PILBARA MINERALS
LIMITED

ACN 112 425 788

Financial Report For The Year Ended

30 June 2013

Contents

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of Pilbara Minerals Limited and the entities it controlled during the period for the financial year ended 30 June 2013. 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.

Tony Leibowitz	Non-Executive Director (appointed 30 May 2013) and Chairman (appointed 11 June 2013)
Gavan Farley	Executive Director (appointed 12 February 2010)
Neil Biddle	Non-Executive Director (appointed 30 May 2013)
Robert Adamson	Non-Executive Director (appointed 1 July 2010)
Victor Rudenno	Non-Executive Director (appointed August 2010, resigned 30 May 2013)

Names, qualifications, experience and special responsibilities

Tony Leibowitz
Chairman and Non Executive Director
FCA

Mr Tony Leibowitz is a Fellow of The Institute of Chartered Accountants in Australia and has more than 30 years of corporate finance, investment banking and broad commercial experience. He has a strong track record in capital raisings, mergers and acquisitions, business restructuring and corporate governance and was previously a global partner at PricewaterhouseCoopers based in Perth and Sydney for 12 years. Mr Leibowitz is Deputy Chairman of Bluestone Global Limited.

Gavan Farley
Executive Director
Dipl. Bus, MBA, MAICD

Mr 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.

Neil Biddle
Non-Executive Director, Consultant Geologist
BAppSc (Geology), MAusIMM

Mr Neil Biddle is a geologist and Corporate Member of the Australasian Institute of Mining and Metallurgy. He has over 30 years professional and management experience in the exploration and mining industry and since 1987 has served on the Board of several ASX listed companies. Mr Biddle was Managing Director of TNG Ltd from 1998-2007, Border Gold NL from 1994-1998 and Consolidated Victorian Mines 1991-1994. He is currently a Director of Arunta Resources Ltd.

Robert Adamson
Non-Executive Director, Consultant Geologist
BSc, MSc (Hons), MAusIMM, CP(Geo), MAIMVA (CMV), MMICA

Mr Robert (Bob) Adamson's professional career spans some 46 years, (1966-present). The first 25 of which he was employed with several international mining houses, and in managerial and board positions with listed exploration and mining companies in Australia and overseas. Mr Adamson has been an independent mineral industry consultant since 1993. He has an extensive background in mineral exploration and mining for gold, base metals, diamonds and semi-precious stones, principally in Australia, 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. Mr Adamson has most recently served as the Group's consultant geologist and manages the exploration program for the Group's tenements in the West Pilbara, Western Australia.

DIRECTORS' REPORT (continued)

Victor Rudenno
Non-Executive Director
BE (Mining), MCom, PhD, FAusIMM, SFFinsia

Dr Victor 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
Joint Company Secretary
BEc (Sydney), CA, FCIS, FFin, MAusIMM, FAICD

Mr 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.

Zane Lewis
Joint Company Secretary
BEc

Mr Zane Lewis has held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 25 years relevant industry experience. Mr Lewis also serves on the board of GRP Group (ASX: GRP) and is a Company Secretary and CFO for various unlisted public companies. Mr Lewis studied a Bachelor of Economics at the University of Western Australia and is a member of Chartered Secretaries Australia. Mr Lewis has been responsible for the corporate, treasury, finance, accounting and administration functions for these companies.

Interests in the shares and options of the Group

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.

Director shareholdings

The number of shares held by each director of the company during the financial year is as follows:

30 June 2013	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Tony Leibowitz	**-**	**5,010,000**	**-**	**-**	**-**	**5,010,000**
Gavan Farley	**43,500**	**-**	**-**	**-**	**141,500**	**185,000**
Bob Adamson	**95,000**	**-**	**-**	**-**	**195,000**	**290,000**
Neil Biddle	**-**	**16,900,000**	**-**	**-**	**448,905**	**17,348,905**
Victor Rudeno[1]	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Robert Waring	**60,000**	**-**	**-**	**-**	**915,728**	**975,728**
Total	**298,500**	**21,910,000**	**-**	**-**	**1,701,133**	**23,909,633**

