Pilbara Minerals

ABN 95 112 425 788

Interim Financial Report

31 December 2018

CONTENTS

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 2018.

DIRECTORS

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

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

REVIEW OF OPERATIONS

During the half year the Company became a major new global lithium producer with the official opening of the Pilgangoora Project. The ceremony was attended by the Traditional Owners, the Njamal People and the Company's project development and offtake partners. The official opening came just over four years after the Company's first drill-hole into the Pilgangoora deposit.

During the period the Company continued to progress the commissioning and ramp-up of the Pilgangoora Project, with the first shipment of spodumene concentrate being delivered to customers in October 2018.

The completion in August 2018 of the definitive feasibility study (DFS) for the Stage 2, 5Mtpa expansion of the Pilgangoora Project marked a significant milestone during the period, reflecting competitive forecast cash operating costs, robust operating margins, long life and exceptional economic returns. Based on a proposed 5Mtpa stand-alone mining and processing operation, the Stage 2, 5Mtpa DFS indicated life-of-mine revenue of AU$12.2 billion (real) and life-of-mine project EBITDA of AU$6.3 billion (real) over an estimated 17-year mine life.

The opportunity to expand future production at the Pilgangoora Project was further reinforced during September 2018 with the announcement of a 35% increase in Ore Reserves. The updated Ore Reserve contains an estimated 1.36Mt of contained Li_2O and 28.5 million lbs of Ta_2O_5, extending the mine life to approximately 23 years based on the proposed Stage 2, 5Mtpa operation.

In November 2018 and following the positive DFS, the Directors made a Final Investment Decision ("FID") approving the Stage 2 expansion to increase the mines production capacity from 2Mtpa to 5Mtpa, subject to securing the necessary approvals and balance of funding. As an integral part of the funding package, the Company has agreed financing terms with key customers Ganfeng Lithium and Great Wall Motor Company, which will secure their access to spodumene concentrate from Stage 2 production.

During the half year the Company commenced an evaluation of the proposed 30ktpa LCE downstream chemical conversion facility in South Korea in joint venture with POSCO in which Pilbara Minerals proposes to hold a 30% interest.

The decision in relation to exercising its option to participate in the joint venture is expected to be made by the Company following completion of full technical and financial due diligence, likely to be during the second half of the financial year. Pilbara Minerals also executed a non-binding memorandum of understanding (MoU) with POSCO to consider a larger chemical conversion facility of up to 40ktpa LCE in South Korea, thereby strengthening its position in the growing South Korean lithium supply market.

Stage 1 – Pilgangoora Project

Following the commencement of commissioning at Pilgangoora Project in June 2018, the Company continued to commission and ramp-up the plant towards nameplate capacity, which it anticipates achieving during the second half of the financial year. Key operating statistics achieved at the Pilgangoora Project include:

Table 1: Total ore mined and processed

	Units	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Ore mined	*wmt*	-	-	344,549	525,559	895,399
Waste mined	*wmt*	151,812	1,832,205	2,851,161	1,884,335	2,021,821
Total material mined	*wmt*	151,812	1,832,205	3,195,710	2,409,894	2,917,220
Ore processed	*wmt*	-	-	-	173,667[1]	420,221

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

Table 2: Production and sales

	Units	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Direct Shipping Ore (DSO) sold	*wmt*	-	-	145,974	205,766	-[1]
Spodumene concentrate produced (6% Li_2O)	*dmt*	-	-	-	11,015	47,859
Spodumene concentrate sold	*dmt*	-	-	-	-	46,682
Tantalite concentrate produced	*lb*	-	-	-	22,151	56,634
Tantalite concentrate sold	*lb*	-	-	-	4,974	27,821[2]

[1] The DSO program was suspended in Q2 FY19.
[2] Sales estimates pending final assays results.

