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PILBARA MINERALS
LIMITED

ABN 95 112 425 788

Interim Financial Report

31 December 2015

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Pilbara Minerals Limited (the **Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

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

Tony Leibowitz	Chairman
Robert Adamson	Non-executive Director
Neil Biddle	Executive Director
John Young	Executive Director (Appointed 4 September 2015)

Review of Operations

The following is a summary of the activities of the Company during the period 1 July 2015 to 31 December 2015. It is recommended that this half yearly report be read in conjunction with the 30 June 2015 Annual Report and any public announcements made by the Company during and subsequent to this period. In accordance with continuous disclosure requirements, readers are referred to the announcements lodged with the Australian Securities Exchange ("ASX") regarding the activities of the Company.

During the half year, the Company continued the exploration and development of its two projects located in the Pilbara region of Western Australia.

The Pilgangoora lithium-tantalum project was subject to an extensive and successful exploration program during the period with a view to progressing to a Definitive Feasibility Study ("DFS") during the second half of 2016.

The Tappa Tappa tantalum project remains in the commissioning phase which was suspended subsequent to the end of the period pending an ongoing review of the plant design and operations.

Pilgangoora lithium-tantalum project

The Pilgangoora lithium-tantalum project is located 120 km south east of Port Hedland. Since acquiring Pilgangoora in mid-2014, the Company has made significant progress in identifying and increasing the size of the resource as well as assessing and developing a greater understanding of the metallurgy of the deposit. The Pilgangoora project now represents the second largest spodumene (lithium-tantalum) deposit globally.

During the period, the Company undertook an exploration program which included some 11,000 metres of drilling which resulted in both new discoveries within the existing tenements as well as infill drilling to enhance existing resource estimates.

A resource upgrade for the Pilgangoora project was released to the market on 1 October 2015. This upgrade was superseded by a further resource upgrade released to the market on 1 February 2016.

The JORC Code 2012 Resource Estimation, as released on 1 February 2016 and carried out by independent resource consultancy Trepanier Pty Ltd, provided a total indicated and inferred resource of 80.2Mt grading 1.26% Li₂O (spodumene) containing 1,008,000 tonnes of lithium oxide with 42.3Mt grading 0.02% Ta₂O₅ (Tantalite) containing 18.3 million pounds of Ta₂O₅

Within the total Mineral Resource of 80.2Mt and at a cut-off of 1% Li₂O, the inferred and indicated Lithium Resource amounts to 59.3 Mt@1.44% Li₂O containing 855,000 tonnes of lithium oxide.

The Pilgangoora project resource estimate as released on 1 February 2016 is set out in the following table and should be read in conjunction with the full release lodged with the ASX on that date;

Category	Mineral	Tonnage (m. tonnes)	Ta ₂ O ₅ (ppm)	Li ₂ O (%)	Ta ₂ O ₅ (tonnes)	Ta ₂ O ₅ (Mlbs)	Li ₂ O (tonnes)
Indicated	Ta ₂ O ₅	17.9	182		3,255	7.2	
	Li ₂ O	35.7		1.31			469,400
Inferred	Ta ₂ O ₅	24.3	205		4,995	11.0	
	Li ₂ O	44.5		1.21			538,600
Total	Ta ₂ O ₅	42.3	195		8,250	18.2	
	Li ₂ O	80.2		1.26			1,008,00

Within the project area, the mineralisation extends over a strike length of in excess of 6 kms. and a diagram showing the drilling to date and key zones are set out on the following page:

DIRECTORS' REPORT (continued)

