Income tax expense reported in the consolidated statement of profit or loss	-	-

Potential deferred tax assets have not been recognised at 30 June 2019 for deductible temporary differences and tax losses because, at the time, there is not convincing evidence to support the position that sufficient future taxable profits will be available against which the Group can use the benefits. The deferred tax losses not recognised at 30 June 2019 have a tax effected value of $50.2 million (2018: $20.1 million).

2.7 Loss per share

	2019	2018
Basic loss per share		
Net loss attributable to ordinary shareholders ($'000)	(28,932)	(19,415)
Issued ordinary shares at 1 July ('000)	1,744,513	1,466,538
Effect of shares issued ('000)	27,322	161,686
Weighted average number of ordinary shares at 30 June ('000)	1,771,835	1,628,224
Basic and diluted loss per share (cents)*	(1.63)	(1.19)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 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 an appropriate method (either straight line, diminishing value or units of production basis) over either the estimated useful life or the estimated resource. Depreciation is recognised in profit or loss.

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

- Office equipment 2 to 20 years
- Plant and equipment 2 to 20 years
- Motor vehicles 3 to 5 years
- Mine properties Units of production basis over the life of mine
- Deferred stripping Units of ore extracted basis over the life of mine
- Leased equipment Over the shorter of the lease term and the life of the asset

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

Leased Assets

Leased asset, which result in the Group receiving substantially all of the risk and rewards of ownership are capitalised as property, plant and equipment. Leased assets are initially measured at the lower of their fair value or the present value of the minimum lease payments.

A leased asset is depreciated over its useful life. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Mine Properties

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 the relevant category of Property, Plant and Equipment depending on the nature of the asset and depreciated over the useful life of the asset.

Accounting policy

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.

These costs are not amortised, the carrying value is assessed for impairment whenever the facts and circumstances suggest that the carrying amount of the asset may exceed the recoverable amount.

Mine Properties in Production

All development expenditure incurred once a mine property is in commercial 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 Mine Properties in Production.

Amortisation is provided on a unit of production basis which results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable mineral reserves).

A regular review is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of mine properties exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

Deferred Stripping

Stripping activity costs incurred are assessed as to whether the benefit accruing from that activity is to provide access to ore than can be used to produce ore inventory, or whether it in addition provides improved access to ore that will be mined in future periods.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the principles of AASB 102 *Inventories.* A stripping activity asset is brought to account if it is probable that future economic benefit (improved access to the ore body) will flow to the Group, the component of the ore body for which access has been improved can be identified and costs relating to the stripping activity can be measured reliably.

The amount of stripping costs that are capitalised is determined based on a comparison of the stripping ratio in the relevant period with the life of mine stripping ratio. To the extent that there is a period of sustained stripping that exceeds the average life of mine stripping ratio, mine waste stripping costs are capitalised to the stripping activity asset and presented within mine properties in production. Such capitalised costs are amortised over the life of that mine on a units of production basis. The life of mine ratio is based on ore reserves of the mine. Changes to the life of mine are accounted for prospectively.

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.

Key Estimates and Judgements

i) Resources

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Accounting policy
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. **ii) Deferred Stripping** The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio). Any resulting changes are accounted for prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

3.1.1 Property, plant, equipment and mine properties

	Property, plant and equipment $'000	Leased assets $'000	Mine properties in production $'000	Mine properties in development $'000	Mineral rights $'000	Mine rehabilitation $'000	Total $'000
At 30 June 2018							
Opening net book value	507	45	-	48,810	54,804	207	104,373
Additions	470	640	9,876	237,908	-	6,791	255,685
Capitalised interest	-	-	-	14,798	-	-	14,798
Disposals	(325)	(45)	-	-	-	-	(370)
Depreciation charge	(151)	-	(1,350)	-	-	-	(1,501)
Net book value	501	640	8,526	301,516	54,804	6,998	372,985
At 30 June 2019							
Opening net book value	501	640	8,526	301,516	54,804	6,998	372,985
Additions [1]	368	4,496	5,742	33,121	-	9,525	53,252
Capitalised interest	-	-	-	12,623	-	-	12,623
Disposals	(12)	(640)	-	-	-	-	(652)
Transfers [2,3]	-	(4,496)	333,325	(328,829)	-	-	-
Depreciation charge	(179)	-	(1,718)	(2,119)	(207)	(37)	(4,260)
Net book value	678	-	345,875	16,312	54,597	16,486	433,948