Table 3: Stock inventory

	Units	Q1 FY19	Q2 FY19
ROM stockpile	*dmt*	n/a[1]	665,633
Coarse ore stockpile	*dmt*	n/a[1]	82,430
Spodumene product stock at site	*dmt*	n/a[1]	17,266[2]
Tantalite product stock at site	*lb*	17,177	45,990

[1] No previous reporting for period due to completion of build and commissioning phase.
[2] Spodumene stock includes production of low-grade stockpiles of 5,074dmt during commissioning.

The plant achieved strong production throughput during the December 2018 quarter with both coarse and fine circuits achieving a consistent run rate of 270tph. The product quality exceeded customer requirements in respect of lithia and deleterious element grades with an average grade of 6.11% Li_2O and 1.27% Fe (average across the first four shipments).

Total spodumene concentrate produced improved on a monthly basis during the period with the month of December 2018 achieving ~85% of the Stage 1, 2Mtpa design capacity (Figure 1).

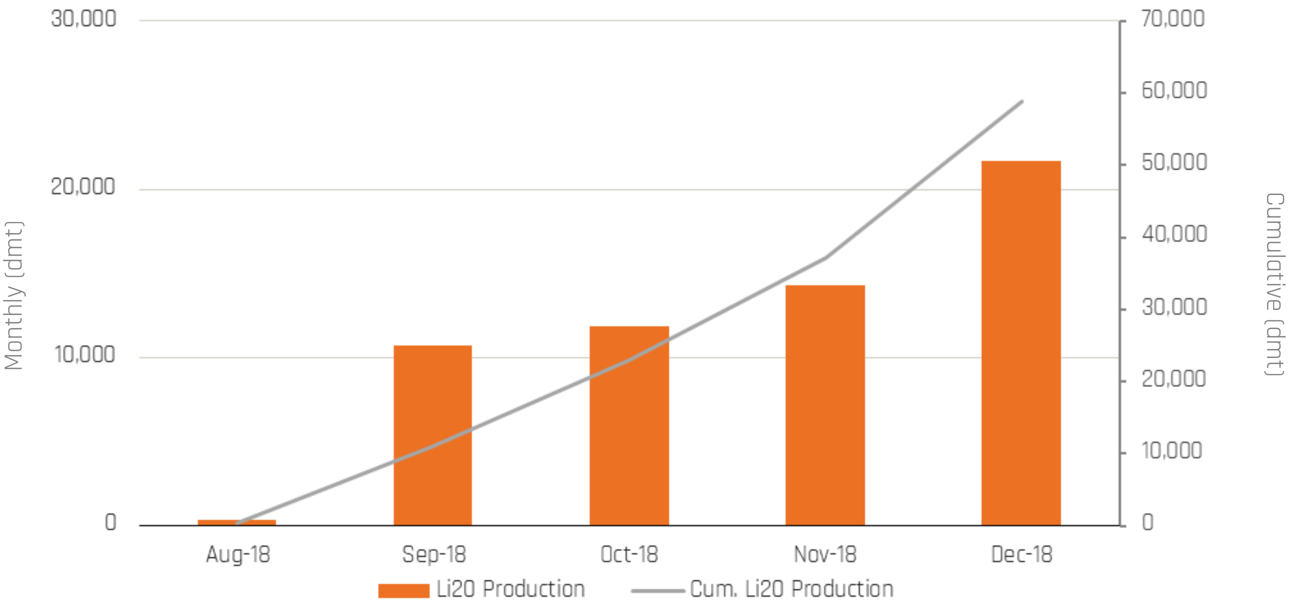

Figure 1: Saleable monthly and cumulative spodumene concentrate production (dmt)

Improving lithia recovery was achieved during the period as the ramp-up of the processing plant continued(Figure 2). Optimisation work centred around improving lithia recovery and increasing the processing plant's utilisation (plant up-time) as part of the ramp-up plan.