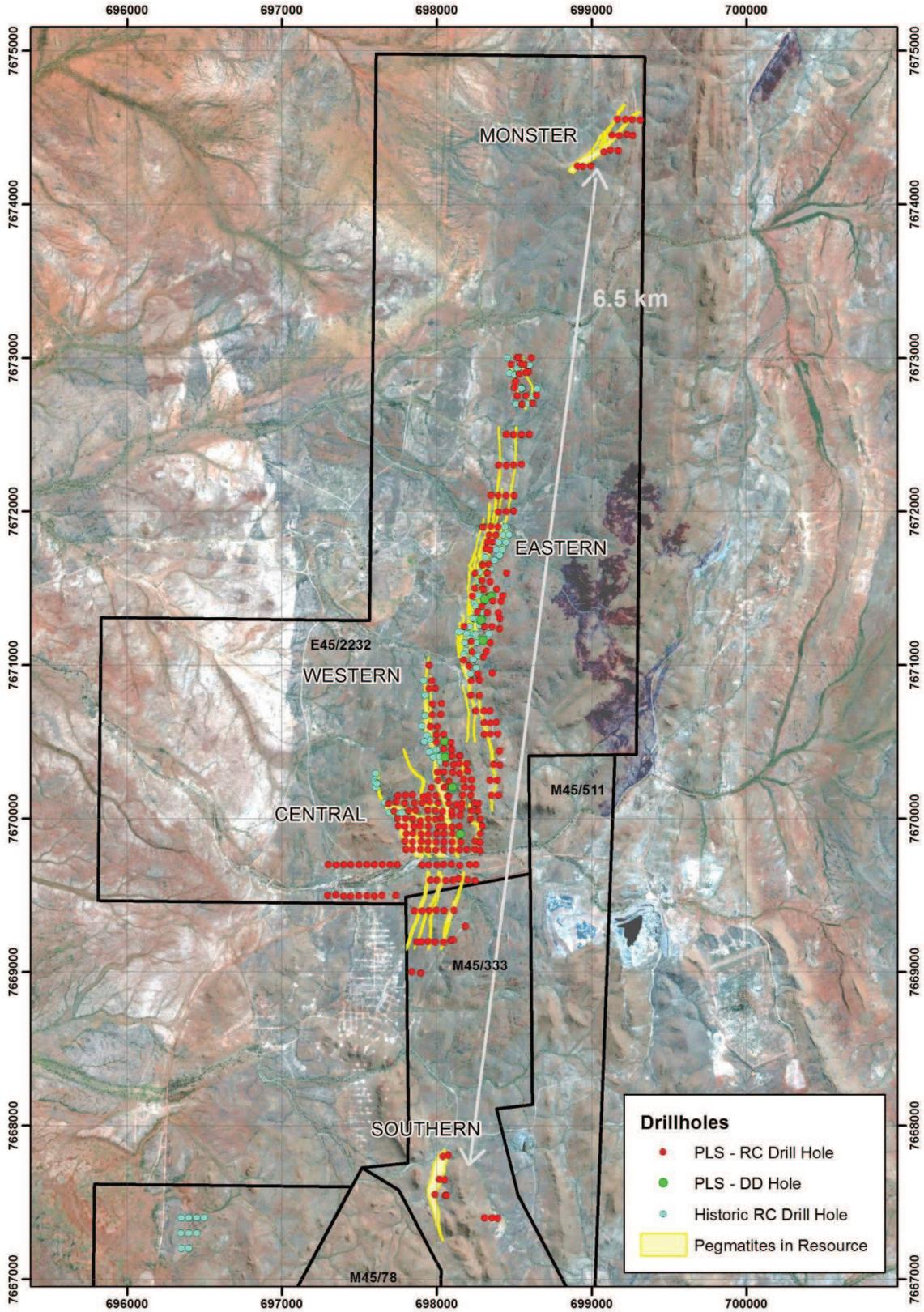


Fig1: Pilgangoora RC collar locations within licences E45/2232 and M45/333

DIRECTORS' REPORT (continued)

Cross sections of of the Central project zone are set out below.