1. Additions, net of commercial pre-production sales revenue.
2. Mine development and infrastructure assets attributable to the mining of material under the DSO minegate sale agreement were transferred to mine properties in development following the suspension of the DSO program during the 1HY, as they form part of the overall Pilgangoora Project.
3. Following the declaration of commercial production on 1 April 2019, all Stage 1 Pilgangoora assets where transferred to mine properties in production.

As at 30 June 2019 the Group had outstanding contractual capital commitments of $7.8 million (2018: $18.5million) which are expected to be settled prior to 30 June 2020.

3.2 Exploration and Evaluation Expenditure

Accounting policy
Refer to Note 2.2.1 for the Group's exploration and evaluation expenditure policy.

3.2.1 Exploration and evaluation assets

	2019 $'000	2018 $'000
Costs carried forward in relation to areas of interest in the exploration and evaluation phase	6,401	6,361
Reconciliations: Exploration and evaluation phase		
Carrying amount at the beginning of the year	6,361	6,331
Acquisitions	40	30
Carrying amount at the end of the year	6,401	6,361

3.2.2 Exploration licence expenditure commitments

The Group has minimum exploration licence commitments as follows:

	2019 $'000	2018 $'000
Within one year	501	392
Later than one year but less than five years	1,258	1,179
Greater than five years	2,788	2,096

3.3 Provisions

Accounting policy

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Accounting policy
Key estimates and judgements Significant judgement is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When the factors become known in the future, such differences will impact the mine rehabilitation provision in the period in which the changes become known. **Employee leave benefits** The current provision for employee benefits includes accrued annual and sick leave. The entire amount of the leave provision is recognised as current, since the Group does not have the unconditional right to defer settlement for any of the obligations.

	2019 $'000	2018 $'000
Current – Provisions		
Employee leave benefits	1,953	867
	1,953	867
Non-Current – Provisions		
Mine rehabilitation provision	16,523	6,997
	16,523	6,997

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

	2019 $'000	2018 $'000
Bank balances	13,623	82
Call deposits	49,953	119,896
Cash and cash equivalents in the Statement of Financial Position	63,576	119,978
Restricted cash	-	12,308
	63,576	132,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

The prior period restricted cash balance of $12.3 million represented funds received following settlement of a US$100 million senior secured bond (refer Note 5.2). Funds received were required to be held in a US$ denominated escrow bank account in the name of the Groups 100% wholly owned subsidiary Pilgangoora Operations Pty Ltd until the Group completed the customary cost to complete tests. These tests were completed and the balance of the funds were drawn down during the 2019 financial year.

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

	2019 $'000	2018 $'000
Cash, cash equivalents and restricted cash	63,576	132,286
Less: Restricted cash	-	(12,308)
Cash and cash equivalents in the Statement of Cash Flows	63,576	119,978

4.1.2 Reconciliation of cash flows from operating activities

	2019 $'000	2018 $'000
Cash flows from operating activities		
Loss for the period	(28,932)	(19,415)
Adjustments for:		
- Depreciation and amortisation expense	4,260	1,501
- (Profit)/Loss on sale of property, plant and equipment	12	-
- Net financing costs	5,470	5,005
- Unrealised foreign currency	7,142	-
- Share based payment expense	2,229	4,630
- Capitalised R&D claim	1,039	-
Operating loss before changes in working capital and provisions	(8,780)	(8,279)
Change in trade and other receivables	5,226	(4,965)
Change in trade payables and employee benefits	15,289	4,838
Change in inventories	(22,176)	(592)
Net cash used in operating activities	(10,441)	(8,998)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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.

