



PILBARA MINERALS
LIMITED
ABN 95 112 425 788

ASX Announcement

27 July 2015

Notice of General Meeting

Please find enclosed a Notice of General Meeting to be held on 28 August 2015, that was despatched to shareholders today.

Alan Boys
Company Secretary
Pilbara Minerals Limited



PILBARA MINERALS
LIMITED

PILBARA MINERALS LIMITED
ACN 112 425 788

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at Claremont Yacht Club, 4 Victoria Avenue Claremont WA 6010 on Friday, 28 August 2015 at 10.00 am (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9336 6267.

PILBARA MINERALS LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Pilbara Minerals Limited (**Company**) will be held at Claremont Yacht Club, 4 Victoria Avenue Claremont WA 6010 on Friday, 28 August 2015 at 10.00 am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 26 August 2015 at 5.00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Ratification of Placement

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 17,000,000 Shares (the **Placement Shares**) on the terms and conditions in the Explanatory Memorandum.”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the Placement and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Ratification of Tranche 1 Securities Issue

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of:

- (a) 1,700,000 Secured Convertible Notes; and
- (b) 21,250,000 Attaching Options,

(together the **Tranche 1 Securities**) to professional and sophisticated investors on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who participated in the Tranche 1 Securities Issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Approval of Tranche 2 Securities Issue

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of:

- (a) 4,000,000 Secured Convertible Notes; and
- (b) 50,000,000 Attaching Options,

*(together the **Tranche 2 Securities**) to professional and sophisticated investors on the terms and conditions in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the Tranche 2 Securities Issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Approval of Director's Participation in Tranche 2 Securities Issue

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to Resolution 3 being passed, pursuant to and in accordance with Listing Rule 10.11, chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the issue of 200,000 Secured Convertible Notes and 2,500,000 Attaching Options to Mr Tony

Leibowitz (or his nominee), as part of the Tranche 2 Securities Issue on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Leibowitz and any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Issue of Director Options to Mr Tony Leibowitz

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to Resolution 8 being passed, pursuant to and in accordance with Listing Rule 10.11, chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the issue of 8,000,000 Director Options to Mr Tony Leibowitz (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Leibowitz and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

6. Resolution 6 – Issue of Director Options to Mr Neil Biddle

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to Resolution 8 being passed, pursuant to and in accordance with Listing Rule 10.11, chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the issue of 8,000,000 Director Options to Mr Neil Biddle (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Biddle and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

7. Resolution 7 – Issue of Director Options to Mr Robert Adamson

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to Resolution 8 being passed, pursuant to and in accordance with Listing Rule 10.11, chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the issue of 2,000,000 Director Options to Mr Robert Adamson (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Adamson and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

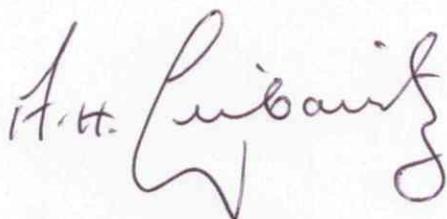
- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

8. Resolution 8 – Section 195 Approval

To consider, and if thought fit, to pass with or without amendment, the following as an ordinary resolution:

"That for the purposes of section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions as contemplated in Resolutions 5 to 7 (inclusive)."

BY ORDER OF THE BOARD

A handwritten signature in blue ink, appearing to read 'A. H. Leibowitz', written over a light blue grid background.

Tony Leibowitz
Non-Executive Chairman

Dated: 7 July 2015

PILBARA MINERALS LIMITED

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EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the meeting to be held at Claremont Yacht Club, 4 Victoria Avenue, Claremont WA 6010 on 28 August 2015 at 10.00 am (WST) (**Meeting**).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Background
Section 4:	Resolution 1 – Ratification of Placement
Section 5:	Resolution 2 – Ratification of Tranche 1 Securities Issue
Section 6	Resolution 3 – Approval of Tranche 2 Securities Issue
Section 7:	Resolution 4 – Approval of Director's Participation in Tranche 2 Securities Issue
Section 8:	Resolution 5 – Issue of Director Options to Mr Tony Leibowitz
Section 9:	Resolution 6 – Issue of Director Options to Mr Neil Biddle
Section 10:	Resolution 7 – Issue of Director Options to Mr Robert Anderson
Section 11:	Resolution 8 – Section 195 Approval
Schedule 1:	Definitions
Schedule 2:	Terms and Conditions of Secured Convertible Notes
Schedule 3:	Terms and Conditions of Attaching Options
Schedule 4:	Terms and Conditions of Director Options

A Proxy Form is located at the end of this Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

3. Background

As announced on 1 June 2015, the Company has undertaken two capital raising initiatives to raise a total amount of \$6.465 million (before costs) from professional and sophisticated investors comprising:

- (a) a placement of 17,000,000 Shares at \$0.045 per Share to raise \$765,000 (**Placement**); and
- (b) a convertible note issue with free attaching Options to raise a further \$5,700,000 (**Secured Convertible Note Issue**).

The Placement was completed on 9 June 2015. The Placement Shares were issued under the Company's 15% placement capacity under Listing Rule 7.1. Resolution 1 seeks Shareholder ratification of the issue of the Placement Shares.

3.1 Secured Convertible Note Issue

The Convertible Note Issue is being undertaken in two tranches as follows:

- (a) tranche 1 consists of the issue of:
 - (i) 1,700,000 Secured Convertible Notes; and
 - (ii) 21,250,000 Attaching Options,to raise approximately \$1,700,000 (before costs) (**Tranche 1 Securities Issue**); and
- (b) tranche 2 consists of the issue of:
 - (i) 4,000,000 Secured Convertible Notes; and
 - (ii) 50,000,000 Attaching Options,to raise approximately \$4,000,000 (before costs) (**Tranche 2 Securities Issue**).

Each Secured Convertible Note has been (in respect to the Tranche 1 Securities Issue) or will be (in respect to the Tranche 2 Securities Issue) issued with 12.5 Attaching Options for every Secured Convertible Notes issued.

The Tranche 1 Securities Issue was completed on 22 June 2015. The Tranche 1 Securities were issued under the Company's 15% placement capacity under Listing Rule 7.1. Resolution 2 seeks Shareholder ratification of the issue of the Tranche 1 Securities.

The issue of the Tranche 2 Securities is subject to Shareholder approval. Resolution 3 seeks this approval.

Mr Tony Leibowitz, a Director, has applied to participate in the Tranche 2 Securities Issue, subject to Shareholder approval. Resolution 4 seeks this approval.

3.2 Summary of the Secured Convertible Notes and Attaching Options

The following are the key terms of the Secured Convertible Notes:

- Face Value: \$1.00 each.
- Maturity Date: The date that is 18 months from the date of issue of each Secured Convertibles Note.
- Interest: 15% per annum, payable quarterly in arrears, accruing from the issue date of each Secured Convertible Note and ceasing to accrue on the earlier to occur of final conversion, redemption, maturity or (at the election of the holder) upon an event of default.
- Redemption: Redeemable by the Company at any time during the period commencing on the date that is 12 months from the issue date and ending on the maturity date.

- Conversion: Convertible by the holder into Shares at any time during the period commencing on the date which is six months from the issue date and ending on the maturity date on the basis of a 20% discount to the VWAP of Shares for the five trading days prior to an election to convert.
- Early Conversion: Convertible by the Company prior to the maturity date if a change of control event occurs on the basis of a 20% discount to the VWAP of Shares for the five trading days prior to the Company's election to convert.
- Security: Secured by a registered mortgage in favour of the Trustee for the benefit of the holders over the Secured Property.

Refer to Schedule 2 for the entire terms and conditions of the Secured Convertibles Notes.

Each Secured Convertible Note has been (in respect to the Tranche 1 Securities Issue) or will be (in respect to the Tranche 2 Securities Issue) issued pursuant to a convertible notes trust deed between the Company and the Trustee pursuant to which the Trustee acts as trustee for the benefit of persons who are the holders of the Secured Convertible Notes from time to time. The security detailed above is constituted pursuant to a security deed between the Company and the Trustee.