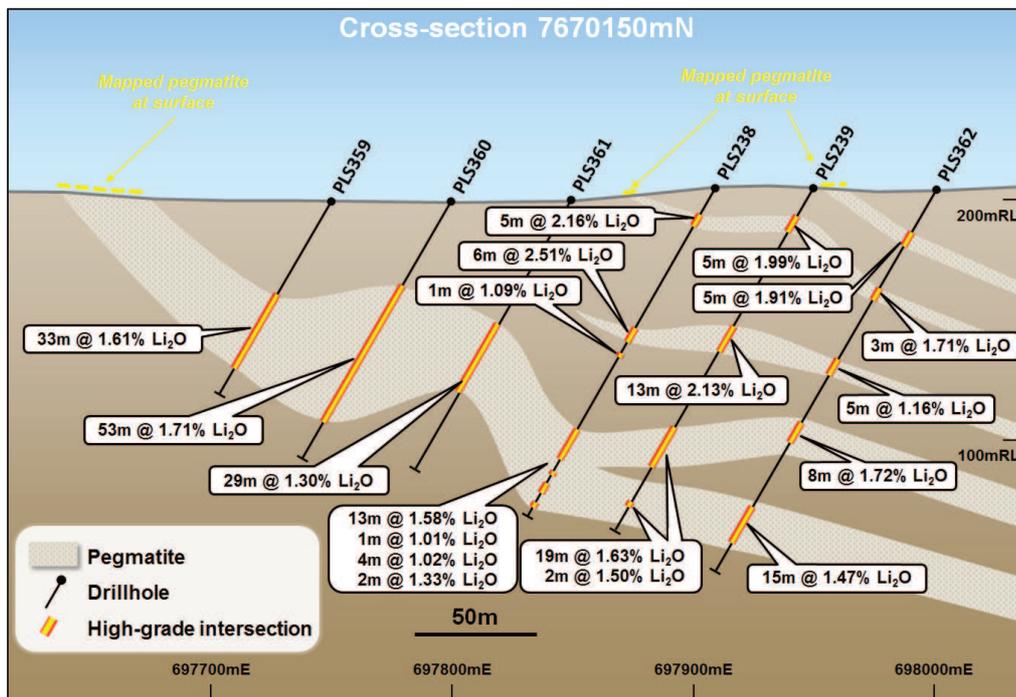


Figure 2 – Central Geology cross-section 7,670,150mN (Open to the North)

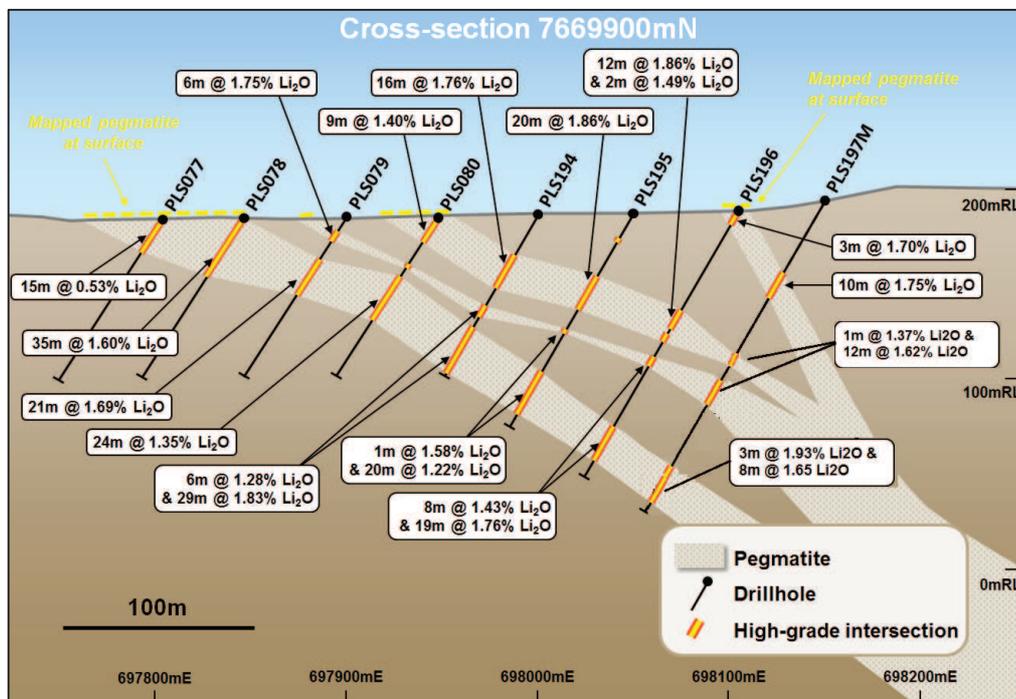


Figure 3 – Central Geology cross-section 7,669,900mN

During the period, the Company continued to enter into MOU's with various global offtake partners including those located in Europe, North America, Japan, Korea and China.

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DIRECTORS' REPORT (continued)

Tabba Tabba tantalum project

In 2014, the Company entered into an incorporated joint venture Tabba Tabba Tantalum Pty Ltd ("TTT") with Valdrew Nominees Pty Ltd ("Valdrew") to jointly evaluate, develop and mine the Tabba Tabba tantalum project located some 75kms by road from Port Hedland, Western Australia.

