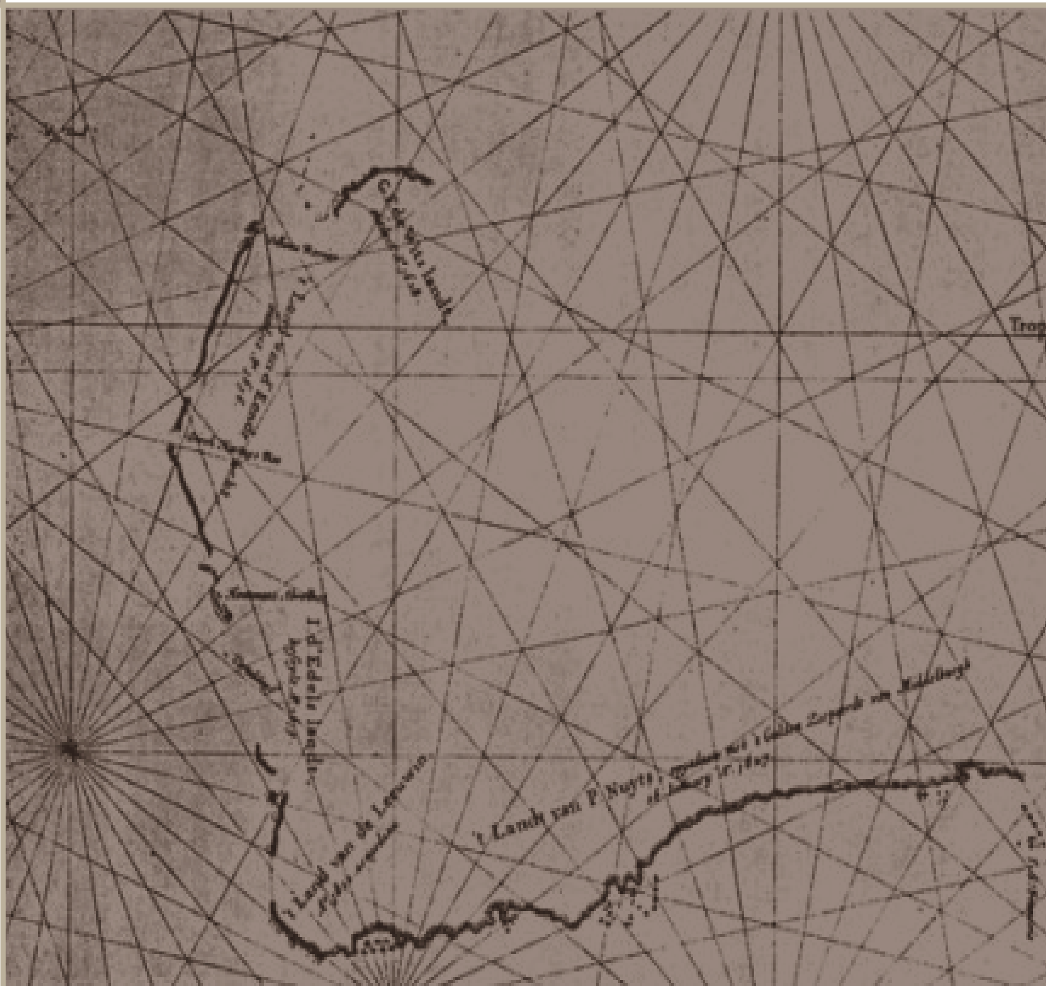
2012
ANNUAL REPORT



PILBARA
MINERALS
LIMITED

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LETTER TO SHAREHOLDERS

27 September 2012

Dear Shareholder

This is the third Annual Report of Pilbara Minerals Limited since re-listing under this name on the Australian Securities Exchange (ASX) in June 2010.

Over the past year the company has focused mainly on:

defining the interpretation of the geophysical data obtained from the Vtem, as well as examining a range of other unpublished data on the Fortescue group rocks of the West Pilbara; and

looking at new projects both in Australia and overseas that the directors believe will add significant shareholder value.

The West Pilbara

While no fieldwork was carried out during the year, in order to minimise expenditures, significant work was done by our geological consultants. These consultants have had over ten years direct experience with the published and unpublished data pertaining to the ground within and surrounding the Pilbara tenements. The geological insights gained from these other data sources combined with our new data show exciting potential for the discovery of basement and platinum group metal deposits.

The results of these conceptual studies were compiled and analysed and then presented to a number of other companies with the view to attracting a joint venture party to help develop the concepts. Two parties, both of who had a close look at the data under an NDA, have expressed interest and one in particular has carried out their own extensive evaluation of the data, which has independently confirmed our conclusions. The company and this party are now in active talks about defining a way forward. The directors are hopeful of concluding these discussions in the near future.

New Projects

You will see from the Company's recent announcements to ASX, that Pilbara is examining a number of opportunities to broaden its activities, either through joint venture or the acquisition of mineral assets. Quite a number of projects have been examined, both in Australia and overseas.

The company is currently in detailed negotiations with a party which, if successfully concluded, the directors believe will add significantly to the prospects of the company.There are a number of other projects we are considering, and indeed due to the uncertainty of the IPO market, there is a strong demand from parties with quality assets looking to go public through an already listed entity. Your directors are confident that they will be able to announce some positive developments very soon.

I hope you find this report comprehensive and informative and look forward to seeing you at our AGM in November.

Yours sincerely

Gavan Farley

Executive Director

DIRECTORS' REPORT

Your Directors submit the annual financial report of Pilbara Minerals Limited for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act, the Directors' report as follows:

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Gavan Farley	*(appointed 12 February 2010)*
Robert Adamson	*(appointed 1 July 2010)*
Victor Rudenno	*(appointed 25 August 2010)*

Names, qualifications, experience and special responsibilities

Gavan Farley

Executive Director

Dipl. Bus, MBA, MAICD

Gavan Farley has over 35 years in international business experience, ranging from the hospitality industry in Europe, Africa and the Caribbean, to more than 20 years managing a high technology engineering solutions company in the United Kingdom, Germany and the United States of America. Mr Farley is currently a consultant of Empire Securities Group Pty Ltd, a boutique corporate advisory firm based in Sydney that specialises in raising capital for companies in the resources and technology sectors.

Mr Farley also serves as a Non-Executive Director of Indochine Resources Ltd, a gold and base metals exploration company with assets in Cambodia and Laos and has been acting as Company Secretary for Pilbara Mining Pty Ltd, the vendor of the 6 granted exploration licences in the West Pilbara region of Western Australia acquired by the Company during the 2009-10 financial year.

Mr Farley obtained his business qualifications with a Business Studies Diploma from Footscray Institute of Technology (now Victoria University) and an MBA-Finance from the University of Birmingham. Apart from his time in Australia, he has spent over 15 years in the United Kingdom, 11 years in the United States of America and a further 5 years in Africa and the Caribbean.

Robert Adamson

Non-Executive Director, Consultant Geologist

BSc, MSc (Hons), MAusIMM, CP(Geo), MMICA

Robert (Bob) Adamson's professional career spans some 46 years, (1966-present), the first 25 of which he was employed in a range of technical and managerial positions with international mining houses, and in managerial and board positions with several publically-listed exploration and mining companies. Mr Adamson has been operating as an independent mineral industry consultant since 1993. He has an extensive operational background in mineral exploration and mining for gold, base metals, diamonds and semi-precious stones, principally in Australia (all States), southern Africa, New Zealand, South Korea, Canada and the Philippines. Significant achievements include technical and managerial participation in the discovery and resource definition of several operating gold and base metal mines. Bob has most recently served as the Company's consultant geologist and manages the exploration programme for the Company's tenements in the West Pilbara, Western Australia. He is a Non Executive Director of ASX-listed Southern Cross Exploration N.L.