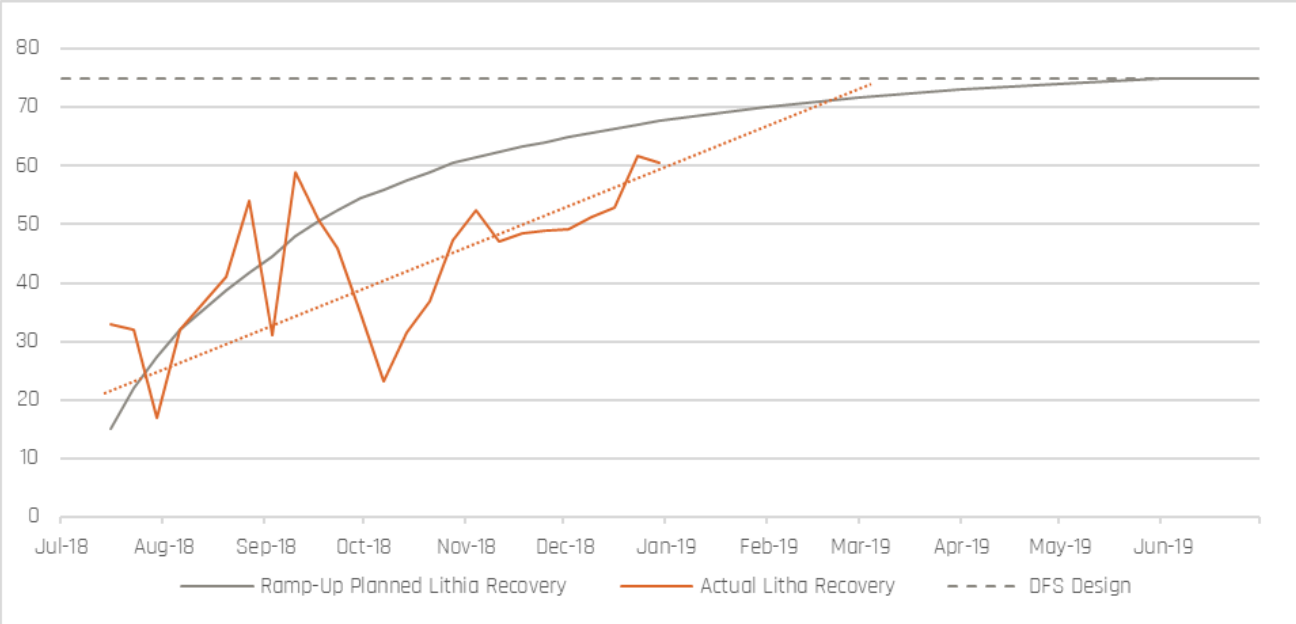

Figure 2: Lithia recovery comparing; actual, planned and design recovery (% lithia recovery)

During the period, 46,682dmt of +6% spodumene concentrate was shipped at an average selling price of US$742/dmt CIF, reflective of the offtake pricing model developed with key customers. A provisional 32,7951lb of tantalite concentrate was sold during the half year (pending final assay results).

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

Commercial production – Stage 1

During the half year the Company progressed commissioning and ramp-up of the Stage 1 operation towards achieving the planned nine month ramp-up profile. Whilst the Company completed its first spodumene concentrate sale during the December quarter, the Pilgangoora Project had not yet reached production levels on a continuous basis at period end which support the achievement of commercial production. This should be achieved during the March 2019 quarter.

All commissioning and pre-production ramp-up costs incurred at the Pilgangoora Project (net of revenue derived from the sale of spodumene concentrate) prior to the formal declaration of commercial production, have been capitalised against project development costs in accordance with conventional industry practice.

Once commercial production is declared, the capitalisation of operating costs (net of revenue) will cease and all revenue and cost of goods sold will be recognised in the Statement of Profit or Loss in the period earned and incurred. At this stage, the depreciation of capitalised project development costs will also commence.