The tenements are owned by Global Advanced Metals Wodgina Pty Ltd ("GAM") and the mining and processing is undertaken by TTT pursuant to an agreement with GAM, who has an offtake agreement for the project's tantalite concentrate.

On 25 September 2015, the Company entered into a sale and purchase agreement with Valdrew to acquire its 50% interest in the Tabba Tabba tantalum project. The acquisition increased the Company's interest in the Tabba Tabba tantalum project to 100%.

The purchase consideration for Valdrew's 50% shareholding in TTT was \$2,000,000 cash on settlement. Additionally, all loans and advances as well as any amounts due to Valdrew in respect of past goods and services were released in full and not enforceable against TTT.

Subject to delivery of tantalite concentrate to Global Advanced Metals in accordance with the Minerals & Processing Agreement, a further \$1,300,000 is payable by TTT to Valdrew. In addition, Valdrew may receive up to 20,000,000 unlisted incentive options in Pilbara being 10,000,000 incentive options upon the commissioned processing plant achieving 95% of design throughput at an 82% recovery of Ta₂O₅ at concentrate specifications for a seven day period, 1,000,000 incentive options after the end of each quarter where the processing plant achieved budgeted performance; and 5,000,000 options where GAM and TTT enter into a binding mining and processing agreement with respect to GAM's Strelley Project. The maximum number of options to be issued is 20,000,000, each with a term of two years, with the exercise price being the 5 trading day vwap prior to the issue date.

Mining and stockpiling of ore commenced in October 2015, with construction of the plant being completed in late November 2015. Commissioning commenced in December 2015 and continued through to the end of the period. During the commissioning period the Company's operational team identified areas of the plant that required modification and rectification in order to allow it to run to optimal design levels and commissioning was subsequently suspended whilst a review of these issues was made.

West Pilbara Joint Venture

In April 2013 the Company entered into a farm-in and joint venture agreement with Fox Resources Limited ("Fox") over six tenements comprising its West Pilbara project. To date Fox has farmed in to the extent of 55% of the joint venture, however Fox is currently suspended from the ASX and no exploration activities were undertaken during the period.

Corporate

Share placements

On 23 July 2015, the Company agreed to undertake a placement of securities to raise \$2.5m (before costs). The placement was made to institutional investors via the issue of 22,727,274 Ordinary Shares at 11 cents per share, with 3 attaching options (with a strike price of \$0.15 per option with a term of two years from date of issue) for every four shares issued (17,045,456 options).

On 24 November 2015, the Company raised \$12,000,000 before costs through a placement of 52,200,000 shares at \$0.23 per share to sophisticated investors.

Convertible notes

On 2 September 2015, the Company issued 4,000,000 unlisted secured convertible notes with a face value of \$4,000,000. The convertible notes mature on 2 March 2017 and have a coupon rate of 15% per annum. The notes are able to be converted at 80% of the previous 5-day weighted average price of the Company. Unlisted non-transferable options totalling 56,400,000 with an exercise price of \$0.05 with an expiry date of 2 March 2017 were issued in conjunction with the convertible notes.

On 25 September 2015, unlisted unsecured convertible notes with a face value of \$13,550 from an issue made on 25 March 2014 expired and were repaid with accrued interest.

On 30 November 2015, unlisted unsecured convertible notes with a face value of \$161,450 from an issue made on 30 May 2014 expired and were repaid with accrued interest.

DIRECTORS' REPORT (continued)**Options issued**

On 2 September 2015, the Company issued 50,000,000 options to the subscribers for the unsecured convertible notes and a further 6,400,000 options were issued by way of payment for capital raising fees. The options have a strike price of \$0.05 and an expiry date of 2 March 2017.

On 22 September 2015, the Company issued 29,500,000 options to directors, employees and consultants. The options are on identical terms of having a strike price of \$0.10 and an expiry date of 22 March 2017.

On 30 November 2015, the Company issued 5,000,000 options to director John Young. The options have a strike price on \$0.10 and an expiry date of 22 March 2017.

During the period, 58,898,030 options were exercised resulting in the issue of 58,898,030 ordinary shares, for a total subscription of \$4,080,805.