Victor Rudenno

Non-Executive Director

BE (Mining), MCom, PhD, FAusIMM, SFFinsia

Dr Rudenno has over 25 years of experience in the mining and financial services industry associated with mining and mineral exploration. He is the author of the standard text "The Mining Valuation Handbook". During the past 5 years, Dr Rudenno has been a Non Executive Director of ASX and AMEX listed company Samson Oil & Gas Ltd as well as being Executive Director of Revaluate Pty Ltd, which specialises in resource evaluation and associated corporate advisory.

Robert Waring

Company Secretary

BEc (Sydney), CA, FCIS, FFin, MAusIMM, FAICD

Robert Waring's experience has been gained over 35 years in financial and corporate roles including over 20 years in company secretarial roles for ASX listed companies and 17 years as a Director of ASX listed companies. Mr Waring has had 30 years experience in the mining industry and prior to that, nine years with an international firm of chartered accountants. He is a Director of the Oakhill Hamilton Pty Ltd, which provides corporate advisory and company secretarial services to a range of listed and unlisted companies.

Interests in the shares and options of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the Directors as at the date of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Gavan Farley	-	43,500
Robert Adamson	-	95,000
Victor Rudenno	-	100,000

No ordinary shares were issued by the company during or since the end of the financial year as a result of the exercise of an option. There are no unpaid amounts on the shares issued.

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
31 December 2012	$0.20	33,000,000
29 November 2013	$0.25	1,000,000
		34,000,000

Dividends

No dividends have been paid or declared since the start of the financial year and/or the Directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the Company during the year was the exploration for natural resources.

Review of Operations

West Pilbara, WA (100%)

Pilbara Minerals Limited holds 14 granted exploration licences in the West Pilbara region of northwestern Western Australia. Total tenement area is approximately 1,300 km2. The project consists of three groups of exploration licences located within an area extending across some 150km from about 70km southwest of Karratha to approximately 110km southeast of Karratha. Recently granted E47/2261 includes a 3.5 km section of the eastern extension of the Mount Oscar iron deposit magnetic feature.

The Company's initial exploration targets include "blind" sulphide-hosted deposits of base metals, platinum group metals (PGM) and/or gold mineralisation and magnetite-bearing (iron mineralised) formations. These occur within Achaean volcano-sedimentary "greenstone" sequences and associated basic intrusions that are largely obscured by widespread cover of younger Fortescue Group rocks and by the broad alluvial plains of the major river systems of the West Pilbara.

Major deposits and styles of mineralisation present in the West Pilbara region are:

Radio Hill	Ni-Cu-PGM, in layered mafic-ultramafic intrusions
Mount Sholl	Ni-Cu, in layered mafic-ultramafic intrusions
Whim Creek	Cu-Zn-Ag, in volcanogenic massive sulphides
Whundo	Cu-Zn-Ag, in volcanogenic massive sulphides
Balla Balla	V-Ti, in layered mafic-ultramafic intrusions
Munni Munni	GM-Ni-Cu, in layered mafic-ultramafic intrusions
Mount Oscar	Magnetite iron, in banded iron formation

A helicopter-borne versatile time domain electromagnetic (VTEM) and magnetic geophysical survey over 12 exploration licences (covering approximately 1,565 km2) was completed in 2010.

Preliminary interpretations of the VTEM survey generated 13 primary targets having geophysical ratings indicative of possible sulphide bodies of significant dimensions. Ground geophysical surveys with fixed loop TEM (time domain electromagnetic) were carried out over four of the most promising anomalies in E47/1097. Two ground surveys identified shallowly dipping conductors below the Fortescue Group. One lies at a drillable depth (150m to 300m), but the other is approximately 400m below surface. Pilbara presently is seeking a joint venture party to assist in drilling these anomalies.

The other two anomalies were deemed spurious due to supraparamagnetic (SPM) effects caused by the VTEM loop being close to the ground in semi-rugged terrain. The anomalies occur in an area of Archaean rocks exposed through a window in the overlying Fortescue Group. Geological mapping and geochemical sampling by Pilbara geologists showed a strongly deformed sequence of Archaean mafic rocks. A layered mafic to ultramafic layered intrusive body having at least 2km of strike length was mapped but no significant geochemical anomalies were found.

Geophysical reviews of the VTEM survey results over the remainder of the project resulted in a number of other VTEM anomalies being rejected due to SPM effects.

In order to minimise expenditures, exploration activity in the other license areas was restricted to desk studies of geophysical and geological data. The results of this work have enabled the Company to progress the interpretation of proprietary un-published geological information relating to the Fortescue Group rocks of the Pilbara region. This has lead to new and developing geological insights into the Late Archaean Fortescue Group. Exploration concepts with exciting potential for the discovery of significant base metals and platinum group metal deposits have been developed by one of Pilbara's consultants based largely upon data collected in the course of a decade of detailed geological research in the Pilbara Region. Integration of these new and original concepts with the Company's proprietary multi-source geophysical survey data has excellent potential to generate a further set of economically significant base and precious metal exploration targets within the existing tenement package.

The Board resolved to impair 50% of the exploration and evaluation assets carried forward in respect of the West Pilbara area of interest in accordance with the accounting policy set out in Note 1(q).

The Company is presently in discussions with a party, who has carried out detailed geological and geophysical reviews, with a view to their acquiring an interest in the tenements in order to explore for mineralised targets based upon these concepts.

New Projects

Pilbara continues to seek to acquire interests in mineral projects having good prospects for near-term development. This is intended to support and complement the Company's green-fields exploration programmes in the West Pilbara region. The Company is actively assessing opportunities judged as having potential for significant shareholder value and, where appropriate, detailed due diligence is undertaken to confirm initial judgments.

During the year, the Company has appraised, in terms of the Company's exploration and investment criteria, an extensive range of offerings from a variety of sources, both local and international.

While the Directors are willing to consider any project that has the potential to restore and add value, the focus of our search is mainly on base and precious metals projects. Offerings presently under active consideration include gold and/or copper projects in various stages of development in Australia, Papua New Guinea, South Africa and Fiji. Projects that have been considered but ruled out include coal projects in Mongolia and iron ore in West Africa.

The Directors are confident that one or several of the deals currently under consideration will be successfully concluded in the near future, despite the current nature of the equities market.

Other Projects

Although a number of project offerings were considered during the year, none have met the Company's exploration and investment criteria.

Operating results for the year

The loss of the Company for the financial period, after providing for income tax amounted to $2,080,520 (2011: $944,392).

Review of financial conditions

The Company currently has $163,839 in cash assets. Subject to the successful completion of a planned capital raising, the Company will be in an adequate financial position with sufficient capital for the next 12 months to complete existing work progress (refer Note 1r)

Risk management

Details of the Company's Risk Management policies are contained within the Corporate Governance Statement in the Directors' Report.

Corporate Governance

Details of the Company's Corporate Governance policies are contained within the Corporate Governance Statement in the Directors' Report.