The Company utilises a number of criteria in determining whether commercial production has been achieved including, but not limited to; design capacity levels achieved, recovery levels of the plant, sustained levels of production and the testing of mine plant and equipment.

Stage 2 expansion – Pilgangoora Project

In November 2018 the Board approved the Stage 2, 5Mtpa Pilgangoora expansion, subject to securing the necessary approvals and balance of funding. This decision followed the completion in August 2018 of the Stage 2 DFS which included customer offtake agreements for up to 100% of the additional production from Stage 2 with quality customers POSCO, Ganfeng Lithium and Great Wall Motor Company.

A summary of the key Stage 2, 5Mtpa DFS financial outcomes completed in August 2018 is provided in Table 4 below:

Table 4: Stage 2, 5Mtpa DFS key financial outcomes

Study outcomes	DFS - 5Mtpa base case
Estimated LOM	17 years
LOM project revenue (real)	AU$12.2B
LOM project EBITDA (real)	AU$6.3B
Stage 2 capital	AU$230.9M
Post-tax NPV[1]10%	AU$2,160M
First 5 years average annual EBITDA (real), post ramp-up	AU$418M per annum
First 5 years cash operating costs[2] (real. net Ta_2O_5 credits), post ramp-up	US$233/t CIF[3] (AU$311/t CIF)
LOM cash operating costs[2] (real, net of Ta_2O_5 credits)	US$263/t CIF[3] (AU$351/t CIF)
LOM average annual EBITDA (real)	AU$370M per annum
LOM forecast spodumene concentrate price (real)	US$633/t CIF[3]

1. Valuation date of 1 July 2018 at after tax nominal discount rate of 10%.

2. Cash operating costs include mining, processing, transport, state and private royalties, native title costs, port, shipping/freight and site based general and administration costs, an allocation of corporate administration/overhead cost and are net of Ta_2O_5 by-product credits.

3. CIF (“Cost Insurance and Freight”) (Incoterm) is a trade term requiring the seller to deliver goods onboard at port of discharge, plus cover the cost of transport and freight insurance to the destination port.

Cornerstone funding for the Stage 2 expansion has been negotiated with the Company’s key customers, Ganfeng Lithium (AU$50M equity placement, subject to Chinese regulatory approvals) and Great Wall Motor (US$25M prepayment) in exchange for access to Stage 2 product. These commitments from key customers are expected to cornerstone Pilbara Minerals’ financing package to fund the Stage 2 capital expenditure of AU$231M and related working capital. Importantly, Stage 2 will be engineered and built to facilitate a potential future Stage 3 expansion of up to 7.5Mtpa to unlock future processing capacity.

Early project works on detailed engineering commenced during the period, as did the placement of orders for select long-lead items of major equipment for the Stage 2 expansion.

Exploration

During the period there was a 35% increase in total Proved and Probable Ore Reserves at the Pilgangoora project. The updated ore reserves contain an estimate 1.36mt of contained Li_2O and 28.5Mlb of Ta_2O_5, extending the mine life to approximately 23 years based on the Stage 2, 5Mtpa operation.

The Company completed geological mapping, surface geochemistry and RC drilling at its Mt Francisco joint venture project (Pilbara 70% / Atlas 30%; with Pilbara Minerals able to earn up to 80% upon completion of a DFS and decision to mine). Prospects tested during the reconnaissance exploration program intersected several anomalous zones. Further exploration of this project is under consideration.

The development of two borefields including eight new production water bores at the Pilgangoora Project resulted from the success of the Company’s water exploration drilling program undertaken during the period. The additional supply will be used as contingency and for the Stage 2 expansion.

Corporate

In July 2018, the final drawdown of the US$100M Nordic Bond facility for Stage 1 of the Pilgangoora Project was completed following the satisfaction of the cost to complete tests. The Company continued to comply with the bond facility covenants and in January 2019 achieved Project Completion under the terms of the bond.