Key appointments

On 4 September 2015, the Board appointed Mr John Young as an Executive Director of the Company. Mr Young has been the Company's Exploration Manager since June 2014 and an alternate Director for Neil Biddle since July 2015.

On 3 December 2015, it was announced that Mr Ken Brinsden was to be appointed as the Chief Executive Officer of the Company. Mr Brinsden began his employment with the Company on 18 January 2016.

Significant Changes

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

Subsequent events

From 1 January 2016 to the date of this report, unlisted secured convertible notes with a face value of \$3,200,000 have been converted giving rise to the issue of 12,180,756 ordinary shares.

From 1 January 2016 to the date of this report, 38,458,331 unlisted options have been exercised, resulting in the issue of 38,458,331 shares for a total subscription of \$2,405,417.

In mid-January 2016, the company ceased commissioning of the plant at Tabba Tabba as it had identified areas of the plant that required modification and rectification. A detailed engineering review of the plant has been conducted and future operations at Tabba Tabba are currently under further review and assessment.

On 10 March 2016, the Company released the results of its Pre-feasibility Study ("PFS") into its Pilgangoora Lithium-Tantalite project, including its maiden ore reserve.

The PFS revealed Pilgangoora to be a project with strong technical fundamentals with very low forecast cash operating costs, with an initial mine life of 15 years based on the current reserve, with significant growth potential.

The maiden ore reserve for Pilgangoora as announced to the ASX on 10 March 2016 is set out below:

Category	Tonnage (million tonnes)	Li ₂ O (%)	Ta ₂ O ₅ (ppm)	Fe ₂ O ₃ (%)	Li ₂ O (T)	Ta ₂ O ₅ (tonnes)	Ta ₂ O ₅ (Mlbs)
Proven	0.0	0.00	0	0.00	0	0	0
Probable	29.5	1.31	134	1.18	298,000	1,856	4.09
TOTAL	29.5	1.31	134	1.15	298,000	1,856	4.09

Other than as disclosed in this financial report, there has not been any matter or circumstance that has arisen since 31 December 2015 which has significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

Results of Operations

The operating loss after income tax of the group for the half-year ended 31 December 2015 was \$5,791,000 (31 December 2014: \$946,000). The Group's basic loss per share for the period was 0.72 cents per share (2014: 0.17 cents).

DIRECTORS' REPORT (continued)

No dividend has been paid during or is recommended for the financial period ended 31 December 2015.

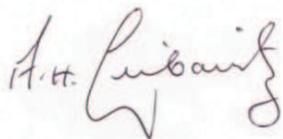
Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order. CA306(3)(a). This report is made in accordance with a resolution of directors.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, Somes Cooke, to provide the Directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 9 and forms part of this Directors' report for the half-year ended 31 December 2015.

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



Tony Leibowitz
Chairman
15 March 2016

JORC CODE (2012) COMPETENT PERSONS STATEMENT

Pilgangoora Project

The Company confirms it is not aware of any new information or data that materially affects the information included in the 1st February 2016 Pilgangoora Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its initial resource announcement made on 1st October, 2015.

The Company confirms it is not aware of any new information or data that materially affects the information included in the 10th March 2016 Pilgangoora Ore Reserve Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.

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Auditor's Independence Declaration

To those charged with the governance of Pilbara Minerals Limited

As auditor for the review of Pilbara Minerals Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

SOMES COOKE

SOMES COOKE

NICHOLAS HOLLENS

NICHOLAS HOLLENS

Partner

Perth

15 March 2016

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Notes	31 December 2015 \$'000	31 December 2014 \$'000
Other income			
Financial income		48	32
Other income		4	16
		52	48
Expenses			
Direct costs		(169)	(287)
General and administration		(1,644)	(572)
Depreciation and amortisation expense		(22)	(6)
Foreign exchange gain / (loss)		(11)	-
Financial expense		(868)	(129)
Revaluation of convertible note derivative		(351)	-
Gain on equity investment		812	-
Impairment expense		(12)	-
Share based payment expense		(3,387)	-
Loss before income tax expense	3	(5,600)	(946)
Income tax expense		(191)	-
Net loss for the period		(5,791)	(946)
Total comprehensive income for the period			
		(5,791)	(946)
Basic loss for the period (cents per share)		(0.72)	(0.17)