Significant events after balance date

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

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company is subject to significant environmental and monitoring requirements in respect of its natural resource exploration activities. The Directors are not aware of any significant breaches of these requirements during the period.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for key management personnel of Pilbara Minerals Limited (the “Company”) for the financial year ended 30 June 2012.

The following persons acted as Directors during or since the end of the financial year:

Gavan Farley
(Executive Director – appointed 12 February 2010)

Robert Adamson
(Non-Executive Director – appointed 1 July 2010)

Victor Rudenno
(Non-Executive Director – appointed 25 August 2010)

Remuneration Philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors and the Senior Management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 21 November 2008 when shareholders approved an aggregate remuneration of up to $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director is entitled to receive a fee for being a Director of the Company.

The remuneration of Non-Executive Directors for the period ended 30 June 2012 is detailed in the Remuneration of Key Management Personnel section of this report on the following page.

Senior Manager and Executive Director Remuneration

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition to the Company employees and Directors’, the Company has contracted key consultants on a contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Independent Directors’ Committee (which assumes the role of the Remuneration Committee). The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Fixed remuneration is paid in the form of cash payments.

The fixed remuneration component of the key management personnel is detailed in Table 1.

Employment Contracts

The Company does not currently have any employment contracts in place.

Remuneration of Key Management Personnel

Table 1: Directors' and executives remuneration for the year ended 30 June 2012

	Short-term employee benefits		Post-employment benefits		Equity	Other	Total	%
	Salary	Consulting Fees	Super-annuation	Prescribed Benefits	Options			Performance Related
	$	$	$	$	$	$	$	
Gavan Farley	60,000	-	-	-	-	-	60,000	-
Robert Adamson	36,000	22,926	-	-	-	-	58,926	-
Victor Rudenno	36,000	-	-	-	-	-	36,000	-
Robert J Waring	20,757	-	-	-	-	-	20,757	-
Total	**152,757**	**22,926**	**-**	**-**	**-**	**-**	**175,683**	**-**

Table 2: Directors' and executives remuneration for the year ended 30 June 2011

	Short-term employee benefits		Post-employment benefits		Equity	Other	Total	%
	Salary	Consulting Fees	Super-annuation	Prescribed Benefits	Options			Performance Related
	$	$	$	$	$	$	$	
Gavan Farley	58,000	-	-	-	6,189	-	58,000	-
Robert Adamson	18,218	23,032	-	-	6,188	-	47,438	-
Victor Rudenno	32,100	-	-	-	6,188	-	32,100	-
Robert J Waring	51,212	-	-	-	6,188	-	51,212	-
Mathew Walker	9,355	-	-	-	-	-	9,355	-
Total	**198,105**	**23,032**	**-**	**-**	**24,753**	**-**	**222,858**	**-**

No remuneration was payable via the issue of options in the year ended 30 June 2012.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Director Meetings	
Director	Attended	Eligible to Attend
Gavan Farley	6	6
Robert Adamson	6	6
Victor Rudenno	6	6

In addition, one circular resolution was signed by the Board during the period.

Auditor Independence

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 16 and forms part of this Directors' report for the year ended 30 June 2012.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 18 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the Directors.

Gavan Farley

Executive Director

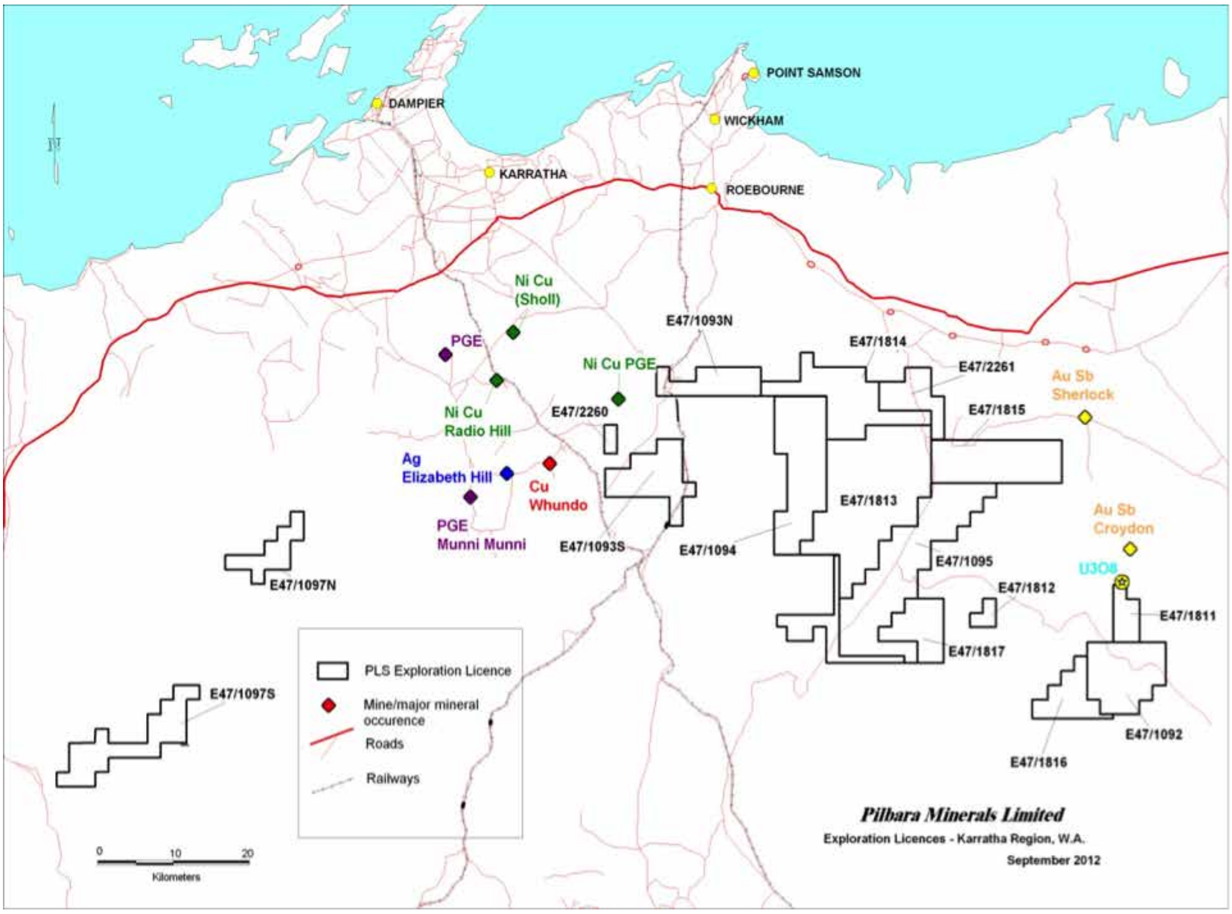
Dated this 27th day of September 2012

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Robert G Adamson BSc, MSc (Hons), MAusIMM, CP(Geo), MMICA, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Adamson is a Non Executive Director and Geological Consultant to Pilbara Minerals Limited. Mr Adamson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Adamson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SCHEDULE OF TENEMENTS

As at 12 September 2012

Tenement Number	Status	Interest	Joint Venture
West Pilbara Project - Western Australia			
E47/1092	GRANTED	100%	
E47/1093	GRANTED	100%	
E47/1094	GRANTED	100%	
E47/1095	GRANTED	100%	
E47/1097	GRANTED	100%	
E47/1811	GRANTED	100%	
E47/1812	GRANTED	100%	
E47/1813	GRANTED	100%	
E47/1814	GRANTED	100%	
E47/1815	GRANTED	100%	
E47/1816	GRANTED	100%	
E47/1817	GRANTED	100%	
E47/2260	GRANTED	100%	
E47/2261	GRANTED	100%	



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Pilbara Minerals Limited is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council ('CGC') published guidelines as well as its corporate governance principles and recommendations.