Each Attaching Option has an exercise price of \$0.05 and an expiry date that is 18 months from the date of issue. Refer to Schedule 3 for the entire terms and conditions of the Attaching Options.

3.3 Dilution effect of conversion of the Secured Convertible Notes and exercise of the Attaching Options

If:

- (a) Resolution 3 is passed and the Tranche 2 Securities are issued;
- (b) all of the Secured Convertible Notes (issued under both the Tranche 1 Securities Issue and the Tranche 2 Securities Issue) are subsequently converted; and
- (c) all of the Attaching Options (issued under both the Tranche 1 Securities Issue and the Tranche 2 Securities Issue) are subsequently exercised,

on the basis that the conversion price for the Secured Convertible Notes is \$0.106224, being 80% of the VWAP of Shares on ASX for the five trading days prior to 25 June 2015, being the last practicable day prior to the date of the Notice (the actual conversion price of the Secured Convertible Notes is 80% of the VWAP of Shares on ASX over the last five trading days on which Shares are traded immediately preceding the conversion date) the dilution effect on the Company is as follows:

	Shares
On issue immediately prior to the issue of the Tranche 1 Securities	645,049,000
Conversion of all Secured Convertible Notes	53,660,190 ¹
Exercise of Attaching Options	71,250,000 ²
Total	769,959,190
Dilution Effect³	19.4%

Notes:

1. Assumes a conversion price for the Secured Convertible Notes of \$0.106224, being 80% of the VWAP of Shares on ASX for the five trading days prior to 25 June 2015, being the last practicable day prior to the date of the Notice.
2. This number includes 7,000,000 Attaching Options issued pursuant to the Tranche 1 Securities Issue that have been exercised prior to the date of the Notice.
3. The Company also has on issue 975,000 Existing Convertible Notes (excluding the Secured Convertible Notes issued under the Tranche 1 Securities Issue) and 27,719,994 Existing Options (excluding the Attaching Options issued under the Tranche 1 Securities Issue). Should some or all of these Existing Convertible Notes and/or Existing Options be converted and/or exercised (as applicable), the dilution effect shown above will be decreased.

3.4 Issue of Director Options to Messrs Leibowitz, Biddle and Adamson

The Company proposes to issue Director Options to each Director to reward them for their efforts in progressing the Company and its projects since their appointment, their significant personal efforts in securing capital for the Company (for which no capital raising fees have been paid) and as an incentive to grow the Company's share price in the longer term.

Each Director Option has an exercise price of \$0.10 and an expiry date that is 18 months from the date of issue. Refer to Schedule 4 for the entire terms and conditions of the Director Options.

Resolutions 5 to 7 (inclusive) seek this approval.

3.5 Capital Structure of the Company

If all of the Resolutions are passed by Shareholders, the capital structure of the Company will be as follows:

	Shares	Options	Convertible Notes
Balance at the date of the Notice	655,178,603	43,869,994 ¹	2,675,000 ²
Tranche 2 Securities Issue	Nil	50,000,000 ³	4,000,000 ⁴
To be issued to Messrs Leibowitz, Biddle and Adamson pursuant to Resolutions 5 to 7 (inclusive)	Nil	18,000,000 ⁵	Nil
Total	655,178,603	111,869,994⁶	6,675,000⁷

Notes:

1. Comprises 27,719,994 Existing Options (exercise price \$0.03 and expiring 25 March 2017), 1,900,000 Existing Options (exercise price \$0.05 and expiring 22 December 2016) and 14,250,000 Attaching Options (being the Attaching Options issued pursuant to the Tranche 1 Securities Issue that have not yet been exercised, with an exercise price \$0.05 and expiring 22 December 2016, being 18 months for the date of issue). Note that 7,000,000 Attaching Options issued pursuant to the Tranche 1 Securities Issue have been exercised prior to the date of the Notice.
2. Comprises the Existing Convertible Notes (being 159,950 convertible notes having a face value of \$1.00 and maturing 25 September 2015, 815,050 convertible notes having a face value of \$1.00 and maturing 30 November 2015) and 1,700,000 Secured Convertible Notes, issued pursuant to the Tranche 1 Securities Issue, the subject of Resolution 2.
3. Exercise price of \$0.05 and expiring 18 months from the date of issue.
4. Secured Convertible Notes, to be issued pursuant to the Tranche 2 Securities Issue, the subject of Resolution 3.
5. Exercise price of \$0.10 and expiring 18 months from the date of issue.
6. Comprises 27,719,994 Existing Options (exercise price \$0.03 and expiring 25 March 2017), 1,900,000 Existing Options (exercise price \$0.05 and expiring 22 December 2016), 18,250,000 Attaching Options (being the Attaching Options issued pursuant to the Tranche 1 Securities Issue that have not yet been exercised, with an exercise price \$0.05 and expiring 22 December 2016, being 18 months for the date of issue), 50,000,000 Attaching Options (being the Attaching Options to be issued pursuant to the Tranche 2 Securities Issue with an exercise price \$0.05 and expiring 18 months from the date of issue) and 18,000,000 Director Options (exercise price of \$0.10 and expiring 18 months from the date of issue).
7. Comprises the Existing Convertible Notes (being 159,950 convertible notes having a face value of \$1.00 and maturing 25 September 2015, 815,050 convertible notes having a face value of \$1.00 and maturing 30 November 2015) 1,700,000 Secured Convertible Notes with a face value of \$1.00 and maturing 22 December 2016 and 4,000,000 Secured Convertible Notes with face value of \$1.00 and maturing 18 months from the date of issue.

4. Resolution 1 – Ratification of Placement

4.1 General

The details of the Placement are in Section 3 above.

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 1 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

4.2 Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, information is provided in relation to the Placement as follows:

- (a) 17,000,000 Placement Shares were issued.
- (b) The Placement Shares were issued at \$0.045 per Placement Share.
- (c) The Placement Shares were issued on 5 and 9 June 2015.
- (d) The Placement Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue and were issued on the same terms and conditions as the Company's existing Shares.
- (e) Funds raised from the Placement will be utilised in the ongoing development of the Pilgangoora and Tabba Tabba projects. In particular, the Company intends to use the funds raised from the Placement, along with funds raised from the Secured Convertible Note Issue, to ramp up development of the Pilgangoora project and will shortly be commencing prefeasibility work including conversion of the Pilgangoora project exploration licenses to mining leases.
- (f) A voting exclusion statement is included in the Notice for this Resolution.

4.3 Director Recommendation

The Directors recommend that Shareholders vote in favour of this Resolution.

5. Resolution 2 – Ratification of Tranche 1 Securities Issue

5.1 General

In undertaking the Tranche 1 Securities Issue, the Company issued 1,700,000 Secured Convertible Notes together with 21,250,000 Attaching Options under the Company's 15% placement capacity in accordance with Listing Rule 7.1.

A summary of Listing Rule 7.1 is in Section 4.1 above.

5.2 Listing Rule 7.4

Approval is sought pursuant to Listing Rule 7.4 to ratify the issue of the Tranche 1 Securities so that the Company refreshes its capacity to issue up to 15% of its ordinary securities, if required, in the next 12 months without first requiring Shareholder approval for those future issues.

A summary of Listing Rule 7.4 is in Section 4.1 above.

Resolution 2 is an ordinary resolution.

5.3 Specific Information Required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) 1,700,000 Secured Convertible Notes and 21,250,000 Attaching Options (being the Tranche 1 Securities) were issued.

The Secured Convertible Notes (issued under the Tranche 1 Securities Issue) may convert, in accordance with their terms, into Shares on the basis that the Secured Convertible Notes convert at a 20% discount to the VWAP for Shares for the five trading days prior to an election to convert. No additional Shareholder approval is required for the issue of Shares issued on conversion of the Secured Convertible Notes (issued under the Tranche 1 Securities Issue).