The above consolidated income statement should be read in conjunction with the accompanying notes.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	31 December 2015 \$'000	30 June 2015 \$'000
Assets			
Current assets			
Cash and cash equivalents		12,885	3,216
Trade and other receivables		696	919
Inventories		46	-
Loans receivable		-	1,627
Total current assets		13,627	5,762
Non-current assets			
Property, plant and equipment	4	11,885	77
Deferred exploration and evaluation expenditure	5	4,895	1,806
Intangible assets	6	1,327	-
Investments accounted for using the equity method		-	1,200
Other financial assets		6	6
Total non-current assets		18,113	3,089
Total assets		31,740	8,851
Liabilities			
Current liabilities			
Trade and other payables		1,267	743
Share application money received in advance		50	1
Provisions		878	41
Borrowings	7	7,748	2,622
Total current liabilities		9,943	3,407
Non-current liabilities			
Borrowings	7	278	-
Total non-current liabilities		278	-
Total liabilities		10,221	3,407
Net assets		21,519	5,444
Equity			
Issued capital	8	42,599	23,580
Reserves	9	4,104	1,257
Retained earnings		(25,184)	(19,393)
Total equity		21,519	5,444

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Notes	Contributed Equity \$'000	Option Reserve \$'000	Foreign Currency Reserve \$'000	Accumulated Losses \$'000	Total equity \$'000
Balance at 1 July 2014		16,099	231	(68)	(13,880)	2,382
Loss for the period		-	-	-	(946)	(946)
Total comprehensive income for the period		-	-	-	(946)	(946)
Shares issued during the half- year (net of transaction costs)		4,759	-	-	-	4,759
Balance at 31 December 2014		20,858	231	(68)	(14,826)	6,195
Balance at 1 July 2015		23,580	1,325	(68)	(19,393)	5,444
Loss for the period		-	-	-	(5,791)	(5,791)
Total comprehensive income for the period		-	-	-	(5,791)	(5,791)
Shares issued during the half- year (net of transaction costs)	7	19,019	-	-	-	19,019
Issue of options	8	-	3,387	-	-	3,387
Conversion of options	8	-	(540)	-	-	(540)
Balance at 31 December 2015		42,599	4,172	(68)	(25,184)	21,519

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	-	15
Payments to suppliers and employees	(2,825)	(781)
Interest received	48	33
Deposits paid	(680)	-
Other receipts	153	-
Net cash inflow/(outflow) from operating activities	(3,304)	(733)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,086)	(74)
Payments for deferred exploration and evaluation expenditure	5 (3,089)	(727)
Payments for security deposit	-	(5)
Additional interests acquired in associates and joint ventures	(2,000)	-
Loan to Nagrom Mining Pty Ltd JV	-	(595)
Payment on behalf of Nagrom Mining Pty Ltd JV	-	(309)
Net cash inflow/(outflow) from investing activities	(8,175)	(1,710)
Cash flows from financing activities		
Proceeds from the issue of shares, net of capital raising costs	17,472	3,584
Proceeds from borrowings	4,000	-
Borrowing costs paid	(207)	-
Interest paid	(166)	-
Proceeds from oversubscription of shares	49	1
Net cash inflow/(outflow) from financing activities	21,148	3,585
Net increase/(decrease) in cash held	9,669	1,142
Cash and cash equivalents at the beginning of the period	3,216	1,094
Cash and cash equivalents at the end of the period	12,885	2,236

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Pilbara Minerals Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The Company is of a kind referred to in ASIC Class Order 98/100, and accordingly, amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Adoption of new and revised standards

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

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

NOTE 2: SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive management team in order to allocate resources to the segment and to assess its performance. During the year the Company operated principally in one business segment being mineral exploration. The Company operates principally in one operating segment being mineral exploration and one geographical segment being Australia.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)**

NOTE 3: PROFIT BEFORE INCOME TAX EXPENSE

	31 December 2015	31 December 2014
	\$'000	\$'000
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Directors fees	116	54
Audit fees	15	11
Professional fees	262	222
Exploration write-off	6	287
Revaluation of investment in the Tabba Tabba Tantalum Project on acquisition ¹	(812)	-
Impairment of the investment in the Tabba Tabba Project ¹	12	-
Share based payment expense²	3,387	-
Marketing expense	76	75