The Board monitors the business and affairs of Pilbara Minerals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council in August 2007 with 2010 amendments (including the June 2010 recommendations on diversity). At a number of its meetings the Board examines the Pilbara Minerals corporate governance practices and the progress towards a review of its practice compared to the best practice principles proposed by the ASX Corporate Governance Council. While Pilbara Minerals Limited is attempting to adhere to the principles proposed by the ASX, it is mindful that there may be some instances where compliance is not practicable for a company of Pilbara Minerals' size.

The August 2007 ASX Corporate Governance Council publication "Corporate Governance Principles and Recommendations" second edition, is referred to for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations, to identify any recommendations that have not been followed and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations.

In many cases the company was already achieving the standard required. In other cases the company will have to consider new arrangements to enable compliance. In a limited number of instances, the company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size.

The CGC's published guidelines are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

Pilbara Minerals Limited's corporate governance practices were in place throughout the year ended 30 June 2012, except as may be indicated below.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. Directors of Pilbara Minerals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

The company has established a policy regarding diversity that will be reviewed at least every 12 months to examine progress on the achievement of diversity objectives. The company does not have any women on the Board. In accordance with the adopted Diversity Policy, the objective is to address this matter as the company increases in size.

In the context of Director independence, 'materiality' is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Pilbara Minerals Limited is considered to be independent:

Name	*Position*
Victor Rudenno	Non-Executive Director (appointed 25 August 2010)

There are procedures in place, agreed by the Board, to enable Directors in the furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	*Term in Office*
Gavan Farley	31 months
Robert Adamson	27 months
Victor Rudenno	25 months

ASX Best Practice Recommendations And Comments

Principle 1: Lay solid foundations for management and oversight

R1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Company's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director or Executive Director.

R1.2 Companies should disclose the process for evaluating the performance of senior executives.

The Company's Corporate Governance Policies includes a section on Performance Evaluation Practices, which discloses the performance evaluation criteria. During the period a Performance evaluation of senior executives (the Executive Director) was performed once during the year and was in accordance with the process described in the Corporate Governance Policies.

R1.3 Companies should provide the information indicated in the Guide to Reporting Principle 1.

Any departure from principle 1.1 and 1.2 are contained in the above points.

A performance evaluation of senior executives (the Executive Director) was performed once during the year and was in accordance with the process described in the Company's Corporate Governance Policies.

The Corporate Governance Policies which discloses the Board charter is available on the Company's website.

Principle 2: Structure the Board to add value

R2.1 A majority of the Board should be Independent Directors.

The only Independent Director is considered to be Victor Rudenno.

The Company will seek to appoint additional Independent Directors as it grows and as its resources permit.

R2.2 The Chairman should be an Independent Director.

The Acting Chairman for the financial year was Gavan Farley and he is an Executive Director. He is not therefore considered to be an Independent Director. The Company will seek to appoint additional Independent Directors and elect one of them Chairman as it grows and as its resources permit.

R2.3 The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.

During the financial year the Company had an Executive Chairman; Gavan Farley (considered to be the Chief Executive Officer). A permanent Chairman will be elected in due course.

R2.4 The Board should establish a Nomination Committee.

The Board does not believe it was necessary to establish a separate Nomination Committee. However the Board has established an Remuneration and Nomination Committee that has assumed the role of the Nomination Committee. The Committee meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director. The Committee comprises Victor Rudenno (Chairman) and Gavan Farley and met once during the year. The mix of skills and diversity were discussed and remain under review.

The Company has a formal Nomination Committee Charter, which is included in the Company's Corporate Governance Policy which is available on the Company's website.

R2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

The Company's Corporate Governance Policies include on Performance Evaluation Practices that are used to evaluate the performance of the Board.

R2.6 Companies should provide the information indicated in *Guide to Reporting on Principle 2*.

The Company has included details for each Director, such as their skills, experience and expertise relevant to their position in the Directors' Report (section 2). Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 are included in the above sections.

Principle 3: Promote ethical and responsible decision-making

R3.1 Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

a) The practices necessary to maintain confidence in the Company's integrity;

b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and

c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company's Corporate Governance Statement includes a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.

General principles of the Code of Conduct include:

1. Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole.
2. Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment.
3. Employees must recognise that their primary responsibility is to the Company's shareholders as a whole.
4. Employees must not take advantage of their position for personal gain, or the gain of their associates.
5. Directors have an obligation to be independent in their judgments.
6. Confidential information received by employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company.

7. Employees have an obligation, to comply with the spirit as well as the letter, of the law and with the principles of this code.

R3.2 Companies should establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company's Corporate Governance Policy includes a section on Securities Trading Policy, which provides guidelines for transacting (buying and selling) securities in the Company, which has been posted on the Company's website.

The key policy items include:

1. General Restrictions when in possession of Inside Information, which includes sections dedicated to Insider Trading Laws and Confidential Information.
2. Additional Trading restrictions for Directors and some employees. This section details times when Restricted Persons are prohibited from trading the Company's securities, and policies on exceptional circumstances where clearance is given to restricted persons.
3. Policies that Restricted persons must comply with prior to and after trading of the Company's securities.
4. Other sections of this policy include Notification of Trading, Breaches of Policy and General.

R3.3 Companies should provide the information indicated in Guide to Reporting on Principle 3.

Any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 during the period are disclosed in the above sections.

The Corporate Governance Statement which includes an applicable code of conduct or a summary and the trading policy or a summary, has been posted on the Company's website.

Principle 4: Safeguard integrity in financial reporting

R4.1 The Board should establish an Audit Committee.

The Board has established an Audit Committee. The Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the Audit Committee are an independent Non-Executive Director, Victor Rudenno as Chairman and Executive Director Gavan Farley. This deficiency against the recommendations will be remedied when additional Directors are appointed.

The Company has a formal Audit Committee Charter, which is included in the Company's Corporate Governance Policy which is available on the Company's website.

R4.2 The Audit Committee should be structured so that it:

1. **consists of only Non-Executive Directors,**
2. **consists of a majority of Independent Directors,**
3. **is chaired by an Independent Director, who is not the Chair of the Company, and**
4. **has at least three members.**

The Audit Committee is chaired by Mr. Victor Rudenno the only Non-Executive Director. Due to the size of the Board, the other member of the audit committee is Mr. Gavan Farley, an Executive Director.

The Audit Committee consists of the only Non-Executive Director as Chairman and an Executive Director. Due to the size of the Board, the other member of the audit committee is Mr. Gavan Farley, an Executive Director.

The Audit Committee is chaired by Victor Rudenno who is not the Chair of the Company.

The Audit Committee has only two members. This is due to the Company only having one independent, Non-Executive Director to form the Committee.

The members of the Independent Directors Committee that has the responsibility of the Audit Committee during the year were Victor Rudenno and Gavan Farley.