Exercise of the Attaching Options (issued under the Tranche 1 Securities Issue) will result in 21,250,000 Shares being issued. No additional Shareholder approval is required for the issue of Shares issued on exercise of the Attaching Options (issued under the Tranche 1 Securities Issue).

- (b) The Secured Convertible Notes were issued at an issue price of \$1.00 each (being the face value of each Secured Convertible Note) and each Attaching Option had an issue price of nil.
- (c) The Secured Convertible Notes have the terms and conditions in Schedule 2 and the Attaching Options have the terms and conditions in Schedule 3.
- (d) The Tranche 1 Securities were issued to a number of investors without disclosure (pursuant to section 708(8), 708(10) and 708(11) of the Corporations Act and to overseas investors to whom disclosure was not required) who are not related parties or associates of the Company.
- (e) The funds raised from the issue of the Tranche 1 Securities will be used in conjunction with the funds raised from the issue of the Tranche 2 Securities and the Placement to progress the development of the Pilgangoora and Tabba Tabba projects.
- (f) A voting exclusion statement is included in the Notice for this Resolution.

6. Resolution 3 – Approval of Tranche 2 Securities Issue

6.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the Tranche 2 Securities.

6.2 Listing Rule 7.1

As the issue of the Tranche 1 Securities utilised most of the Company's existing Listing Rule 7.1 placement capacity and none of the exceptions in Listing Rule 7.2 apply, Shareholder approval is required for the issue of the Tranche 2 Securities.

Listing Rule 7.1 requires Shareholder approval for the proposed issue of the Tranche 2 Securities. A summary of Listing Rule 7.1 is in Section 4.1 above.

Resolution 3 is an ordinary resolution.

6.3 Specific Information Required by Listing Rule 7.3

For the purposes of Shareholder approval of the Tranche 2 Securities Issue and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) The maximum number of securities to be issued under Resolution 3 is 4,000,000 Secured Convertible Notes and 50,000,000 Attaching Options.

The Secured Convertible Notes (issued under the Tranche 2 Securities Issue) may convert, in accordance with their terms, into Shares on the basis that the aggregate face value of the Secured Convertible Notes convert at a 20% discount to the VWAP for Shares for the five trading days prior to an election to convert. No additional Shareholder approval is required for the issue of Shares that relate to the conversion of the face value component of the Secured Convertible Notes (issued under the Tranche 2 Securities Issue).

Exercise of the Attaching Options will result in 50,000,000 Shares being issued. No additional Shareholder approval is required for the issue of Shares issued on exercise of the Attaching Options (issued under the Tranche 2 Securities Issue).

- (b) The Tranche 2 Securities will be issued no later than three months after the date of the Meeting (or such longer period of time as ASX may, in its discretion, allow pursuant to a waiver of Listing Rule 7.3.2).
- (c) The Secured Convertible Notes will be issued at a price of \$1.00 each (being the face value of each Secured Convertible Note) and each Attaching Option has an issue price of nil.
- (d) The Tranche 2 Securities will be issued to sophisticated and professional investors including, subject to the passing of Resolution 4, Mr Leibowitz, who is a Director.
- (e) The Secured Convertible Notes have the terms and conditions in Schedule 2 and the Attaching Options have the terms and conditions in Schedule 3.
- (f) The funds raised from the issue of the Tranche 2 Securities will be used in conjunction with the funds raised from the issue of the Tranche 1 Securities and the Placement to progress the development of the Pilgangoora and Tabba Tabba projects.
- (g) The Tranche 2 Securities will be allotted on or about the date that is three Business Days following the date of the Meeting.
- (h) A voting exclusion statement is included in the Notice for this Resolution.

7. Resolution 4 – Approval of Director's Participation in Tranche 2 Securities Issue

7.1 General

Resolution 4 seeks the approval of Shareholders pursuant to Listing Rule 10.11 and chapter 2E of the Corporations Act to enable Mr Leibowitz (or his nominee) to participate in the Tranche 2 Securities Issue on the same terms and conditions as offered to the other subscribers for the Tranche 2 Securities.

Subject to obtaining the approval of Shareholders, Tranche 2 Securities will be issued to Mr Leibowitz (or his nominee) as follows:

Director (or nominee)	Secured Convertible Notes	Attaching Options
Mr Tony Leibowitz	200,000	2,500,000

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, Shareholder approval under Listing Rule 7.1 is not required, in accordance with Exception 14 of Listing Rule 7.2.

7.2 Section 208 of Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Mr Leibowitz is regarded as a related party of the Company by reason of his position as Director.

The issue of Tranche 2 Securities constitutes the giving of a financial benefit for the purposes of section 208 of the Corporations Act and the Board has determined that the Company will seek Shareholder approval for the purposes of that section.

7.3 Listing Rule 10.11

Shareholder approval is required under Listing Rule 10.11 because Mr Leibowitz is a related party of the Company.

Listing Rule 10.11 restricts the Company's ability to issue securities to a related party unless approval is obtained from Shareholders. The effect of passing Resolution 4 will be to allow the Company to issue Tranche 2 Securities to Mr Leibowitz (or his nominee) during the month after the Meeting (or a longer period, if allowed by ASX) without breaching Listing Rule 10.11 or using up the Company's 15% placement capacity under Listing Rule 7.1.

If Shareholders do not approve Resolution 4, Mr Leibowitz (or his nominee) will not be issued any Tranche 2 Securities.

Resolution 4 is an ordinary resolution and is subject to the passing of Resolution 3.

7.4 Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act:

- (a) The related party to whom Tranche 2 Securities will be granted is Mr Leibowitz (or his nominee).
- (b) The maximum number of securities to be issued is as follows:

Director (or nominee)	Secured Convertible Notes	Attaching Options
Mr Tony Leibowitz	200,000	2,500,000

- (c) The Company will issue the Tranche 2 Securities no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Secured Convertible Notes will be issued with a face value of \$1.00 each. Accordingly, the total amount to be paid by Mr Leibowitz is \$200,000.

The accompanying Attaching Options are free attaching and therefore each has a nil issue price.

- (e) The Secured Convertible Notes will have the terms and conditions detailed in Schedule 2 and the Attaching Options will have the terms and conditions detailed in Schedule 3. Any Shares issued on conversion of the Secured Convertibles Notes or the exercise of the Attaching Options will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.
- (f) Mr Leibowitz has an interest in Resolution 4 and therefore believes that it is inappropriate to make a recommendation. The Directors, excluding Mr Leibowitz, recommend that Shareholders approve Resolution 4 on the basis that the participation of Mr Leibowitz in the Tranche 2 Securities Issue aligns Mr Leibowitz's interests with the Company and will enable the Company to raise additional funding under the Tranche 2 Securities Issue.
- (g) The financial benefits associated with the issue of the Secured Convertible Notes include the following:
- (i) Mr Leibowitz will be entitled to receive interest of \$45,000 on the basis that interest accrues until maturity of the Secured Convertible Notes (18 months after the date of issue);
- (h) the Secured Convertible Notes may be converted into Shares, at the election of Mr Leibowitz, with any such conversion occurring at a discount to the then trading price of Shares (refer to Section 3.2). By way of example, if Mr Leibowitz elected to convert the Secured Convertible Notes and the VWAP of Shares for the five trading days prior to that date was \$0.132781 he would receive 1,882,813 Shares at a deemed issued price of \$0.106224. The Black Scholes Pricing Model has been used to value the Attaching Options, with the following assumptions:
- (i) the risk free rate of a two year Australian Government bond as being 2.03%;
- (ii) the underlying security spot price of \$0.115 used for the purposes of this valuation is based on the Share price of the Company as at 25 June 2015, being the last practicable date prior to the date of the Notice;
- (iii) the estimated volatility used in the valuation is 80%;
- (iv) for the purposes of the valuation, no future dividend payments have been forecast; and

- (v) for the purposes of the valuation it is assumed that the Attaching Options will be issued on or around 7 August 2015.