¹ The acquisition of 50% of the Tabba Tabba Project for \$2,000,000, valued the 50% investment already held by the Company at \$2,000,000. The Company carried the investment at a cost of \$1,200,000 at the date of acquisition. The Company recognised a loss of \$12,000 against the investment which was the Company's share of the joint venture's loss between 1 July 2015 and the date of acquisition. Therefore, the gain on the revaluation on the investment was as follows:

	\$'000
Carrying value of investment before the acquisition	\$1,200
Share of loss	(\$12)
Carrying Value of investment	\$1,188
Fair value of investment on acquisition	\$2,000
Gain on revaluation of investment	\$812

² On 28 August 2015, members of the Company at General Meeting approved the issue of 18,000,000 unlisted options to the directors of the Company. These options were allotted on 22 September 2015, together with a further 11,500,000 unlisted options to various employees and staff approved by the board on 16 September 2015.

On 30 November 2015, members of the Company at General Meeting approved the issue of 5,000,000 unlisted options to Mr John Young, a director of the Company which were subsequently allotted on 8 December 2015.

The terms of all options issued were an expiry date of 22 March 2017, with a strike price of \$0.10 each.

The options have been independently valued using an option pricing model and have been given a fair value of \$3,387,406 which has been expensed. The values and inputs used in the option pricing model were as follows:

	Directors Biddle, Leibowitz & Adamson	Employees & Consultants	Director Young	Total
Number	18,000,000	11,500,000	5,000,000	34,500,000
Valuation date	28/8/15	16/9/15	30/11/2015	
Risk free rate	1.86%	1.87%	2.04%	
Volatility	115.66	119.07	102.66	
Value per option (cents)	6.1381	12.9459	15.8754	
Total	\$1,104,858	\$1,488,778	\$793,770	\$3,387,406

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)**

NOTE 4: PROPERTY PLANT AND EQUIPMENT

	Plant and equipment	Leased assets	Construction and development expenditure	Mine rehabilitation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2015					
Cost	107	-	-	-	107
Accumulated depreciation	(30)	-	-	-	(30)
Net book amount	77	-	-	-	77
Half year ended 31 December 2015					
Opening net book amount	77	-	-	-	77
Acquisition of subsidiary	4,153	696	2,491	-	7,340
Additions	113	-	3,681	654	4,448
Transfers	-	-	-	42	42
Depreciation charge	(22)	-	-	-	(22)
Closing net book amount	4,321	696	6,172	696	11,885
As at 31 December 2015					
Cost or fair value	4,373	696	6,172	696	11,937
Accumulated depreciation	(52)	-	-	-	(52)
Net book amount	4,321	696	6,172	696	11,885

NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2015	30 June 2015
	\$'000	\$'000
Costs carried forward in respect of areas of interest:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	1,806	3,070
Expenditure incurred	3,131	675
Exploration expenditure impaired	-	(1,981)
Mine rehabilitation costs	-	42
Mine rehabilitation costs transferred to PPE	(42)	-
	4,895	1,806

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)**

NOTE 6: INTANGIBLE ASSETS

	31 December 2015	30 June 2015
	\$'000	\$'000
Goodwill	1,327	-

The acquisition of the remaining 50% interest in the Tappa Tappa project by the Company has given rise to goodwill. The fair value of the investment in the Tappa Tappa project is \$4,000,000 as a result of the Company purchasing the remaining 50% interest in the Tappa Tappa project for \$2,000,000. The total net assets acquired were fair valued at \$2,673,000 (Refer to Note 10). The consideration paid is \$1,327,000 more than the fair value of the net assets acquired and that difference has been attributed to goodwill.

NOTE 7: CURRENT BORROWINGS

In September 2015, the Group issued 4,000,000 unlisted secured convertible notes valued at \$1.00 per note. The notes have a coupon rate of 15% per annum and a maturity date of 2 March 2017.