Qualifications of Audit Committee members:

Victor Rudenno – BE, MCom, PhD, FAusIMM, SFFinsia

Gavan Farley – Dipl Bus, MBA, MAICD

The Audit Committee has the requisite financial experience and qualifications.

R4.3 The Audit Committee should have a formal charter.

The Company's Corporate Governance Policy includes a formal charter for the Audit Committee.

R4.4 Companies should provide information indicated in the Guide to reporting on Principle 4.

This information is included in the above sections 4.1, 4.2 and 4.3.

The Corporate Governance Statement has been posted on the Company's website.

Principle 5: Make timely and balanced disclosure

R5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has a continuous disclosure programme in place designed to ensure the factual presentation of the Company's financial position and the development of the Company's assets and activities.

There is a vetting and authorisation processes in place that is designed to ensure that the Company's announcements:

1. Are made in a timely manner
2. Are factual
3. Do not omit material information
4. Are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

R5.2 Provide the information indicated in Guide to Reporting on Principle 5.

Any departures are included in section 5.1 and 5.2 of this report.

The Corporate Governance Statement has been posted on the Company's website.

Principle 6: Respect the rights of shareholders

R6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.

The Company's Corporate Governance Policy includes a Shareholder Communications Strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

R6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.

Any departures are included in section 6.1 and 6.2 of this report.

The Corporate Governance Statement has been posted on the Company's website.

Principle 7: Recognise and manage risk

R7.1 Companies should establish policies for oversight and management of material risks and disclose a summary of these policies.

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. "Risk factors" is an agenda item at Board and Audit Committee meetings.

The Company's Corporate Governance Policies include policies for oversight and management of material risks under the section Risk Management and Internal Compliance and Control, which is disclosed on the Company's website.

R7.2 The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

1. Risk Management and internal control system

The Executive Director is responsible for Risk Management and internal control systems and reports material business risks to the Board.

2. The Audit and Risk Management Committee is described in section 4.1 and 4.2.

3. Risk Management Committee

The Board has not established a separate Risk Committee. However, it established an Audit and Risk Management Committee that has assumed the role of a separate Risk Committee which operates under a charter approved by the Board. The Board is ultimately responsible for risk oversight and risk management. During the year, the Independent Directors' Committee did not meet. Discussions of the recognition and management of risks were left to the Board.

R7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

At present, the Board believes that it has adequately addressed issues of Risk and the future management of risk. Risk will now also be covered by the Audit and Risk Management Committee.

R7.4 Provide the information indicated in *Guide to Reporting on Principle 7*.

The Board considers it is appropriate to require the Managing Director and Chief Financial Officer to provide such a statement at the relevant time, i.e. as part of the annual and half yearly financial report process.

Any departures from best practice recommendations 7.1, 7.2, 7.3 and 7.4 are included in the above sections.

The Corporate Governance Statement has been posted on the Company's website.

Principle 8: Remunerate fairly and responsibly

R8.1 The Board should establish a Remuneration Committee.

1. Purpose of the Remuneration Committee

The Board has a Remuneration and Nomination Committee that operates under a charter approved by the Board. This Committee met once during the year. The full Board reviews the function of this Committee.

2. Charter

The Company's Corporate Governance Policies includes a section on Remuneration Committee Charter, which form the charter that the Independent Directors Committee relies upon when discussing remuneration.

The Remuneration and Nomination Committee:

a. Consisted of the Executive Director, Gavan Farley (Chair) and Victor Rudenno (Non-Executive Director).

b. Is Chaired by an Executive Director, who is the Acting Chairman of the Company.

c. The Committee does not have three members, only two members. This is due to the Company only having one independent Non-Executive Director, who is on the Committee.

d. Remuneration Policy

The remuneration policy is described in the Remuneration Committee Charter in the Corporate Governance Policies which is available on the Company's website.

R8.2 Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives remuneration.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are: retention and motivation of key executives; attraction of high quality management to the Company; and performance incentives that allow executives to share the success of Pilbara Minerals Limited.

For a full discussion of the Company's remuneration philosophy and framework, and the remuneration received by Directors and executives in the current period, please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and executive team on advice from the Remuneration Committee.

R8.3 Provide the information indicated in *Guide to Reporting on Principle 8*.

The names of the members of the Remuneration Committee during the first part of the year are included in section 8.2 above.

The Company does not currently have in existence any schemes for retirement benefits.

Any departures from best practice recommendations 8.1, 8.2 and 8.3 are included above.

The Company's Corporate Governance Policies, which includes a Remuneration Committee Charter, are available on the Company's website.

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Pilbara Mineral Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pilbara Mineral Limited.

Perth, Western Australia
27 September 2012

N G NEILL
Partner, HLB Mann Judd

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STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 30 June 2012

	Note	2012 $	2011 $
Other income	2	**49,502**	52,479
		49,502	52,479
Audit and assurance fees		**(17,600)**	(19,500)
Consulting fees		**(4,557)**	(12,628)
Directors’ fees		**(132,648)**	(123,481)
Exploration expenditure written-off		**(1,815,777)**	(583,294)
Professional and legal fees		**(106,380)**	(131,853)
Share registry expenses		**(22,497)**	(29,259)
Marketing		**(965)**	-
Options expense		**-**	(24,753)
Other expenses		**(29,598)**	(72,103)
Loss before income tax expense		**(2,080,520)**	(944,392)
Income tax expense	3	**-**	-
Net loss for the year		**(2,080,520)**	(944,392)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(2,080,520)**	(944,392)
Loss per share			
Basic loss per share (cents)	4	**(3.75)**	(1.70)

The statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As At 30 June 2012

	Note	2012 $	2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**163,839**	792,204
Other assets	9	**43,087**	40,181
TOTAL CURRENT ASSETS		**206,926**	832,385
NON-CURRENT ASSETS			
Exploration and evaluation assets	10	**1,766,912**	3,415,769
TOTAL NON-CURRENT ASSETS		**1,766,912**	3,415,769
TOTAL ASSETS		**1,973,838**	4,248,154
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**69,491**	263,287
TOTAL CURRENT LIABILITIES		**69,491**	263,287
TOTAL LIABILITIES		**69,491**	263,287
NET ASSETS		**1,904,347**	3,984,867
EQUITY			
Issued capital	6	**11,441,286**	11,441,286
Reserves	7	**1,580,535**	1,580,535
Accumulated losses		**(11,117,474)**	(9,036,954)
TOTAL EQUITY		**1,904,347**	3,984,867

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2012

	Issued Capital	Options Reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2010	11,441,286	1,555,782	(8,092,562)	4,904,506
Total comprehensive income/(loss)	-	-	(944,392)	(944,392)
Total comprehensive income/(loss) for the year	-	-	(944,392)	(944,392)
Transactions with owners in their capacity as owners				
Issue of options at fair value	-	24,753	-	24,753
Total transactions with owners in their capacity as owners	-	24,753	-	24,753
Balance at 30 June 2011	11,441,286	1,580,535	(9,036,954)	3,984,867
Balance at 1 July 2011	**11,441,286**	**1,580,535**	**(9,036,954)**	**3,984,867**
Total comprehensive income/(loss)	**-**	**-**	**(2,080,520)**	**(2,080,520)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(2,080,520)**	**(2,080,520)**
Transactions with owners in their capacity as owners				
Issue of options at fair value	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-
Balance at 30 June 2012	**11,441,286**	**1,580,535**	**(11,117,474)**	**1,904,347**

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

STATEMENT OF CASHFLOWS

For The Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Payments to suppliers and employees		**(306,549)**	(629,475)
Interest received		**18,562**	51,393
Other receipts		**38,991**	-
Net cash (used in) provided by operating activities	8	**(248,996)**	(578,081)
Cash flows from investing activities			
Payments for exploration and evaluation		**(379,369)**	(437,489)
Net cash (used in) provided by investing activities		**(379,369)**	(437,489)
Cash flows from financing activities		**-**	-
Net cash provided by (used in) financing activities		**-**	-
Net (decrease)/increase in cash and cash equivalents		**(628,365)**	(1,015,570)
Cash and cash equivalents at beginning of financial year		**792,204**	1,807,774
Cash and cash equivalents at end of financial year	8	**163,839**	792,204

The statement of cashflows should be read in conjunction with the accompanying notes.