Based on the above, the fair value of each Attaching Option is \$0.073502 at 25 June 2015 and the total fair value of the Attaching Options to be issued to Mr Leibowitz is \$183,755.

- (i) The current relevant interest in security holdings of Mr Leibowitz is as follows:

Director	Shares	Existing Options	Existing Convertible Notes
Mr Tony Leibowitz ¹	21,727,168	1,666,666 ²	Nil

Notes:

- Securities held by related body corporate being Kalonda Pty Ltd <The Leibowitz Superannuation Fund A/c>
- Each Existing Option has an exercise price of \$0.03 and an expiry date of 25 March 2017. Does not include the 8,000,000 Director Options proposed to be issue to Mr Leibowitz pursuant to Resolution 5.

- (j) The remuneration and emoluments from the Company to Mr Leibowitz for both the current financial year and previous financial year is as follows:

Director	Current Financial Year ⁽¹⁾		Previous Financial Year	
	Salary and Fees \$	Options \$	Salary and Fees \$	Options \$
Mr Tony Leibowitz ²	148,728	Nil	\$95,400	Nil

Notes:

- For the period 1 July 2014 – 31 May 2015.
- Payments made to associates of Mr Leibowitz, Leibowitz Corporate Pty Ltd, Leibowitz & Son Pty Ltd and Floreat Investments Pty Ltd.

- (k) If the Shareholders approve the participation of Mr Leibowitz in the Tranche 2 Securities Issue, the conversion of the Secured Convertible Notes on the basis that the VWAP of Shares for the five trading days prior to an election to convert the Convertible Notes is \$0.132781, which would result in a conversion price of \$0.106224, and the exercise of the Attaching Options by Mr Leibowitz will result in a dilution of all other Shareholders' holdings in the Company of:

- 0.67% based on issued Shares as at 25 June 2015, being the last practicable day prior to the date of the Notice;
- 0.57% on a fully diluted basis (on the basis that all other holders of Secured Convertible Notes and the Attaching Options convert and exercise those securities, as applicable. The Company also has on issue 975,000 Existing Convertible Notes (excluding the Secured Convertible Notes issued under the Tranche 1 Securities Issue) and 27,719,994 unlisted Existing Options (excluding the Attaching Options issued under the Tranche 1 Securities Issue). Should some or all of these Existing Convertible Notes and/or Existing Options be converted and/or exercised (as applicable), the dilution effect shown above will be diminished.).

- (l) If the Shareholders approve the participation of Mr Leibowitz in the Tranche 2 Securities Issue and the issue of Director Options to Mr Leibowitz pursuant to Resolution 5, the conversion of the Secured Convertible Notes on the basis that the VWAP of Shares for the five trading days prior to an election to convert the Secured

Convertible Notes is \$0.132781, which would result in a conversion price of \$0.106224, the exercise of the Attaching Options, and the exercise of the Director Options issued pursuant to Resolution 5 by Mr Leibowitz will result in a dilution of all other Shareholders' holdings in the Company of:

- (i) 1.9% based on issued Shares as at 25 June 2015, being the last practicable day prior to the date of the Notice;
- (ii) 1.6% on a fully diluted basis (on the basis that all other holders of Secured Convertible Notes and the Attaching Options convert and exercise those securities, as applicable. The Company also has on issue 975,000 Existing Convertible Notes (excluding the Secured Convertible Notes issued under the Tranche 1 Securities Issue) and 27,719,994 unlisted Existing Options (excluding the Attaching Options issued under the Tranche 1 Securities Issue). Should some or all of these Existing Convertible Notes and/or Existing Options be converted and/or exercised (as applicable), the dilution effect shown above will be decreased.).

(m) Historical Share price information for the last 12 months is as follows:

	Price	Date
Highest	\$0.155	18 June 2015
Lowest	\$0.01	26 June 2014
Last	\$0.12	25 June 2015

- (n) The funds raised from the issue of the Tranche 2 Securities will be used in conjunction with the funds raised from the issue of the Tranche 1 Securities and the Placement to progress the development of the Pilgangoora and Tabba Tabba projects.
- (o) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 4.
- (p) A voting exclusion statement is included in the Notice.

8. Resolutions 5 to 7 (inclusive) - Issue of Director Options

8.1 General

The details of the proposed issue of Director Options are in Section 3.4.

In accordance with Listing Rule 10.1 and chapter 2E of the Corporations Act, Shareholder approval is required for the issue of Options to a related party. Each of Messrs Leibowitz, Biddle and Adamson are related parties of the Company.

The Company seeks to issue a total of 18,000,000 Director Options.

Subject to Shareholder approval of Resolution 5, the number of Director Options to be issued to Mr Leibowitz (or his nominee) is 8,000,000.

Subject to Shareholder approval of Resolution 6, the number of Director Options to be issued to Mr Biddle (or his nominee) is 8,000,000.

Subject to Shareholder approval of Resolution 7, the number of Director Options to be issued to Mr Adamson (or his nominee) is 2,000,000.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required, in accordance with exception 14 of Listing Rule 7.2.

Resolutions 5 to 7 (inclusive) are ordinary resolutions and each is subject to the passing of Resolution 8.

The Chairperson intends to exercise all available proxies in favour of Resolution 5 – 7 (inclusive).

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolutions 5 to 7 (inclusive) by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

8.2 Section 208 of Corporations Act

As set out in Section 7.2, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Each of Messrs Leibowitz, Biddle and Adamson, who are Directors are related parties of the Company.

8.3 Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Pursuant to Listing Rule 7.2, exception 14, the effect of passing Resolutions 5 to 7 (inclusive) will be to allow the Company to issue a total of 18,000,000 Director Options to the Directors (or their respective nominees) without using up the Company's 15% placement capacity under Listing Rule 7.1.

8.4 Specific information required by Listing Rule 10.13 and Section 200E of the Corporations Act

Information must be provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- (a) The Director Options will be issued to Messrs Leibowitz, Biddle and Adamson (or their respective nominees).
- (b) The number of Director Options to be issued to Messrs Leibowitz, Biddle and Adamson (or their respective nominees) is as follows:

Director (or nominee)	Director Options
Mr Tony Leibowitz	8,000,000
Mr Neil Biddle	8,000,000
Mr Robert Adamson	2,000,000
Total	18,000,000

- (c) The Director Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The nature of the financial benefit to be granted is the issue of:
 - (i) 8,000,000 Director Options to Mr Tony Liebowitz;
 - (ii) 8,000,000 Director Options to Mr Neil Biddle; and
 - (iii) 2,000,000 Director Options to Mr Robert Adamson.

The Board's policy is to remunerate Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to Directors is subject to approval by Shareholders at general meeting.

Fees for Directors are not linked to the performance of the Company. However, to align all Directors' interests with Shareholders' interests, the Directors are encouraged to hold Shares in the Company and may be issued Options.

The Company believes that the issue of Director Options conserves cash in the short term and acts as an incentive to grow the Share price in the long term. This effectively links Directors' performance to the Share value and therefore to the interests of all Shareholders. For this reason there are no performance conditions prior to the grant or exercise of the Director Options, but instead an incentive to increase the value to all Shareholders.

The grant of the Director Options and the benefit arising to Messrs Biddle and Leibowitz also reflects the significant contribution made by them in raising capital for the Company over the past eighteen months for which no remuneration or compensation has been made by the Company. The Directors have a material personal interest in Resolutions 5 to 7 (inclusive) and therefore believe it inappropriate to make a recommendation.