In August 2018, the Company executed a US$15M working capital facility and foreign exchange hedging facility with BNP Paribas. The facility was established to support risk and capital management initiatives during the Company's growth phase and the commissioning of the Stage 1 and Stage 2 expansions. The facility was undrawn at 31 December 2018.

Following Board approval of the Stage 2 Pilgangoora expansion, the Company progressed negotiations to provide customers with access to additional Stage 2 product in exchange for Stage 2 funding (as previously foreshadowed and contemplated in existing offtake agreements). These negotiations culminated in the announcement on 2 January 2019 that:

- Great Wall Motors had agreed to provide a US$25M (~AU$35.5M) offtake pre-payment facility to satisfy its Stage 2 funding commitment; and
- Ganfeng Lithium had agreed to subscribe for a AU$50M equity placement to satisfy its Stage 2 funding commitment, subject to Chinese regulatory approvals.

These customer commitments are expected to cornerstone Pilbara Minerals' financing package to fund the Stage 2 capital expenditure of AU$231M and related working capital.

This funding package is expected to include additional debt financing, with Pilbara Minerals' preferred source being a proposed new US$50M (~AU$70.9M) Nordic Bond to be issued in accordance with the terms and conditions of the Company's existing Nordic Bond ("Tap Issue").

However, Pilbara Minerals continues to assess a range of debt funding options in support of both the remaining funding required for the Stage 2 development and the continued growth of the Company's working capital and hedging positions.

During the half year the Company received proceeds from the sale of direct shipping ore to Atlas Iron, spodumene concentrate sales to offtake partners and the sale of tantalite concentrate.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

RESULT OF OPERATIONS

The Group's consolidated loss after tax for the half-year ended 31 December 2018 was $11,899,000 (31 December 2017: loss after tax of $9,973,000). The loss includes exploration expenses of $4,415,000 (31 December 2017: $3,219,000), an unrealised foreign exchange loss of $6,094,000 (31 December 2017: $132,000) related to the Company's US$100M Nordic bond debt facility and non-cash share-based payment expenses of $1,788,000 (31 December 2017: $2,631,000). The Group's basic loss per share for the period was 0.68 cents per share (31 December 2017: 0.64 cents).

No dividend has been paid during or is recommended for the half-year ended 31 December 2018 (31 December 2017: $Nil).

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 10 and forms part of this Directors' Report for the half-year ended 31 December 2018.

COMPETENT PERSONS STATEMENTS

The Company confirms it is not aware of any new information or data that materially affects the information included in the 17 September 2018 Pilgangoora Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its resource announcement made on 17 September 2018.

The Company confirms it is not aware of any new information or data that materially affects the information included in the 17 September 2018 Pilgangoora Ore Reserve Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its resource announcement made on 17 September 2018.

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

Anthony Kiernan
Chairman

Dated this 19th day of February 2019

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

To the Directors of Pilbara Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Pilbara Minerals Limited for the half-year ended 31 December 2018 there have been:

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

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

KPMG

KPMG

R Gambitta
Partner

Perth

19 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Revenue from contracts with customers	2.1	14,390	-
Cost of sales	2.2	(8,389)	-
Gross profit		**6,001**	**-**
Other income		176	1,157
Expenses			
General and administration expense		(6,433)	(4,254)
Exploration costs expensed		(4,415)	(3,219)
Depreciation and amortisation expense		(93)	(65)
Share based payment expense	2.3	(1,788)	(2,631)
Operating loss		**(6,552)**	**(9,012)**
Finance income		963	1,353
Finance costs		(6,310)	(2,314)
Net financing costs	2.4	**(5,347)**	**(961)**
Loss before income tax expense		**(11,899)**	**(9,973)**
Income tax expense		-	-
Net loss for the period		**(11,899)**	**(9,973)**
Other comprehensive income			
Changes in the fair value of other financial assets		-	319
Total comprehensive loss for the period		**(11,899)**	**(9,654)**
Basic and diluted loss per share for the period (cents per share)		(0.68)	(0.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		70,261	119,978
Restricted cash		6	12,308
Trade and other receivables		9,454	12,805
Inventories	3.1	33,262	7,543
Total current assets		**112,983**	**152,634**
Non-current assets			
Property, plant, equipment and mine properties	3.2	415,051	372,985
Deferred exploration and evaluation expenditure		6,401	6,361
Total non-current assets		**421,452**	**379,346**
Total assets		**534,435**	**531,980**
Liabilities			
Current liabilities			
Trade and other payables		51,179	49,733
Provisions		1,400	867
Borrowings	3.3	4,232	177
Total current liabilities		**56,811**	**50,777**
Non-current liabilities			
Provisions		6,997	6,997
Borrowings	3.3	137,497	130,965
Total non-current liabilities		**144,494**	**137,962**
Total liabilities		**201,305**	**188,739**
Net assets		**333,130**	**343,241**
Equity			
Issued capital		419,610	419,610
Reserves		20,711	18,923
Retained earnings		(107,191)	(95,292)
Total equity		**333,130**	**343,241**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2018

	Notes	Issued Capital $'000	Share-based payment reserve $'000	Investment revaluation reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017		261,756	32,501	-	(94,085)	200,172
Loss for the period		-	-	-	(9,973)	(9,973)
Other comprehensive income		-	-	319	-	319
Total comprehensive income/(loss) for the period		-	-	319	(9,973)	(9,654)
Issue of ordinary shares		59,857	-	-	-	59,857
Share issue costs		(1,136)	-	-	-	(1,136)
Option conversions		12,870	-	-	-	12,870
Issue of options and performance rights		-	2,631	-	-	2,631
Transfer on conversion of options		-	(11,670)	-	11,670	-
Balance at 31 December 2017		**333,347**	**23,462**	**319**	**(92,388)**	**264,740**
Balance at 1 July 2018		419,610	18,923	-	(95,292)	343,241
Loss for the period		-	-	-	(11,899)	(11,899)
Total comprehensive income/(loss) for the period		-	-	-	(11,899)	(11,899)
Issue of options and performance rights		-	1,788	-	-	1,788
Balance at 31 December 2018		**419,610**	**20,711**	**-**	**(107,191)**	**333,130**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers [1]		16,662	-
Cash paid to suppliers and employees		(20,538)	(4,886)
Payments for exploration and evaluation expenditure		(4,749)	(3,185)
Interest received		1,376	1,121
Other receipts		169	1,980
Net cash outflow from operating activities		**(7,080)**	**(4,970)**
Cash flows from investing activities			
Sales proceeds from commercial pre-production activities		47,733	-
Payments for property, plant, equipment and mine properties [2]		(92,642)	(70,812)
Payments for acquired exploration and evaluation expenditure		(40)	(30)
Proceeds from sale of property, plant and equipment		-	300
Proceeds from sale of investments		-	8
Net cash outflow from investing activities		**(44,949)**	**(70,534)**
Cash flows from financing activities			
Proceeds from the issue of shares and exercise of options		-	69,727
Capital raising costs		-	(2,061)
Transaction costs related to borrowings		(1,377)	(587)
Transfer from restricted cash		12,302	2,511
Repayment of borrowing costs		(225)	(97)
Interest and other costs of finance paid		(8,310)	(9,271)
Net cash inflow from financing activities		**2,390**	**60,222**
Net decrease in cash held		(49,639)	(15,282)
Cash and cash equivalents at the beginning of the period		119,978	87,248
Effect of exchange rate fluctuations on cash held		(78)	-
Cash and cash equivalents at the end of the period		**70,261**	**71,966**

1. Cash received in relation to the minegate DSO sales Agreement with Atlas Iron.
2. Includes Stage 1 pre-production commissioning and ramp costs, and costs associated with the development and construction of both Stage 1 and Stage 2 of the Pilgangoora Project. At 31 December 2018 the Pilgangoora Project remained in commissioning and ramp-up phase and had not yet achieved commercial production. Prior to the declaration of commercial production, all commissioning and pre-production ramp-up costs are capitalised against project development costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Pilbara Minerals Limited (the "Company") is a listed public company incorporated and domiciled in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration, development and mining of minerals.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2018 are available upon request from the Company's registered office at Level 2, 88 Colin Street, West Perth WA 6005 or at www.pilbaraminerals.com.au.