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.

	2019 $'000	2018 $'000
Current		
Trade debtors	3,199	6,235
Goods and services tax receivable	2,271	2,841
Security deposits	673	673
Prepayments	2,159	1,734
Other receivables	2,785	1,324
	11,087	12,807

4.3 Inventories

Accounting policy

Finished goods and work in progress ore stockpiles are surveyed and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct materials, direct labour, depreciation and an appropriate portion of fixed and variable production overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Tantalum inventory is treated as a by-product and valued at net realisable value (NRV).

Consumables are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average cost. Any allowance for obsolescence is determined by reference to specific stock items identified.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Finished goods and work in progress ore stockpiles which are not expected to be processed or sold in the 12 months after the reporting date are classified as non-current inventory. There is a reasonable expectation the processing or sale of these stockpiles will have a future economic benefit to the Group, accordingly these stockpiles are valued at NRV. The NRV is the estimated selling price, in the ordinary course of business less the estimated cost of completion and estimated selling costs.

	2019 $'000	2018 $'000
Current		
Finished goods[1]	34,691	2,123
Work-in-progress[2]	6,326	1,733
Consumables	10,180	3,687
	51,197	7,543
Non-Current		
Finished goods (carried at NRV)	1,734	-
Work-in-progress[2]	14,328	-
	16,062	-

1. Finished goods includes 10,105dmt of spodumene concentrate shipped to China in June 2019. Whilst the contractual arrangement supported the transfer of legal title, risks and rewards of ownership the other terms of this contractual arrangement meant that the shipment was not capable of being classified as a sale pursuant to the recognition criteria of AASB15 *Revenue from Contracts with Customers* at year end.
2. Work-in-progress includes run of mine (ROM) and coarse ore stockpiles.

4.4 Trade and Other Payables

Accounting policy
Trade payables These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and the majority of suppliers are usually payable within 30-60 days' net of recognition. Trade payables are recognised initially at the value of the invoice received from a supplier.

	2019 $'000	2018 $'000
Current – Trade and other payables		
Trade payables	23,122	8,334
Accruals	23,561	37,460
Interest payable	432	356
Unearned revenue	1,016	2,600
Other payables	15	983
	48,146	49,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

	2019		2018	
	$'000	Number ('000)	$'000	Number ('000)
Fully paid ordinary shares	479,720	1,851,420	419,610	1,744,513
Total share capital on issue at 30 June	479,720	1,851,420	419,610	1,744,513
Movements in ordinary shares on issue:				
On issue at 1 July	419,610	1,744,513	261,756	1,466,538
Shares issued during the period:				
Issued for cash	50,000	77,664	136,910	220,514
Issued for assets	-	-	3,000	8,083
Exercise of share options	10,696	29,243	19,970	49,378
Share issue costs	(586)	-	(2,026)	-
On issue at 30 June	479,720	1,851,420	419,610	1,744,513

On 26 March 2019 the Group completed a $50 million equity subscription with Jiangxi Ganfeng Lithium Co. Ltd and issued 77.7 million ordinary shares at an issue price of $0.6438 per ordinary share (being the 5-day VWAP prior to execution of the subscription agreement in March 2019).

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

	2019	2018
	$'000	$'000
Share-based payment reserve	9,216	18,924
	9,216	18,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

	2019 $'000	2018 $'000
Movements in share-based payment reserve:		
Balance at 1 July	18,924	32,502
Share based payment expense following issue of options and performance rights	2,229	4,630
Options exercised and transferred to accumulated losses	(11,937)	(18,208)
Balance at reporting date	9,216	18,924

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

Option **	Grant date (valuation purposes)*	Share price on date of grant	Exercise price	Expiry date	Valuation (cents per option)
2,000,000	28-Nov-18	$0.84	$0.93	21-Dec-21	27.10
1,321,100	28-Nov-18	$0.84	$0.88	31-Dec-21	27.00/28.90
1,783,485	21-Dec-18	$0.58	$0.88	31-Dec-21	12.10/13.00

* 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 2.2.2

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:

	2019	2018
Expected volatility (weighted average)	50%	67.4%
Expected life (weighted average)	3.0 years	3.0 years
Risk free interest rate (based on government bonds) (weighted average)	1.90% and 2.09%	2.0%

Performance rights issued to directors and employees during the year and their associated fair value are as follows:

Performance rights	Grant date (valuation purposes)	Share price on date of grant	Expiry date	Valuation (cents per right)
384,603	21-Dec-18	$0.62	30-Jun-21	58.00
384,603	21-Dec-18	$0.62	30-Jun-21	34.90
135,747	28-Nov-18	$0.86	30-Jun-21	84.00
135,747	28-Nov-18	$0.86	30-Jun-21	62.80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

All performance rights valuations during the period were performed by an independent third-party valuer. They are valued using the Monte Carlo simulation model (market based conditions) and the Black Scholes option valuation methodology (non-market based conditions) that takes into account the term of performance rights, the share price at grant date and expected volatility of the underlying performance right, the expected dividend yield, the risk free rate for the term of the performance right and the correlations and volatilities of the peer companies. 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:

	2019	2018
Expected volatility (weighted average)	50%	80%
Expected life (weighted average)	2.5 years	1.4 years
Risk free interest rate (based on government bonds) (weighted average)	1.90% and 2.09%	1.90%

<u>Employee share trust</u>

On 24 May 2019 the Company initiated the Pilbara Minerals Employee Award Plan Trust ('the Trust') for the purpose of acquiring fully paid ordinary shares in the Company to satisfy rights and options that vest and are exercisable under the Company's Employee Award Plan. As at the 30 June 2019 the Trust held NIL shares.

5.2 Loans and Borrowings

Accounting policy
Borrowings
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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.

	2019 $'000	2018 $'000
Current		
Lease liability	-	177
Secured debt (US$ denominated bond)	8,912	-
Total borrowings - current	8,912	177
Non-Current		
Lease liability	-	463
Secured debt (US$ denominated bond)	130,087	130,502
Total borrowings - non-current	130,087	130,965

5.2.1 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2019		2018	
				Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Hire purchase	AU$	9.20%	2021	-	-	640	640
Secured bond	US$	12.0%	2022	142,592	138,999	135,300	130,502

5.2.2 US$ Secured Bond

In 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 were applied towards capital and development costs associated with the Pilgangoora Project following the satisfaction of cost to complete tests. The bond facility is secured against the assets of the Pilgangoora Project. The first scheduled principal repayment of US$6.2 million is due in June 2020 and is classified as a current borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2019 $'000	2018 $'000
Bond proceeds at inception	132,310	132,310
Unrealised foreign exchange loss/(gain)[1]	10,282	2,990
Bond proceeds at 30 June	142,592	135,300
Directly attributable transaction costs	(6,038)	(6,038)
Amortisation of transaction costs	2,445	1,240
Carrying amount at 30 June	138,999	130,502

[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.

5.2.3 Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the year. Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- book to equity ratio must not be less than 50%;
- liquidity ratio of at least A$15 million; and
- current ratio of a minimum of 1:1.

5.2.4 Working capital facility

In August 2018, the Company executed a US$15M working capital facility with BNP Paribas. At 30 June 2019 and during the financial year this working facility remained undrawn. The facility had a maturity date of 31 July 2019 which has been extended to 31 July 2020 subsequent to the year end.

5.3 Deed of Cross Guarantee

Pilbara Minerals Limited and certain of its wholly owned subsidiaries became parties to a deed of cross guarantee, on the 17th September 2018, under which each company guarantees the debts of the other. By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The companies represent a 'closed group' for the purposes of the class order.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

5.3.1 Consolidated statement of profit and loss

	2019 $'000
Income	
Revenue from contracts with customers	42,785
Cost of sales	(36,581)
Gross profit	6,204
Other income	570
Expenses	
General and administration expense	(14,890)
Exploration costs expensed	(8,000)
Depreciation and amortisation expense	(179)
Share based payment expense	(2,229)
Operating loss	**(18,524)**
Finance income	1,586
Finance costs	(11,978)
Net financing costs	**(10,392)**
Loss before income tax expense	**(28,916)**
Income tax expense	-
Net loss for the period	**(28,916)**
Total comprehensive loss for the period	**(28,916)**