- (e) The Company has engaged Stantons International Securities to value of the Director Options and determined on the basis of the assumptions set out below, the technical value of one Director Option is set out in the table below:

Director	Director Option	Number of Director Options	Value Per Security \$
Mr Tony Leibowitz	Unlisted 18 month term with strike price of \$0.10	8,000,000	\$0.049228
Mr Neil Biddle	Unlisted 18 month term with strike price of \$0.10	8,000,000	\$0.049228
Mr Robert Adamson	Unlisted 18 month term with strike price of \$0.10	2,000,000	\$0.049228

This valuation imputes a total value of \$886,104 to the Director Options. The value may go up or down after the date of valuation as it will depend on the future price of a Share. The Black Scholes Pricing Model has been used to value the Director Options, with the following assumptions:

- (i) the risk free rate of a two year Australian Government bond as being 2.03%;
 - (ii) the underlying security spot price of \$0.115 used for the purposes of this valuation is based on the Share price of the Company as at 25 June 2015, being the last practicable day prior to the date of the Notice;
 - (iii) the estimated volatility used in the valuation is 80%;
 - (iv) for the purposes of the valuation, no future dividend payments have been forecast; and
 - (v) for the purposes of the valuation it is assumed that the Director Options will be issued on or around 7 August 2015.
- (f) Under the accounting standard AASB 2 share based payments, the Company will recognise an expense in the income statement based on the fair value of the Director Options over the period from the date of issue to the vesting date. The total of the fair value of the Director Options issued is \$886,104 at 25 June 2015.
- (g) The market price of Shares would normally determine whether the Directors will exercise the Director Options. If the Director Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.
- (h) Historical quoted price information for the Company's listed securities for the last twelve months is as follows:

Shares	Price	Date
Highest	\$0.155	18 June 2015
Lowest	\$0.01	26 June 2014
Last	\$0.12	25 June 2015

- (i) The exercise of the Director Options will result in a dilution of all other Shareholders' holdings in the Company of 2.8% based on issued Shares as at the date of the Notice and 2.3% on a fully diluted basis (on the basis that all holders of Secured Convertible

Notes and the Attaching Options convert and exercise those securities, as applicable. The Company also has on issue 975,000 Existing Convertible Notes (excluding the Secured Convertible Notes issued under the Tranche 1 Securities Issue) and 29,619,994 unlisted Existing Options (excluding the Attaching Options issued under the Tranche 1 Securities Issue). Should some or all of these Existing Convertible Notes and/or Existing Options be converted and/or exercised (as applicable), the dilution effect shown above will be diminished.

- (j) No funds will be raised by the issue of the Director Options as they are being issued for nil consideration. Refer to Schedule 4 for the entire terms and conditions of the Director Options.
- (k) A voting exclusion statement is included in the Notice for Resolutions 5 to 7 (inclusive).
- (l) Other than the information above and otherwise set out in the Notice, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolutions 5 to 7 (inclusive).

9. Resolution 8 – Section 195 Approval

In accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a “material personal interest” are being considered.

The Directors may have a material personal interest in the outcome of Resolutions 5 to 7 (inclusive).

In the absence of this Resolution 8, the Directors may not be able to form a quorum at directors meetings necessary to carry out the terms of Resolutions 5 to 7 (inclusive).

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Resolution 8 is an ordinary resolution.

Schedule 1 – Definitions

In the Notice and this Explanatory Memorandum:

\$ means Australian dollars.

ASIC means the Australian Securities and Investment Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Attaching Options means Options having the terms and conditions in Schedule 3.

Board means the board of Directors.

Chairperson means the person appointed to chair the Meeting.

Closely Related Party means:

- (a) a child or spouse of the member; as
- (b) has the meaning given in section 9 of the Corporations Act.

Company or **Pilbara** means Pilbara Minerals Limited ACN 112 425 788.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company.

Director Options means the Options proposed to be issued to the Director pursuant to Resolutions 5 to 7 (inclusive) having the terms and conditions in Schedule 4.

Existing Convertible Notes means 159,950 convertible notes with a face value of \$1.00 maturing on 25 September 2015 and 815,050 convertible notes with a face value of \$1.00 maturing on 30 November 2015.

Existing Options means Options on issue at the date of this Notice, excluding the Attaching Options issue pursuant to the Tranche 1 Securities Issue.

Explanatory Memorandum means this explanatory memorandum.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means the notice of general meeting which this Explanatory Memorandum accompanies.

Option means an option to acquire a Share.

Placement has the meaning given in Section 3.

Placement Shares has the meaning given in Resolution 1.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of this Explanatory Memorandum.

Secured Convertible Note Issue has the meaning given in Section 3.

Secured Convertible Notes means convertible notes having the terms and conditions in Schedule 2.

Secured Property means the following tenements held by the Company:

- (a) E45/2232;
- (b) E45/2241
- (c) M45/78;
- (d) M45/333; and
- (e) M45/511.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Tranche 1 Securities has the meaning given in Resolution 2.

Tranche 1 Securities Issue has the meaning given in Section 3.1.

Tranche 2 Securities has the meaning given in Resolution 3.

Tranche 2 Securities Issue has the meaning given in Section 3.1.

Trustee means Theta Asset Management Limited ACN 071 807 684 as trustee for the Pilbara Minerals 2015 Notes Trust.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

In the Notice and this Explanatory Memorandum, words importing the singular include the plural

Schedule 2 – Terms and Conditions of Secured Convertible Notes

1. Interpretation and definitions

Unless the context otherwise requires:

A\$ means Australian Dollars.

ASIC means the Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Bonus Issue means an issue of any Securities by way of capitalisation of profits, reserves, share premium account or capital redemption reserve fund or otherwise, but excluding any issue of Securities made in place of a cash payment as a dividend under the Constitution.

Bonus Securities means Securities issued under a Bonus Issue.

Business Day means a day on which all banks are open for business in Perth, Western Australia.

Change of Control Event means, in respect of the Company:

- (a) a court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return of the issued capital of the Company)); or
- (b) a Takeover Bid:
 - (i) is announced;
 - (ii) has become unconditional; and
 - (iii) the person making the Takeover Bid has a Relevant Interest in 50% or more of the Shares.

Company means Pilbara Minerals Limited ACN 112 425 788.

Constitution means the constitution of the Company.

Conversion means the conversion of the Convertible Notes into Shares under the Note Conditions, and **Convert** and **Converted** will be interpreted accordingly.

Conversion Date means:

- (a) the date on which the Holder delivers a Conversion Notice to the Company in accordance with Note Condition 5(a); or
- (b) the date on which the Company makes an announcement to ASX or sends a notice to Holders in accordance with Note Condition 5(d).

Convertible Note means a convertible note having the Face Value and issued in accordance with and subject to the Note Conditions.

Conversion Notice means a notice of Conversion in or substantially in the form provided by the Company.

Conversion Period means the period beginning on the date which is six months after the Issue Date and concluding on the Maturity Date.

Conversion Price means 80% of VWAP.

Convertible Notes Trust Deed means the convertible notes trust deed, dated on or about 5 June 2015, between the Company and the Trustee.

Corporations Act means the *Corporations Act 2001* (Cth).

Encumbrance means an interest or power:

- (a) reserved in or over an interest in any asset, including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a security agreement, bill of sale, mortgage, charge, lien, pledge, trust or power or any other agreement having similar effect,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes any agreement to grant or create any of the above and includes a security interest under the PPSA.

Event of Default means any of the events of default mentioned in Note Condition 12.

Face Value has the meaning in Note Condition 2.

General Security Deed means the general security deed, dated on or about 5 June 2015 between the Company and the Trustee.

Group means the Company and its Subsidiaries and Related Bodies Corporate.

Holder has the meaning given in the Note Certificate (and, if applicable, any person to whom the Convertible Notes are transferred or assigned).

Interest means the interest payable to the Holder in accordance with Note Condition 4.

Interest Payment Date means, for an Interest Period, the fifth Business Day, following the end of the relevant Interest Period.

Interest Period means:

- (a) a 3 month period (as adjusted in accordance with paragraphs (e) and (f) of this definition); and
- (b) each period beginning on 1 July, 1 October, 1 January and 1 April and ending on (and including) 30 September, 31 December, 31 March, 30 June, respectively,

however:

- (a) the first Interest Period commences on (and includes) the Business Day immediately preceding the Issue Date; and
- (b) the final Interest Period ends on (but excludes) the day on which the first of the following occurs:
 - (i) the Maturity Date,
 - (ii) the Redemption Date;
 - (iii) the Conversion Date; and

(iv) the Termination Date,

however, if an Interest Period would otherwise end after the Maturity Date, it ends:

- (a) if the Maturity Date is a Business Day, on the Maturity Date; or
- (b) if the Maturity Date is not a Business Day, on the Business Day before the Maturity Date.