Basis of preparation

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

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2018.

The accounting policies and methods of computation adopted in the preparation of the Interim Financial Report are consistent with those adopted and disclosed in the Group's Annual Financial Report for the financial year ended 30 June 2018.

These interim financial statements were approved by the Board of Directors on 19 February 2019.

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

During the half year the Company executed a Deed of Cross Guarantee with its wholly owned subsidiaries and obtained relief under ASIC (Wholly owned Companies) Instrument 2016/785. Under Instrument 2016/785 certain wholly owned companies of the group are relieved from the requirement to prepare and lodge separate audited financial statements in accordance with the Corporations Act 2001.

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

Use of judgements and estimates

In preparing these interim financial statements management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. These estimates and judgements are consistent with those adopted in the preparation of the June 2018 Annual Financial Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2018

New accounting standards – AASB 9 Financial Instruments

The Group has applied the provisions of *AASB 9 Financial Instruments* from 1 July 2018 in accordance with the standard and the Group's accounting policies. There has been no material impact to the Group's assets from the implementation of the standard.

NOTE 2 - RESULTS FOR THE HALF-YEAR

2.1 Revenue from contracts with customers

	31 December 2018 $'000	31 December 2017 $'000
Sales to customers under contracts	13,819	-
Recovery of royalties under contracts with customers	571	-
	14,390	-

2.2 Cost of sales

	31 December 2018 $'000	31 December 2017 $'000
Mining costs	3,729	-
Royalty expenses	2,541	-
Depreciation and amortisation	2,119	-
	8,389	-

Reported revenue and costs of sales outlined in 2.1 and 2.2 above are directly related to the minegate DSO Sales Agreement with Atlas Iron.

2.3 Share-based payment expense

The share-based payment expense includes:

	31 December 2018 $'000	31 December 2017 $'000
Share options expense	1,575	2,589
Performance rights expense	213	42
	1,788	2,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2018

Share options

The following table shows options affecting the share-based payment expense for the half-year ending 31 December 2018 and the value attributed to each option granted, by category of holder:

Holder	No. of options	Exercise price	Expiry Date	Total Fair Value ($'000)	Fair Value expensed ($'000)
Non-executive Director	2,000,000	0.930	28-Nov-21	542	317
Executive Director	1,321,100	0.884	31-Dec-21	255	43
KMP	1,783,485	0.884	31-Dec-21	154	26
Options issued current year	**5,104,585**			**951**	**386**
Options issued in prior years					1,189
Total					**1,575**

Performance rights

In December 2018, performance rights were granted to the managing director, key management personnel and key employees under the Pilbara Minerals Performance Rights Plan. The performance rights were issued over ordinary shares for no consideration subject to the following vesting conditions:

Vesting Condition	Criteria
Service condition	A three-year period commencing from the vesting start date.
Market condition – 50%	Relative Total Shareholder Return (TSR).
Strategic objective conditions – 50%	Measured over the service condition period: • Sustainable production of at least 840,000 tonnes of spodumene concentrate per annum at an appropriate costing structure satisfactory to the Board; and • Participation in a downstream processing opportunity at a level satisfactory to the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2018

The following table shows performance rights affecting the share-based payment expense for the half-year ending 31 December 2018 and the value attributed to each performance right granted, by category of holder.