Note 1: Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

Pilbara Minerals Limited is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are mining exploration.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2012, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 27th September 2012.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward is reviewed by the directors when impairment indicators are present.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(h) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
  a) has transferred substantially all the risks and rewards of the asset, or
  b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Impairment of assets

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pilbara Minerals Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash settled transactions:

The Company also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Pilbara Minerals Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(q) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(r) Going concern

The financial statements have been prepared on the going concern basis, the validity of which depends upon the positive cash position. The Company's existing projections show that further funds will be required to be generated, either by capital raisings, sales of assets or other initiatives, to enable the Company to fund its currently planned activities for at least the next twelve months from the date of signing these financial statements. Should new opportunities present that require additional funds, the Directors will take action to reprioritise activities, dispose of assets and/or raise further funds. Should these equity raisings or other sources of funding not be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will be able to realise its assets and extinguish its liabilities in the normal course of business.

Notwithstanding this issue, accordingly the Directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the Directors have considered the following pertinent matter:

- Australian Accounting Standard, AASB 101 "Accounting Policies", states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

In the Directors' opinion, at the date of signing the financial report, there are reasonable grounds to believe that the matters set out above will be achieved, and therefore, the financial statements have been prepared on a going concern basis.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Pilbara Minerals Limited.

Note 2: Loss Before Income Tax

The following revenue and expense items are relevant in explaining the financial performance for the year ended 30 June 2012:

	2012 $	2011 $
a. Revenue		
Other income		
– Interest received[1]	**18,562**	52,479
– Other income	**30,940**	-
Total other income	**49,502**	52,479
1. Interest received from:		
– Bank	**18,562**	52,479
b. Expenses		
ASX fees	**10,773**	12,027
Office consumables	**5,037**	16,460
Rent	**-**	5,000
Travel expenses	**1,994**	10,865
Insurance	**10,397**	12,498
Other expenses	**1,397**	15,253
Total expenses	**29,598**	72,103

Note 3: Income Tax Expense

The prima facie tax on the loss before income tax is reconciled to income tax as follows:

	2012 $	2011 $
Loss before income tax expense	**(2,080,520)**	(944,392)
Prima facie tax benefit on the loss before income tax at 30% (2011: 30%)	**(624,156)**	(283,318)
Add:		
Tax effect of:		
– Non deductible expenses	**553,373**	146,185
	553,373	146,185
Less:		
Tax effect of:		
– Capitalised tenement expenses	**(18,437)**	(220,444)
Future tax benefits not brought to account	**89,220**	357,577
Income tax attributable to the company	**-**	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

The Company has tax losses arising in Australia of $3,439,544 (2011: $3,142,142) that are available indefinitely to offset against future taxable profits.

Note 4: Loss per Share

		2012 $	2011 $
a.	**Basic Loss per share**		
i.	Basic Loss (cents per share)	(3.75)	(1.70)
ii.	Net loss used to calculate basic loss per share	(2,080,520)	(944,392)
	Loss used to calculate basic EPS from continuing operations		
iii.	Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	55,475,000	55,475,000
b.	**Diluted loss per share**		
	The company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.	Not applicable	Not applicable

Note 5: Segment Information

Identification of reportable segments

During the year the Company operated principally in one business segment being mineral exploration. Previously it also reported that it operated principally in two geographical segments being Australia and Indonesia.

Note 6: Issued Capital

	2012 $	2011 $
55,475,000 (2011: 55,475,000) ordinary shares	**11,441,286**	11,441,286
Total issued capital	**11,441,286**	11,441,286

	2012 #	2012 $	2011 #	2011 $
Movements in ordinary shares on issue				
Balance at beginning of year	**55,475,000**	**11,441,286**	55,475,000	11,441,286
Shares issued during the year	-	-	-	-
Share issue costs	-	-	-	-
Balance at end of year	**55,475,000**	**11,441,286**	55,475,000	11,441,286

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 7: Reserves

	2012 $	2011 $
Share Options Reserve		
Share Options Reserve	**1,580,535**	1,580,535
	1,580,535	1,580,535
Movement in Share Options Reserve		
Balance at beginning of year	**1,580,535**	1,555,782
Recognition of options issued at fair value	**-**	24,753
Balance at end of year	**1,580,535**	1,580,535
	No.	No.
Balance at beginning of year	**34,550,000**	34,751,000
Options issued	**-**	1,000,000
Options expired during the financial year	**(550,000)**	(1,201,000)
Balance at end of year	**34,000,000**	34,550,000

Nature and purpose of reserves

The share options reserve records the value of options issued by the company.

The Company has established the Pilbara Minerals Limited Employee Share Option Plan (ESOP) and a summary of the terms and conditions of the Plan are set out below:

- All employees (full time and part time) will be eligible to participate in the Plan.
- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee’s nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue (provided all relevant vesting conditions, if applicable, have been met. Options will be issued free. The exercise price of options will be determined by the board. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company’s issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of the Company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person’s nominee) automatically lapse on the first to occur of a) the expiry of the period of 30 days from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person’s legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company’s previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.
- Options are granted under the plan for no consideration.

The Board may amend the terms and conditions of the plan subject to the requirements of the Listing Rules.

The balance as at 30 June 2012 is represented by:

- A total of 9,000,000 options issued on 14 February 2008 and exercisable any time until 31 December 2012, with a strike price of $0.20 and a fair value per option at grant date of $0.1001.
- A total of 9,000,000 options issued on 17 December 2009 and exercisable any time until 31 December 2012, with a strike price of $0.20 and a fair value per option at grant date of $0.01125.
- A total of 15,000,000 options issued on 4 June 2010 and exercisable any time until 31 December 2012, with a strike price of $0.20 and a fair value per option at grant date of $0.0219.
- A total of 1,000,000 options issued on 17 December 2010 and exercisable anytime after initial vesting on 1 July 2011 until 23 November 2013, with a strike price of $0.25 and a fair value per option at grant date of $0.025.

Note 8: Cash and Cash Equivalents

	2012 $	2011 $
Cash at bank	**163,839**	792,204
	163,839	792,204
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**163,839**	792,204
	163,839	792,204

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates. The Company did not engage in any non-cash financing activities for the period ending 30 June 2012 and was not party to any borrowing facilities for the same period. All cash was available for use, and no restrictions were placed on the use of it at any time during the period.