Interest Rate means the rate of 15% per annum.

Issue Date means the date of issue of the Convertible Notes as shown on the original Convertible Note Certificate issued in respect of such Convertible Notes or such other date as may be agreed between the Company and the Holder.

Maturity Date means the date that is 18 months after the Issue Date.

Note Certificate means the document of that name to which the Note Conditions are attached.

Note Conditions means these conditions of issue of the Convertible Notes.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Property means all property and assets from time to time of the Group.

Redemption Date means the date on which a Convertible Note is redeemed in accordance with Note Condition 9.

Redemption Period means the period beginning on the date that is 12 months following the Issue Date and concluding on the Maturity Date.

Register means the register of Holders established and maintained under the Convertible Notes Trust Deed.

Relevant Interest has the meaning given to that term in the Corporations Act.

Securities includes shares, debentures, debenture stocks, notes and any options or rights to subscribe for any of them.

Share means a fully paid ordinary share in the capital of the Company.

Subsidiary and **Related Body Corporate** have the meanings given to those terms by the Corporations Act.

Takeover Bid has the meaning given to that term in the Corporations Act.

Termination Date means the earlier to occur of:

- (a) the Maturity Date; and
- (b) the date that is 20 Business Days following receipt by the Company of a notice from the Holder which makes a declaration in accordance with Note Condition 12(b).

Total Amount means the total of the Face Value of all of the Convertible Notes in the Convertible Note Certificate.

Transaction Documents means:

- (a) the Convertible Notes Trust Deed; and
- (b) the General Security Deed.

Trustee means Theta Asset Management Limited ABN 37 071 807 684.

VWAP means the volume weighted average price of Shares on ASX over the last 5 trading days on which Shares are traded immediately preceding the Conversion Date.

2. **Face Value**

Each Convertible Note has a face value of A\$1.00 (**Face Value**).

3. **Terms of Issue**

- (a) Each Convertible Note:
 - (i) is interest bearing in accordance with Note Condition 4;
 - (ii) may be Converted in accordance with Note Condition 5;
 - (iii) unless Converted or redeemed by the Company in accordance with these Note Conditions, entitles the Holder to be paid by the Company the Total Amount on the Termination Date;
 - (iv) is unlisted; and
 - (v) cannot be sold, assigned or transferred (other than upon death of a Holder, where the Holder is a natural person).
- (b) If the Convertible Notes are:
 - (i) Converted in accordance with Note Condition 5;
 - (ii) repaid by the Company in accordance with Note Condition 8; or
 - (iii) redeemed by the Company in accordance with Note Condition 9,then the Convertible Notes will be automatically cancelled and may not be re-issued.

4. **Interest**

- (a) The Company agrees to pay interest at the Interest Rate on the Total Amount on the terms and conditions in this Note Condition 4.
- (b) Interest:
 - (i) will be payable in cash only;
 - (ii) accrues daily during the relevant Interest Period;
 - (iii) is calculated on a non-compounding basis;
 - (iv) is calculated on actual days elapsed and a year of 365 days;
 - (v) will cease to accrue on the earlier of:
 - (A) the Conversion Date;
 - (B) the Redemption Date; and
 - (C) the Termination Date; and
 - (vi) will be paid quarterly in arrears on each Interest Payment Date in accordance with Note Conditions 4(c) and 4(d).

- (c) On each Interest Payment Date, the Company will send a cheque, in respect of the Interest owing for the Interest Period to which it relates, to the Holder's address as recorded in the Register. Compliance with this provision shall constitute satisfaction by the Company of its obligation to pay Interest in respect of the relevant Interest Period.
- (d) If the Convertible Notes are:
 - (i) Converted in accordance with Note Condition 5;
 - (ii) repaid in accordance with Note Condition 8; or
 - (iii) redeemed by the Company in accordance with Note Condition 9,

at any time after the Issue Date (other than on a date which is 30 September, 31 December, 31 March or 30 June), the Company shall, on the next Interest Payment Date send a cheque for the pro-rata amount of interest (calculated pro-rata on the basis of the number of days during the Interest Period on which the Holder held the Convertible Notes), to the Holder's address as recorded in the Register. Compliance with this provision shall constitute satisfaction by the Company of its obligation to pay Interest in respect of the relevant Interest Period.

5. Conversion

- (a) The Holder may elect to Convert all the Convertible Notes by delivering a Conversion Notice to the Company at any time during the Conversion Period.
- (b) A Conversion Notice, once given, is irrevocable.
- (c) If the Holder delivers a Conversion Notice to the Company in accordance with Note Condition 5(a), the Convertible Notes will be Converted into such number of Shares as is determined by dividing the Total Amount by the Conversion Price, with such Shares to be allotted and issued in accordance with Note Condition 6.
- (d) If at any time prior to the Maturity Date, a Change of Control Event occurs, the Company may elect to Convert all the Convertible Notes into such number of Shares as is determined by dividing the Total Amount by the Conversion Price by either:
 - (i) making an announcement to ASX, if it is listed on ASX; or
 - (ii) sending a notice to each Holder at the Holder's address, as set out in the Register; and

and with such Shares to be allotted and issued in accordance with Note Condition 6.

6. Issue of Shares

- (a) Subject to Note Conditions 6(f) to 6(i) (inclusive), if the Company is able to rely on ASIC Class Order 10/322, within 10 Business Days:
 - (i) after the receipt of a Conversion Notice delivered in accordance with Note Condition 5(a)
 - (ii) of an announcement made in accordance with Note Condition 5(d)(i); or
 - (iii) after the sending of a notice in accordance with Note Condition 5(d)(ii),

the Company will:

- (A) allot and issue the Shares pursuant to the Conversion; and

- (B) apply for official quotation on ASX of Shares issued pursuant to the Conversion as provided under Note Condition 13(h).
- (b) If the Company is not able to rely on ASIC Class Order 10/322, and subject to Note Conditions, 6(f), 6(g), 6(h) and 6(i), within 10 Business Days, after the later of the following:
 - (i) the Conversion Date if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
 - (ii) the date the Company ceases to be in possession of excluded information in respect to the Company (if any) following the Conversion Date,the Company will:
 - (i) allot and issue the Shares pursuant to the Conversion;
 - (ii) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
 - (iii) apply for official quotation on ASX of Shares issued pursuant to the Conversion as provided under Note Condition 13(h).
- (c) The Company must, not later than 2 Business Days after the allotment of the Shares pursuant to the Conversion, forward free of charge to the Holder a holding statement or notice of entitlement for the issued Shares.
- (d) On the issue to the Holder of the holding statement or the notice of entitlement referred to in Note Condition 6(c), the Total Amount is deemed to be repaid.
- (e) The Shares issued on Conversion must rank pari passu and form one class with the other Shares on issue at the Issue Date. However, any Shares issued on Conversion will not be entitled to any dividend which has been declared and whose record date occurs prior to the issue of the Shares upon Conversion.
- (f) The Holder shall give notification to the Company in writing if they consider that the Conversion may result in the contravention of Section 606(1) of the Corporations Act, failing which the Company shall assume that the Conversion of the Convertible Notes will not result in any person being in contravention of Section 606(1).
- (g) The Company may (but is not obliged to), by written notice, request the Holder to give notification to the Company in writing within 2 Business Days if the Company considers that the Conversion may result in the contravention of Section 606(1) of the Corporations Act. If the Holder does not give notification to the Company that they consider the Conversion may result in the contravention of Section 606(1) of the Corporations Act, within 2 Business Days of receipt of such request, then the Company shall assume that the Conversion will not result in any person being in contravention of Section 606(1) of the Corporations Act.
- (h) If the Holder notifies the Company (in accordance with Note Conditions 6(f) or (g)) or the Company determines that a Conversion would result in the Holder being in contravention of Section 606(1) of the Corporations Act then, in respect of that number of Convertible Notes the Conversion of which would result in the Holder being in contravention of Section 606(1) of the Corporations Act:
 - (i) the Conversion shall be deferred until such time or times thereafter that the Conversion would not result in a contravention of Section 606(1) of the Corporations Act; and

- (ii) the Company will as soon as reasonably practicable convene a meeting of Shareholders to seek approval for the purpose of, and in accordance with, Item 7 of Section 611 of the Corporations Act, for the allotment and issue of the Shares to be issued pursuant to the Conversion.
- (i) If Shareholder approval for the Conversion is not obtained at the meeting of Shareholders convened by the Company in accordance with Note Condition 6(h)(ii), then the Company will, within 28 days of the meeting of Shareholders, pay to the Holder an amount equal to:
 - (i) the aggregate Face Value of the Convertible Notes the Conversion of which would result in the Holder being in contravention of Section 606(1) of the Corporations Act; and
 - (ii) any accrued Interest attributable to those Convertible Notes referred to in Note Condition 6(i)(i),and upon such payment such Convertible Notes will be cancelled.