5.3.2 Summary of movements in consolidated retained profits

Retained loss at the beginning of the financial year	84,019
Net loss for the year	28,916
Retained loss at the end of the financial year	**112,935**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

5.3.3 Consolidated balance sheet

	2019 $'000
Assets	
Current assets	
Cash and cash equivalents	63,576
Trade and other receivables	10,414
Inventories	51,197
Total current assets	**125,187**
Non-current assets	
Receivables	27
Property, plant, equipment and mine properties	433,948
Deferred exploration and evaluation expenditure	6,401
Inventories	16,062
Total non-current assets	**456,438**
Total assets	**581,625**
Liabilities	
Current liabilities	
Trade and other payables	48,149
Provisions	1,953
Borrowings	8,912
Total current liabilities	**59,014**
Non-current liabilities	
Provisions	16,523
Borrowings	130,087
Total non-current liabilities	**146,610**
Total liabilities	**205,624**
Net assets	**376,001**
Equity	
Issued capital	479,720
Reserves	9,216
Retained earnings	(112,935)
Total equity	**376,001**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.4 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

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Accounting policy

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. The loss allowances is measured at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalents	63,576	119,978
Restricted cash	-	12,308
Trade and other receivables	11,087	12,806
Total financial assets	74,663	145,092
Financial liabilities		
Trade and other payables	48,146	49,733
Borrowings	138,999	131,142
Total financial liabilities	187,145	180,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6.1.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Interest risk

The Company's Board of Directors has ultimate responsibility for setting the Company's risk appetite, for overseeing the risk management framework designed and implemented by management and for satisfying itself that the risk management framework is sound. The Board is also responsible for monitoring and reviewing the Company's risk profile. The Board has established a separate Audit and Risk Committee whose role is set out in the Company's Audit and Risk Committee Charter. The Audit and Risk Committee is responsible for governance of risk management across the Company, leading the strategic direction regarding the management of material business risks and reviewing the effectiveness of the 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, development and operation 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, term deposits as well as credit exposure to trade customers, including outstanding receivables and committed transactions. Credit risk represents the potential financial loss if companies fail to perform as contracted.
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.

Credit risk arising from sales of spodumene concentrate to customers is managed by contracts that require a provisional payment of typically 100 per cent of the value of the sale which is payable by letter of credit when the vessel is loaded. Customers contracts specify the Standard and Poor's rating required by financial institutions providing the letter of credit.

The trade and other receivables balance consist of 29% of trade receivables and 20% of receivables from the Australian Tax Office for goods and services tax refund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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	Contractual cashflows				
		Total	Six months or less	Six to 12 months	One to two years	Two to five years
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2019						
Non-derivative financial liabilities						
Secured debt	138,999	184,302	8,556	17,468	50,086	108,192
Trade and other payables	48,146	48,146	48,146	-	-	-
	187,145	232,448	56,702	17,468	50,086	108,192
30 June 2018						
Non-derivative financial liabilities						
Lease liability	640	640	89	89	177	285
Secured debt	130,502	191,111	8,118	8,118	24,692	150,183
Trade and other payables	49,733	49,733	49,733	-	-	-
	180,875	241,484	57,940	8,207	24,869	150,468

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 commodity price, 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 year due to increased foreign exchange exposure with the commencement of shipments of spodumene and tantalum concentrate to offshore customers, with the sale proceeds denominated in US dollars.

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 holding US$ denominated cash, borrowings and trade receivables.

The Group's exposure to foreign currency risk at balance date was as follows:

	2019 US$'000	2018 US$'000
Cash and cash equivalents	9,323	-
Restricted cash	-	8,124
Borrowings	100,000	100,000
Trade receivables	1,357	4,363

The year-end exchange rate used to recalculate the US$ dominated balances on 30 June 2019 was 0.7013 (2018 exchange rate of 0.7391).