Holder	No. of performance rights	Expiry Date	Total Fair Value ($'000)	Fair Value expensed ($'000)
Executive Director	271,493	30-Jun-21	131	22
KMP	366,513	30-Jun-21	106	18
Employees	402,693	30-Jun-21	117	20
Performance rights issued current year	**1,040,699**		**354**	**60**
Performance rights issued in prior years				153
Total				**213**

2.4 Net financing costs

Net financing costs can be analysed as follows:

	31 December 2018 $'000	31 December 2017 $'000
Interest income on bank accounts	963	1,353
Finance income	963	1,353
Fair value movement in derivative	-	(1,557)
Interest expense - convertible notes	-	(7)
Interest expense - borrowings	(216)	(618)
Net foreign exchange loss [1]	(6,094)	(132)
Finance costs	(6,310)	(2,314)
Net finance costs recognised in profit or loss	(5,347)	(961)

1. The unrealised net foreign exchange loss for the half year ended 31 December 2018 relates to the revaluation of the US$100 million senior debt bond facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2018

2.5 Operating segments

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

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

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

NOTE 3 - ASSETS AND LIABILITIES

3.1 Inventory

	31 December 2018 $'000	30 June 2018 $'000
Finished goods	8,872	2,123
Work-in-progress	15,541	1,733
Consumables	8,849	3,687
	33,262	7,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2018

3.2 Property, plant, equipment and mine properties

	Property, plant and equipment $'000	Hire purchase/ lease equipment $'000	Mine properties in production $'000	Mine properties in development $'000	Mineral rights $'000	Mine rehabilitation $'000 $'000	Total $'000
At 30 June 2018							
Cost	779	1,161	9,876	308,425	54,804	7,749	382,794
Accumulated depreciation	(278)	(521)	(1,350)	(6,909)	-	(751)	(9,809)
Net book value	501	640	8,526	301,516	54,804	6,998	372,985
At 31 December 2018							
Opening net book value	501	640	8,526	301,516	54,804	6,998	372,985
Additions [1]	183	4,496	-	31,898	-	-	36,577
Capitalised interest	-	-	-	8,341	-	-	8,341
Disposals	-	(640)	-	-	-	-	(640)
Transfer [2]	-	-	(6,407)	6,407	-	-	-
Depreciation charge	(93)	-	(2,119)	-	-	-	(2,212)
Net book value	591	4,496	-	348,162	54,804	6,998	415,051

1. Additions, net of commercial pre-production sales revenue.
2. Mine development and infrastructure assets attributable to the mining of material under the DSO minegate sale agreement were transferred to mine properties in development following the suspension of the DSO program during the half year, as they form part of the overall Pilgangoora project.

As at 31 December 2018 the Company had outstanding contractual capital commitments of $19.4 million which are expected to be settled prior to 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2018

3.3 Loans and borrowings

	31 December 2018 $'000	30 June 2018 $'000
Current		
Lease liability	4,232	177
Hire purchase liability	-	-
Total borrowings - current	4,232	177
Non-Current		
Lease liability	-	463
Secured debt (USD denominated bond)	137,497	130,502
Total borrowings - non-current	137,497	130,965

The US$100 million senior debt bond facility funds the Stage 1 Pilgangoora Project with a coupon rate of 12% per annum with interest payable quarterly in arrears. The Company has complied with the covenants of the bond facility during the reporting period.

The movement in the secured debt from 30 June 2018 predominately reflects an unrealised foreign exchange loss $6.4 million.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, as set out on pages 11 to 21, are in accordance with the Corporations Act 2001 including:

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

   b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended.

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

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

Anthony Kiernan
Chairman

19th February 2019

KPMG

Independent Auditor's Review Report

To the shareholders of Pilbara Minerals Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Pilbara Minerals Limited.

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- 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
- The Directors' Declaration.

The ***Group*** comprises Pilbara Minerals Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pilbara Minerals Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period 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.

KPMG.

KPMG

R Gambitta
Partner

Perth

19 February 2019