	2012 $	2011 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss for the year	**(2,080,520)**	(944,392)
Non-cash flows in profit:		
– Exploration expenditure written-off	**1,815,777**	401,072
– Options expense	**-**	24,753
Changes in assets and liabilities		
– Increase/(Decrease) in accrued exploration and evaluation expenditure	**212,449**	(53,556)
– (Increase)/Decrease in trade and other receivables	**(2,906)**	(65,234)
– Increase/(Decrease) in trade and other payables	**(193,796)**	59,276
Cash flow from operations	**(248,996)**	(578,081)

Note 9: Other Assets

	2012 $	2011 $
CURRENT		
Other assets*	**36,175**	18,255
Prepayments	**6,912**	21,926
	43,087	40,181

* Other assets consist of Goods & Services Tax receivable

Note 10: Exploration And Evaluation Expenditure

	2012 $	2011 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	**3,415,769**	3,195,325
Exploration expenditure - W. Pilbara Project	**114,510**	357,761
Exploration expenditure - Seefingan Project	**72,410**	91,905
Exploration expenditure – Bomong Project	**-**	170,000
Exploration expenditure written-off	**(1,815,777)**	-
Exploration expenditure to be recovered	**(20,000)**	-
Project write off - Bomong Project	**-**	(170,000)
Project write off - Seluma Iron Sands Project	**-**	(229,222)
Total exploration and evaluation expenditure	**1,766,912**	3,415,769

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1(q). The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced. In accordance with Note 1(q), the Directors write off exploration expenditure where they assess that the asset is impaired.

Note 11: Trade and Other Payables

	2012 $	2011 $
CURRENT		
Unsecured liabilities:		
Trade payables*	**40,691**	201,828
Other payables**	**28,800**	61,459
	69,491	263,287

*Trade payables are non interest bearing and are normally settled on 60 day terms.

**Other payables include accruals.

Note 12: Accumulated Losses

	2012 $	2011 $
Balance at beginning of the financial year	**(9,036,954)**	(8,092,562)
Net loss attributable to members of the company	**(2,080,520)**	944,392)
Balance at end of financial year	**(11,117,474)**	(9,036,964)

Note 13: Financial Instruments

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	**163,839**	792,204
Receivables	**43,087**	40,181
Total financial assets	**206,926**	832,385
Financial liabilities		
Financial liabilities at amortised cost:		
– trade and other payables	**69,491**	263,287
Total financial liabilities	**69,491**	263,287

The following table details the expected maturities for the company's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	$	$	$	$	$
2012						
Non-interest bearing	**-**	**3,939**	-	-	-	-
Variable interest rate instruments	**3.5**	**159,900**	-	-	-	-
Receivables	**-**	**43,087**	-	-	-	-
		206,926	-	-	-	-
2011						
Non-interest bearing	-	35,404	-	-	-	-
Variable interest rate instruments	3	756,800	-	-	-	-
Receivables	-	40,181	-	-	-	-
		832,385	-	-	-	-

The following tables detail the company's remaining contractual maturities' for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	$	$	$	$	$
2012						
Non-interest bearing		**69,491**	-	-	-	-
	-	**69,491**	-	-	-	-
2011						
Non-interest bearing	-	263,287	-	-	-	-
	-	263,287	-	-	-	-

Note 14: Financial Risk Management Objectives And Policies

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from related parties, bills and leases.

Financial Risk Management Policies

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks as summarised below. The audit committee has been delegated responsibility by the Board of Directors for, among other issues, monitoring risk exposures of the company. The audit committee monitors the company's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk.

The audit committee's overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk. This note presents the information about the company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the company, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the audit committee has otherwise cleared as being financially sound. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The company has no significant concentrations of credit risk with any single counterparty or company of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

(b) Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's income or value of the holdings of financial instruments. The company is exposed to movements in market interest rates on short term deposit. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The company does not have short or long term debt, and therefore this risk is minimal. The company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

(d) Interest rate risk

The company is exposed to interest rate risk as the company deposits the bulk of its cash reserves in a cash management account. The company's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity

At 30 June 2012, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2012 $	2011 $
Increase in interest rate by 1%	(630)	(7,568)
Decrease in interest rate by 1%	630	7,568

Note 15: Commitments And Contingencies

Remuneration Commitments

No remuneration commitments were made by the Company.

Guarantees

Pilbara Minerals Limited did not commit to nor make guarantees of any form as at 30 June 2012.

Contingent liabilities

There are no contingent liabilities as at 30 June 2012.

Exploration licence expenditure requirements

Seluma Project Option

In order to maintain the company's tenements in good standing with the various mines departments, the company will be required to incur exploration expenditure under the terms of each licence of $717,000 per annum per licence area. It is likely that the granting of new licences and changes in licence areas at renewal or expiry, will change the expenditure commitment to the company from time to time.

Note 16: Dividends

The Directors of the company have not declared any dividends for the year ended 30 June 2012.

Note 17: Events Subsequent To Reporting Date

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

Note 18: Auditors' Remuneration

		2012 $	2011 $
Remuneration of the auditor of the company for:			
–	auditing or reviewing the financial statements	**21,600**	19,500

Note 19: Key Management Personnel (KMP) Disclosures

(a) Details of Key Management Personnel

Gavan Farley	Executive Director (appointed 12 February 2010)
Robert Adamson	Consulting Geologist (appointed Non-Executive Director 1 July 2010)
Victor Rudenno	Non-Executive Director (appointed August 2010)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the company's key management personnel for the year ended 30 June 2012.

(b) KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the company during the financial year is as follows:

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
			30 June 2012		
Gavan Farley	**250,000**	-	-	-	**250,000**
Bob Adamson	**250,000**	-	-	-	**250,000**
Victor Rudenno	**250,000**	-	-	-	**250,000**
Robert Waring	**250,000**	-	-	-	**250,000**
Total	**1,000,000**	-	-	-	**1,000,000**

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
			30 June 2011		
Mathew Walker	5,000,000	-	-	(5,000,000)*	-
Gavan Farley	-	250,000	-	-	250,000
Bob Adamson	-	250,000	-	-	250,000
Victor Rudenno	-	250,000	-	-	250,000
Robert Waring	-	250,000	-	-	250,000
Total	5,000,000	1,000,000	-	(5,000,000)	1,000,000

* Balance at resignation as a Director on 24 August 2010.

(c) Shareholdings of Key Management Personnel

The number of options over ordinary shares held by each KMP of the company during the financial year is as follows:

	Balance at beginning of period	Granted as remuneration	Options exercised	Shares acquired during the period	Balance at end of period
			30 June 2012		
Gavan Farley	**43,500**	**-**	**-**	**-**	**43,500**
Bob Adamson	**45,000**	**-**	**-**	**50,000**	**95,000**
Victor Rudenno	**100,000**	**-**	**-**	**-**	**100,000**
Robert Waring	**60,000**	**-**	**-**	**-**	**60,000**
Total	**248,500**	**-**	**-**	**50,000**	**298,500**
			30 June 2011		
Mathew Walker	2,000,000	-	-	(2,000,000)*	-
Gavan Farley	15,000	-	-	28,500	43,500
Bob Adamson	-	-	-	45,000	45,000
Victor Rudenno	-	-	-	100,000	100,000
Robert Waring	-	-	-	60,000	60,000
Total	2,015,000	-	-	(1,766,500)	248,500

* Balance at resignation as a Director on 24 August 2010.