Group sensitivity

Based on financial instruments held at 30 June 2019, 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 $12.91 million higher/$15.78 million lower (2018: $13.156 million higher/$10.764 million lower), as a result of foreign exchange gains/ losses on translation of US dollar denominated cash, receivables and borrowings.

b) Interest Rate Risk

Interest rate risk arises from the Group's cash, cash equivalents 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.

The Group's US$100 million senior secured bond facility has a fixed coupon rate of 12% per annum resulting in a $nil interest rate 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:

	2019 Weighted average interest rate	2019 Balance $'000	2018 Weighted average interest rate	2018 Balance $'000
Cash, cash equivalents and restricted cash	1.42%	63,576	2.09%	132,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 2019, 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 $317,000 lower/$317,000 higher (2018: $661,000 lower/$661,000 higher).

6.1.5 Interest risk

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at fixed interest rates. The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

6.1.6 Fair values

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

The fair value of the future contractual principal and interest cashflows associated with the bond is $155.48 million (2018 $151.54 million). Fair value was determined with reference to price quotations in an active market at 30 June 2019.

6.2 Related Parties

6.2.1 Key management personnel

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

	Position	Appointed
Ken Brinsden	Managing Director	18 January 2016
Anthony Kiernan	Non-executive Chairman	1 July 2016
Steve Scudamore	Non-executive Director	18 July 2016
Nicholas Cernotta	Non-executive Director	6 February 2017
Sally-Anne Layman	Non-executive Director	20 April 2018
Alex Eastwood	Company Secretary and General Counsel	1 September 2016
Brian Lynn	Chief Financial Officer	22 June 2016
Dale Henderson	Project Director Chief Operating Officer	4 September 2017 5 March 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Key management personnel compensation comprised the following:

	2019 $	2018 $
Short term employee benefits	2,951,812	2,590,332
Post-employment benefits	117,261	111,041
Other long-term employee benefits	96,167	160,504
Share-based payments (non-cash)	1,799,579	3,481,325
	4,964,819	6,343,202

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.

6.3 Group Entities

6.3.1 Parent entity

Pilbara Minerals Limited

The consolidated financial statements include the financial statements of Pilbara Minerals Limited and the subsidiaries listed in the following table.

6.3.2 Significant Subsidiaries

	Country of incorporation	2019	2018
Tabba Tabba Tantalum Pty Ltd	Australia	100%	100%
Pilbara Lithium Pty Ltd	Australia	100%	100%
Pilgangoora Holdings Pty Ltd	Australia	100%	100%
Pilgangoora Operations Pty Ltd	Australia	100%	100%
Pippingarra Road Logistics Pty Ltd	Australia	100%	-
Mt Francisco Operations Pty Ltd	Australia	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6.4 Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2019, the parent company of the Group was Pilbara Minerals Limited. The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

	2019 $'000	2018 $'000
Results of the parent entity		
Loss for the period	(16,279)	(12,150)
Total comprehensive loss for the period	(16,279)	(12,150)
Financial position of the parent entity at year end		
Current assets	65,570	43,416
Total assets	396,394	406,723
Current liabilities	5,458	50,414
Total liabilities	5,458	57,875
Total equity of the parent comprising of:		
Share capital	479,720	419,610
Share-based payment reserve	9,216	18,923
Accumulated losses	(98,000)	(89,685)
Total equity	390,936	348,848

6.5 Subsequent Events

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

6.6 Auditor's Remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 $	2018 $
Audit services – KPMG	168,000	113,865
Advisory service – KPMG	363	35,000
Total auditor's remuneration – KPMG	168,363	148,865

DIRECTORS' DECLARATION

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

   (a) the consolidated financial statements and notes thereto, as set out on pages 34 to 75, and the Remuneration Report contained within the Directors' Report are in accordance with the *Corporations Act 2001*, including:

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

      (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 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.