31 December 2015	Unlisted secured convertible notes	Derivative component of unlisted secured convertible notes	Finance leased assets	Nagrom debt	Total
\$'000					
Nominal interest rate	15%	-	3.11% - 3.47%	0%	
Loan term	2015 to 2017	2015 to 2017	2014 to 2019		
Carrying value	5,104	1,211	411	1,300	8,026
Current borrowings	5,104	1,211	133	1,300	7,748
Non – current borrowings	-	-	278	-	278
	5,104	1,211	411	1,300	8,026

30 June 2015	Unlisted secured convertible notes	Derivative component of unlisted secured convertible notes
\$'000		
Nominal interest rate	15%	15%
Loan term	2014 to 2016	2014 to 2016
Carrying value	1,888	734
Current borrowings	1,888	734
Non – current borrowings	-	-
	1,888	734

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)**

NOTE 8: CONTRIBUTED EQUITY

	31 December 2015	30 June 2015
	\$'000	\$'000
Share capital		
Ordinary shares	42,599	23,580
Issues of ordinary shares during the half year	No.	\$'000
At 1 July 2015	658,578,603	23,580
Exercise of options	58,898,030	4,081
Share placement	74,901,187	14,500
Shares issued from conversion of convertible notes	9,310,877	1,547
Share issue costs	-	(1,109)
At reporting date	<u>801,688,697</u>	<u>42,599</u>

NOTE 9: RESERVES

	31 December 2015	30 June 2015
	\$'000	\$'000
Share option reserve	4,172	1,325
Foreign currency revaluation reserve	(68)	(68)
	<u>4,104</u>	<u>1,257</u>

NOTE 10: BUSINESS COMBINATIONS

On 25 September 2015 the Group acquired 50% of the issued shares in Tabba Tabba Tantalum Pty Ltd (formerly Nagrom Mining Pty Ltd) for consideration of \$2,000,000. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fair value at acquisition date
	\$'000
Cash and cash equivalents	924
Trade and other receivables	343
Inventories	46
Property, plant and equipment	7,340
Trade and other payables	(5,980)
	<u>2,673</u>
Goodwill arising on acquisition (Refer to note 6)	1,327
Total value of acquisition (Refer to note 6)	<u>4,000</u>

Impact of acquisition on the results of the Group

If the combination had taken place at the beginning of the half-year, the loss of the Group would have been \$5,676,000 and revenue from continuing operations would have been nil.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)**

NOTE 11: CONTINGENT LIABILITIES

The acquisition of 50% interest in Tabba Tabba contained contingent performance requirements from Valdrew. Subject to delivery of tantalite concentrate to Global Advance Metals ("GAM") in accordance with the Minerals & Processing Agreement, upon the occurrence of this event a further \$1,300,000 is payable by Tabba Tabba Tantalum ("TTT") to Valdrew. This amount has been recognised in the accounts of TTT as a current liability at the half year.

In addition, Valdrew may receive up to 20,000,000 unlisted incentive options in Pilbara being 10,000,000 incentive options upon the commissioned processing plant achieving 95% of design throughput at an 82% recovery of Ta₂O₅ at concentrate specifications for a seven day period, 1,000,000 incentive options after the end of each quarter where the processing plant achieved budgeted performance, and 5,000,000 options where GAM and TTT enter into a binding mining and processing agreement with respect to GAM's Strelley Project. The maximum number of options to be issued is 20,000,000, each with a term of two years, with the exercise price being the 5 trading day vwap prior to the issue date.

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

On 14 January 2016, it was announced that during the commissioning process of the Tabba Tabba Project, the operations team identified areas of the plant that require modification and rectification in order to allow the plant to run to design levels. Accordingly, the Company suspended commissioning to allow an independent engineering assessment to be undertaken, a review and assessment of which is ongoing at the date of this report.

From 1 January 2016 to the date of this report, unlisted secured convertible notes with a face value of \$3,200,000 have been converted giving rise to the issue of 12,180,756 ordinary shares.

From 1 January 2016 to the date of this report, 38,458,331 unlisted options have been exercised, resulting in the issue of 38,458,331 shares for a total subscription of \$2,405,417.

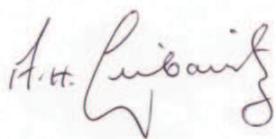
Other than as disclosed in this financial report, there has not been any matter or circumstance that has arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto as set out on pages 10 to 19 are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Tony Leibowitz
Director

15 March 2016

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Independent Auditor's Review Report

To the members of Pilbara Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pilbara Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Pilbara Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

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SOMES COOKE

Nicholas Hollens

NICHOLAS HOLLENS

15 March 2016

Perth

Western Australia

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