Note 20: Related Party Disclosures

(a) Disclosure of interest of Corporate Advisory Agreement with Empire Securities Group Pty Ltd:

- Gavan Farley is a shareholder and director of Empire Securities Group Pty Ltd.
- Services provided include corporate advisory, office rent of the Company’s principal place of business, bookkeeping and boardroom facilities.
- Empire Securities Group Pty Ltd provided services to the Company on commercial terms during the year. The Company made payments during the year on commercial terms totalling $75,223 (2011 - $91,723) to Empire Securities Group Pty Ltd for services provided.

(b) Disclosure of interest of Corporate Advisory Agreement with Oakhill Hamilton Pty Ltd:

- Robert Waring is a shareholder and director of Oakhill Hamilton Pty Ltd.
- Services provided include office corporate advisory, secretarial, taxation and accounting services.
- Oakhill Hamilton Pty Ltd provided services to the Company on commercial terms during the year. The Company made payments during the year on commercial terms totalling $42,562 (2011 - $55,979) to Oakhill Hamilton Pty Ltd for services provided. The balance owing to Oakhill Hamilton Pty Ltd at 30 June 2012 was $698.

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 17 to 37, are in accordance with the *Corporations Act 2001* including:
   a. giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year then ended; and
   b. complying with Accounting Standards and Corporations Regulations 2001, professional reporting requirements and mandatory requirements.
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.
3. The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

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

Gavan Farley

Executive Director

27 September 2012

HLB Mann Judd
Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Pilbara Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Pilbara Minerals Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Pilbara Minerals Limited.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report of Pilbara Minerals Limited complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd
Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Pilbara Minerals Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

Auditor's opinion

In our opinion:

(a) the financial report of Pilbara Minerals Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(r) in the financial report, which indicates that the company will need to seek additional funding in the coming year in order to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing these financial statements. Should these equity raisings or other sources of funding be unable to be completed, there is a material uncertainty that may cast significant doubt as to whether the company will be able to realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Pilbara Minerals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glad

N G NEILL
Partner

Perth, Western Australia
27 September 2012

ADDITIONAL SHAREHOLDER INFORMATION

A. Corporate Governance

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is contained within the Director's Report.

B. Shareholding

1. Substantial Shareholders

There are four substantial holders listed on the Company's register as at 24 August 2012:

- Pilbara Mining Pty Ltd holding 10,000,000 shares or 18.026% of the Company's issued capital.
- Rigi Investments Pty Limited holding 3,333,327 shares or 6.009% of the Company's issued capital.
- Invia Custodian Pty Limited <Mr Brendan M Hopkins A/C> holding 3,058,326 shares or 5.513% of the Company's issued capital.
- Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account> holding 2,862,000 shares or 5.159% of the Company's issued capital.

2. Number of holders in each class of equity securities and the voting rights attached (as at 24 August 2012)

Ordinary Shares

There are 605 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options

There are 22 unlisted option holders. There are no voting rights attached to these options. Details of options are set out on page 3 of this Annual Report.

3. Distribution schedule of the number of holders in each class of equity security as at 24 August 2012.

Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	24	15,446	0.028
1,001 - 5,000	161	424,307	0.765
5,001 - 10,000	192	1,869,099	3.369
10,001 - 100,000	163	6,441,076	11.611
100,001+	65	46,725,072	84.227
TOTAL ON REGISTER	**605**	**55,475,000**	**100.000**

4. Marketable Parcel

There are 461 shareholders with less than a marketable parcel.

ADDITIONAL SHAREHOLDER INFORMATION

continued

5. Twenty largest holders of each class of quoted equity security

The names of the twenty largest holders of each class of quoted security, the number of equity security each holds and the percentage of capital each holds (as at 24 August 2012) is as follows:

Ordinary Shares Top 20 holders and percentage held

1	Pilbara Mining Pty Ltd	10,000,000	18.026%
2	Rigi Investments Pty Limited	3,333,327	6.009%
3	Invia Custodian Pty Limited <Mr Brendan M Hopkins A/C>	3,058,326	5.513%
4	Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	2,862,000	5.159%
5	Ms Katherine Rose Barnes & Mr Timothy Simon Blake <Holbrook A/C>	2,500,000	4.507%
6	Austock Investments Pty Ltd	1,900,000	3.425%
7	Legend Mining Limited	1,750,000	3.155%
8	Felix Bay Capital Pty Ltd <Felix Bay Capital A/C>	1,666,667	3.004%
9	Felix Bay Capital Pty Ltd	1,500,000	2.704%
10	Mr Eoin Rothery <Rothery Family A/C>	1,460,000	2.632%
11	Mr Garry Benjamin Ralston	1,322,000	2.383%
12	Gecko Resources Pty Ltd	1,180,000	2.127%
13	Altinova Nominees Pty Ltd	1,000,000	1.803%
14	Mr Andrew Charles Della-Sale & Mrs Hayley Kristen Della-Sale <Dellas Super Fund A/C>	700,000	1.262%
15	Mandies Meats Pty Ltd	600,000	1.082%
16	TW Construction Services Pty Ltd <TCW Holdings A/C>	575,000	1.037%
17	Mr Karl Thorstensen	540,469	0.974%
18	Mr Ian Alastair Leete & Mrs Helen Leete <The Leete Family S/F A/C>	510,798	0.921%
19	Symmall Pty Ltd <Masterman Super Fund A/C>	500,000	0.901%
20	Mr Simon William Tritton	410,000	0.739%
	TOTAL TOP 20 SHAREHOLDERS	**37,368,587**	**67.361%**
	TOTAL REMAINING SHAREHOLDERS	**18,106,413**	**32.639%**
	TOTAL SHAREHOLDERS	**55,475,000**	**100.000%**

6. Company Secretary

The name of the Company Secretary is Robert Waring.

Address and telephone details of the Company's registered administrative office and principle place of business:

Level 5, 2 Bligh Street, Sydney NSW 2000
Telephone: (02) 8252 9223; Fax: (02) 9475 5435

Address and telephone details of the office at which a registry of securities is kept:

BoardRoom Pty Limited
Level 7, 207 Kent Street, Sydney NSW 2000

Stock exchange on which the Company's securities are quoted:

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

Restricted Securities

Fully Paid Ordinary Shares of 12,150,000 were released from escrow on 16 June 2012 and 20,000,000 options were released from escrow on 16 June 2012.

Number of options	Strike price	Expiry	Restricted until
20,000,000	$0.20	31 December 2012	16 June 2012

Review of Operations

A review of operations is contained in the Directors' Report.

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects. The Company believes it has used its cash in a consistent manner to which was disclosed under the prospectus dated 12 March 2010.

Schedule of Tenements

The Company's Schedule of Tenements is on page 8 of the Annual Report.

CORPORATE INFORMATION

ABN 95 112 425 788

Directors

Gavan Farley
Robert Adamson
Victor Rudenno

Company Secretary

Robert Waring

Registered Office and Principal Place of Business

Level 5, 2 Bligh Street
Sydney NSW 2000
Telephone: (02) 8252 9223
Fax: (02) 9475 5435

Share Register

BoardRoom Pty Limited
Level 7, 207 Kent Street
SYDNEY NSW 2000

Solicitors

Gadens
Level 16
77 Castlereagh Street
SYDNEY NSW 2000

Bankers

National Australia Bank
Level 1, 1238 Hay Street
WEST PERTH WA 6005

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Website

www.pilbaraminerals.com.au