   (c) there are reasonable grounds to believe that the members of the extended closed group identified in note 5.3 will be able to meet any obligations or liabilities to which they are, or may become, liable by virtue of the deed of cross guarantee described in note 5.3.

   (d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 2019.

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

Anthony Kiernan
Chairman

22nd August 2019

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 2019 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 2019
- 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 Pilbara Minerals Limited (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 Matters*** we identified are:

- Property, plant, equipment and mine properties
- Valuation and classification of inventory

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

These matters were 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 these matters.

Property, plant, equipment and mine properties ($433.9 million)	
Refer to Note 3.1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Existence, accuracy and completeness of capitalised expenditure incurred as part of the development and construction of the Pilgangoora Project was considered to be a key audit matter. This is due to the size of the capitalised expenditure ($433.9 million), which represents 74.5% of total assets. The Group used judgement in the identification and allocation of cost between operating expenditure and capitalised expenditure. The risks we focused on included: • the existence of capital expenditure; • the capital nature of expenditure particularly the determination of when the Pilgangoora Project was considered capable of operating at commercial production and in a manner intended by the Group; and • the determination of the extent to which borrowing costs relate to the qualifying asset being Pilgangoora Project.	Our procedures included: • Test of controls relating to the authorisation and accuracy of the recording and classification of capital expenditure; • Assessment of the allocation of costs between operating expenditure (including inventory stockpiles) and capital expenditure by inspecting documentation on a sample basis and assessing the nature of the underlying activity; • Challenge of the Group's determination of commercial production declaration from 1 April 2019 by evaluating the criteria by which the declaration was made against underlying documentation; • Selecting a sample of supplier, contractor and customer invoices raised prior to year end and post year end and pre and post commercial production. We checked the timing of recorded expenditure against the details of the service description on the invoice or contract; and • Assessment of the capitalised borrowing costs to the qualifying asset being the Pilgangoora Project against relevant accounting standards.

KPMG

Valuation and classification of inventory ($57.1 million)	
Refer to Note 4.3 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Significant judgement is required by the Group in assessing the value and classification of inventory which consists of work in progress and finished goods ("inventory"), which will be used to produce lithium spodumene concentrate in the future. The valuation and classification of inventory is a key audit matter because: • Lower grade inventory have been created from mining activities; • Market conditions for the Group's products is currently challenging; • The allocation of cost to inventory requires judgement; and • Significant judgement is required by us in evaluating and challenging the Group's assessment of the inventory being recorded at the lower of cost and net realisable value (NRV). The Group's NRV assessment is based on a model which estimates future revenue expected to be derived from spodumene concentrate, less selling costs and future processing costs to convert work in progress to spodumene concentrate. We placed particular focus on those judgements listed below which impact the valuation and classification of inventory: • Forecast processing costs. • Forecast quantity of lithium contained within the lower grade ore stockpiles. • Future commodity prices expected to prevail when the inventory is processed and sold. • Estimated timing of conversion of work in progress into spodumene concentrate or sale of finished goods, which drives the classification of the inventory as current or non-current assets.	For this key audit matter, our procedures included: • Testing the Group's key controls around inventory reconciliations which utilise underlying data such as production and processing costs, geological survey reports, mill production reports and metallurgical survey reports. • Testing the Group's inventory costing model by checking the quantities and costs on a sample basis, to underlying data such as production reports, survey reports and as production and processing costs; • Assessing the methodology and key assumptions in the Group's model used to determine the NRV of the stockpiles by: o comparing forecast processing costs to previous actual costs, and for consistency with the Group's latest life of mine plan o comparing forecast quantity of future spodumene concentrate from stockpiles to the Group's geological survey results o comparing commodity prices to published external analysts' data for prices expected to prevail in the future • Critically evaluating the Group's classification of the stockpiles as current or non-current by assessing the anticipated timing of processing the stockpiles against the Group's latest shipment schedule and life of mine plan.

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 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.

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 and whether the use of the going concern basis of accounting is appropriate. 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 the 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_responsibilities/ar1.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 2019, 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 2019.

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

22 August 2019