7. Bonus Issues and Reconstruction

- (a) If at any time after the Issue Date but before the earlier of the Convertible Notes being:
 - (i) Converted in accordance with Note Condition 5;
 - (ii) repaid by the Company in accordance with Note Condition 8; or
 - (iii) redeemed by the Company in accordance with Note Condition 9,

the Company makes a Bonus Issue and issues to the holders of Shares any Bonus Securities, then the Company must issue to the Holder Bonus Securities of the number which the Holder would have been entitled to receive, by way of participation in the issue of Bonus Securities, if it had Converted the Convertible Notes then on issue into Shares:

- (i) immediately before the issue of Bonus Securities; or
 - (ii) if before the Conversion there has been more than one issue of Bonus Securities, immediately before the first issue of Bonus Securities, and had retained all the Shares issued on Conversion together with all the Bonus Securities which would have been issued to it under this Note Condition following the first issue.
- (b) Fractional entitlements are disregarded for the purposes of Note Condition 7(a).

8. Repayment

Unless the Convertible Notes have been:

- (a) Converted in accordance with Note Condition 5; or
- (b) redeemed by the Company in accordance with Note Condition 9,

then on the Termination Date the Company must pay the Total Amount to the Holder.

9. Redemption

At any time during the Redemption Period, the Company may redeem all the Convertible Notes that have not been Converted in accordance with Note Condition 5 by giving the Holder 14 days written notice of the redemption and paying the Total Amount to the Holder.

10. Security

The Convertible Notes are secured by the security granted by the Company to the Trustee under the General Security Deed. The Trustee holds the rights under the General Security Deed on trust for the benefit of the Holders in accordance with the terms of the Transaction Documents.

11. Representations and Warranties

The Company represents and warrants for the benefit of the Holder as at the Issue Date that, other than as disclosed to the Holder:

- (a) the Company is a corporation validly existing under the laws of the place of its incorporation;
- (b) the Company has:
 - (i) full power and authority (corporate and other) to borrow as provided in the Note Conditions;
 - (ii) full power and authority (corporate or other) to execute the Note Conditions and the Convertible Note Certificate annexed to the Note Conditions; and
 - (iii) full power to perform its obligations under the Note Conditions and to observe all the terms and provisions of the Note Conditions;
- (c) all corporate action on the part of the Company and its directors necessary for the authorisation, execution and performance of the Convertible Note Certificate and the Note Conditions has been duly taken;
- (d) the Convertible Note Certificate has been duly authorised and executed by the Company and is enforceable against the Company; and
- (e) neither the Constitution nor the provisions of any obligation, agreement or arrangement to which the Company is a party or by which it is bound or any statute, rule or regulation or any judgment, decree or order of any court or agency binding on the Company has been or will be contravened by the execution, delivery and performance of the Convertible Notes.

12. Events of Default

- (a) The occurrence, without the prior written consent of the Holder, of any of the following events:
 - (i) the Company fails to make, within 20 Business Days of the due date, any payment due in accordance with the Note Conditions;
 - (ii) the Company makes default in duly performing or observing any of the undertakings, covenants or agreements on its part contained in the Note Conditions other than as specified in Note Condition 12(a)(i) and such default, if capable of remedy, is not remedied for a period of 21 days after notice from the Holder requiring such default to be remedied;
 - (iii) any representations or warranties contained in the Note Conditions are found to have been false or misleading in any material respect when made;
 - (iv) a petition is lodged and is not withdrawn or struck out within 14 Business Days of lodgement or is not contested on a bona fide basis or an order is made or a resolution is passed for the winding up of the Company or any Subsidiary or Related Body Corporate of the Company or placing the Company or any Subsidiary or Related Body Corporate of the Company under voluntary

administration, or any meeting is convened for the purposes of considering the said resolutions;

- (v) a receiver or receiver and manager or administrator of the undertaking or property of the Company or any Subsidiary or any Subsidiary or Related Body Corporate of the Company or any part of the Company is appointed; or
- (vi) the Company or any Subsidiary or Related Body Corporate of the Company suspends payment of its debts (which words shall have the same meaning as when used in Section 40 of the Bankruptcy Act 1966) or the Company or any Subsidiary or Related Body Corporate of the Company, without the consent in writing of the Holder, ceases or threatens to cease to carry on a substantial part of its business,

shall be an Event of Default.

- (b) On the occurrence of an Event of Default, the Holder may by written notice to the Company declare all of the Convertible Notes due and payable and demand the payment of the Face Value and any Interest that has accrued and not been paid.
- (c) Upon receipt of a declaration under Note Condition 12(b), the Total Amount shall become due and payable by the Company to the Holder on the date that is 5 Business Days following receipt of such declaration, together with any Interest that has accrued and not been paid.

13. Covenants by the Company

At all times prior to the to the earlier of all of the Convertible Notes being:

- (a) Converted in accordance with Note Condition 5;
- (b) repaid by the Company in accordance with Note Condition 8; or
- (c) redeemed by the Company in accordance with Note Condition 9,
- (d) the Company must:
- (e) execute and do all acts and things as are reasonably necessary for conferring the full benefit of the Convertible Notes and the Note Conditions on the Holder;
- (f) not amend its Constitution or alter the voting or other rights attached to the Shares in a manner which is prejudicial to the interests of the Holder;
- (g) give notice to the Holder immediately upon becoming aware that a Change of Control Event has occurred; and
- (h) ensure that the Company applies for quotation of the Shares issued on Conversion in accordance with the ASX Listing Rules and Note Condition 6.

14. General

- (a) In the Note Conditions unless the context otherwise requires:
 - (i) the singular shall include the plural and vice versa;
 - (ii) the use of one gender shall include all other genders;
 - (iii) representations, agreements, covenants, obligations or warranties, by more than one person shall include those persons jointly and each of them severally;

- (iv) the use of the term **person** means and includes a natural person or firm; and
- (v) the use of expressions such as **including** and **in particular** and the like does not imply any limitation of the preceding general category or class referred to.
- (b) Headings in the Note Conditions are for reference purposes only and are not intended to affect the interpretation of the Note Conditions.
- (c) The Note Conditions shall be governed by and construed by reference to the law applicable in Western Australia. The parties submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia in connection with the Note Conditions.
- (d) If any provision or part of a provision of the Note Conditions is or becomes void, invalid or unenforceable that provision or part shall be severed from the Note Conditions but the remainder of the Note Conditions shall continue in full force and effect.
- (e) A reference to any statutory enactment shall include all amendments for the time being in force and any other statute enacted in substitution for and the regulations by-laws or other orders for the time being made under that statutory enactment.
- (f) Any demand, notice, consent or other communication to be made or given under the Note Conditions shall be in writing and signed by the Party giving it and shall be served either by delivery, by facsimile, or by pre-paid registered mail to the address of the Party as specified in the Convertible Note Certificate or at such substituted address as may be advised by notice in accordance with this Note Condition from time to time. All notices shall be deemed to be received on the date of delivery or at the expiration of 48 hours after it has been posted, notices sent by facsimile shall be deemed to be delivered on the date of transmission.
- (g) Any reference to the Note Conditions herein means and includes the schedules and annexures (if any) to the Note Conditions, and which are deemed to form part thereof.
- (h) Unless the context otherwise requires, references in the Note Conditions to recitals, conditions, schedules or annexures, mean and constitute references to the recitals, conditions, schedules or annexures (if any) of the Note Conditions.
- (i) No Party shall be taken to have waived any breach of the Note Conditions by any other Party unless such waiver shall be in writing, and signed by the Party granting the waiver. No waiver, forbearance or failure by a party of its right to enforce any provision of the Note Conditions shall constitute a waiver or estoppel of such Party's right to enforce that provision thereafter or to enforce any other provision of the Note Conditions.
- (j) The Note Conditions shall bind and benefit each of the parties and their respective personal representatives, successors and permitted assigns.
- (k) Where the day or date appointed or specified by the Note Conditions for the payment of any money is not a Business Day, the day or last day by which payment of that money shall be made shall be deemed to be the next following Business Day.
- (l) Notwithstanding anything said or written prior to execution, the Note Conditions and any agreement pursuant to which the Convertible Notes were subscribed for by the Holder embody the entire understanding of the parties and constitute the entire terms agreed upon between them and supersede and replace entirely any prior written or oral agreement between the parties concerning the advance of the Total Amount.
- (m) Each of the Parties covenants and agrees to execute, complete, deliver, make and do all such other assurances, documents, instruments, notices, acts and things as may be necessary or required for effectually carrying out the terms of the Note Conditions.

- (n) Any payment to be made in accordance with the terms of the Note Conditions shall be made in cash (in immediately available funds) or by bank cheque unless the Parties agree otherwise.
- (o) Each Party will bear its own legal costs in connection with the preparation and execution of the Note Conditions and the Convertible Notes.
- (p) No amendment to the Note Conditions shall be effective unless in writing and signed by all parties.
- (q) All remedies afforded under the Note Conditions shall be taken and construed as cumulative and in addition to every other remedy provided in the Note Conditions or by law or at equity.
- (r) A reference to a matter being "to the knowledge" of a Party means the matter is to the best of the knowledge and belief of that Party after proper enquiry including enquiry which a reasonable person would be prompted to make by reason of knowledge of a fact.
- (s) A reference to money is a reference to Australian currency unless otherwise specified.
- (t) The Company may issue the Convertible Note Certificate by way of a deed poll.

Schedule 3 – Terms and Conditions of Attaching Options

1. Exercise Price

Each Option shall have an exercise price of A\$0.05 (**Exercise Price**).

2. Expiry Date

Each Option shall expire on the date which is 18 months after the date of issue (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

4. Exercise of Options

The Options may only be exercised during the Exercise Period.

5. No Official Quotation of Options

The Company will not apply for official quotation of the Options.

6. Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of each Option.

7. Notice of Exercise

The Options may be exercised by giving written notice to the Company at any time during the Exercise Period. The notice (**Exercise Notice**) must:

- (a) specify the number of Options being exercised and the number of Shares to be issued;
- (b) specify whether the Shares are to be issued to the holder of the Options or a nominee; and
- (c) be accompanied by payment of the Exercise Price for each Option being exercised.

Any Exercise Notice in respect of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

8. Shares Issued on Exercise

Shares issued on exercise of Options rank equally with the then Shares currently on issue.

9. Official Quotation of Shares on Exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

10. Timing of issue of Shares

- (a) Subject to paragraph 10(b), within 3 Business Days after the receipt of an Exercise Notice, given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will allot and issue the Shares pursuant to the exercise of the Options and will, at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.
- (b) If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:

- (i) issue a prospectus on the date that the Shares are issued under paragraph (a) above (in which case the date for issuing those Shares may be extended to not more than 25 Business Days after the receipt of the Exercise Notice, to allow the Company time to prepare that prospectus); or
- (ii) issue a prospectus before the date that the Shares are issued under paragraph (a) above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued,

in accordance with the requirements of section 708A(11) of the Corporations Act.

11. Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

12. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

13. Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (except a bonus issue) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price (as defined in the ASX Listing Rules) per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

14. Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholders will, be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

15. Options Not Transferable

The Options are non-transferable.

16. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

Schedule 4 – Terms and Conditions of Director Options

1. Exercise Price

Each Option shall have an exercise price of A\$0.10 (**Exercise Price**).

2. Expiry Date

Each Option shall expire on the date which is 18 months after the date of issue (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

4. Exercise of Options

The Options may only be exercised during the Exercise Period.

5. No Official Quotation of Options

The Company will not apply for official quotation of the Options.

6. Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of each Option.

7. Notice of Exercise

The Options may be exercised by giving written notice to the Company at any time during the Exercise Period. The notice (**Exercise Notice**) must:

- (d) specify the number of Options being exercised and the number of Shares to be issued;
- (e) specify whether the Shares are to be issued to the holder of the Options or a nominee; and
- (f) be accompanied by payment of the Exercise Price for each Option being exercised.

Any Exercise Notice in respect of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

8. Shares Issued on Exercise

Shares issued on exercise of Options rank equally with the then Shares currently on issue.

9. Official Quotation of Shares on Exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

10. Timing of issue of Shares

- (a) Subject to paragraph 10(b), within 3 Business Days after the receipt of an Exercise Notice, given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will allot and issue the Shares pursuant to the exercise of the Options and will, at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.
- (b) If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:

- (i) issue a prospectus on the date that the Shares are issued under paragraph (a) above (in which case the date for issuing those Shares may be extended to not more than 25 Business Days after the receipt of the Exercise Notice, to allow the Company time to prepare that prospectus); or
- (ii) issue a prospectus before the date that the Shares are issued under paragraph (a) above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued,

in accordance with the requirements of section 708A(11) of the Corporations Act.

11. Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

12. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

13. Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (except a bonus issue) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price (as defined in the ASX Listing Rules) per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

14. Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholders will, be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

15. Options Not Transferable

The Options are non-transferable.

16. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

PILBARA MINERALS LIMITED

ACN 112 425 788

PROXY FORM

The Company Secretary
Pilbara Minerals Limited

Please mark to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairperson OR if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson, as my/our proxy for the meeting to be held at Claremont Yacht Club 4 Victoria Avenue, Claremont WA on 28 August 2015 at 10.0 am (WST), to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit). If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is * [] % of the Shareholder's votes* / [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of the Resolutions. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to the Resolution, you will be authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on the Resolution even if the Resolution is connected directly or indirectly with the remuneration of a member of key management personnel.

If the Chairperson is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he or she has an interest in the outcome of the Resolution/s and that votes cast by the Chairperson for those Resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairperson will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

Step 2 – Instructions as to Voting on the Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Ratification of Placement			
Resolution 2	Ratification of Tranche 1 Securities Issue			
Resolution 3	Approval of Tranche 2 Securities Issue			
Resolution 4	Approval of Director's Participation in Tranche 2 Securities Issue			
Resolution 5	Issue of Director Options to Mr Tony Leibowitz			
Resolution 6	Issue of Director Options to Mr Neil Biddle			
Resolution 7	Issue of Director Options to Mr Robert Adamson			
Resolution 8	Section 195 Approval			

* If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

The Chairperson intends to vote all available proxies in favour of the Resolutions.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by Company's share registry not less than 48 hours prior to the time of commencement of the General Meeting (WST).

By Delivery: Pilbara Minerals Limited
c/- Advanced Share Registry Ltd
110 Stirling Hwy
Nedlands WA 6009

By Post: Pilbara Minerals Limited
c/- Advanced Share Registry Ltd
PO BOX 1156
Nedlands WA 6909

By facsimile: +61 8 9262 3723

By email: admin@advancedshare.com.au