1. Balance at resignation as a director on 30 May 2013

30 June 2012	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Gavan Farley	43,500	-	-	-	-	43,500
Bob Adamson	45,000	-	-	-	50,000	95,000
Victor Rudeno[1]	100,000	-	-	-	-	100,000
Robert Waring	60,000	-	-	-	-	60,000
Total	248,500	-	-	-	50,000	298,500

DIRECTORS' REPORT (continued)

Director option holdings

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

30 June 2013	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Tony Leibowitz	-	-	-	-	-	-
Gavan Farley	**250,000**	-	-	-	-	**250,000**
Bob Adamson	**250,000**	-	-	-	-	**250,000**
Neil Biddle	-	-	-	-	-	-
Victor Rudeno[1]	**250,000**	-	-	-	-	**250,000**
Robert Waring	**250,000**	-	-	-	-	**250,000**
Total	**1,000,000**	-	-	-	-	**1,000,000**

1. Balance at resignation as a director on 30 May 2013

30 June 2012	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Gavan Farley	250,000	-	-	-	-	250,000
Bob Adamson	250,000	-	-	-	-	250,000
Victor Rudeno	250,000	-	-	-	-	250,000
Robert Waring	250,000	-	-	-	-	250,000
Total	1,000,000	-	-	-	-	1,000,000

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 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.

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 Group during the year was the exploration for natural resources.

Review of Operations

West Pilbara Joint Venture, WA (60%)

On 15 January 2013 Pilbara Minerals Limited (Pilbara Minerals) announced it had entered into a non-binding Memorandum of Understanding with Fox Resources Limited (Fox Resources) to establish a Joint Venture (JV) over 10 of the 14 tenements that comprise Pilbara Minerals' West Pilbara Project, and on 9 April 2013 the signing of the definitive Farm-in and JV Agreement was announced. The terms of the Agreement provide that Fox Resources will acquire up to an 80% interest in the tenements in return for carrying out extensive exploration activity, which commenced in April 2013. By a cash payment to Pilbara Minerals of $150,000, Fox Resources earned an initial 40% JV interest. The remaining 40% may be earned by Fox Resources in three stages over a period of up to three years for annual expenditure by Fox Resources of $565,000 in each of the first two years and $839,000 in the third year. Fox Resources is the manager of the JV.

The West Pilbara Joint Venture'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.

JV exploration is concentrating initially on follow-up of previously reported aerial VTEM anomalies with ground geophysics to define drill targets. Fox Resources, as co-venturer and manager, will conduct further VTEM surveying and leverage its extensive exploration experience in the region.

DIRECTORS' REPORT (continued)

After geological review, Pilbara Minerals surrendered the four exploration licences not included in the Fox Resources JV. Following extensive geological and geophysical reviews by Fox, three of the joint venture exploration licences were surrendered. At the end of June, Pilbara Minerals held a 60% interest in 7 exploration licences in joint venture with Fox Resources

Malaumanda and Tamo Gold and Copper Exploration Projects, Papua New Guinea (various %)

As announced on 30 October 2012, Pilbara Minerals agreed to acquire Sturt Resources Ltd (Sturt Resources), an unlisted public company which has a portfolio of large-scale gold and copper-gold projects in the world-class Highlands region of Papua New Guinea (PNG). Pilbara Minerals' shareholders with the Board's recommendation approved the transaction at a general meeting on 17 May 2013.

The Sturt acquisition re-positions Pilbara Minerals as a leading minerals explorer and developer in one of the most prospective and under-explored geological regions of the PNG Highlands and the Group will now focus on discovering and developing world-class epithermal gold and porphyry copper-gold deposits.

Sturt Resources, through its PNG-registered subsidiaries, holds the title to, and/or rights to acquire, exploration titles covering almost 4,900km^2 in the heart of PNG's Orogenic Copper-Gold Belt, which hosts some of the world's largest gold and copper-gold ore bodies. World-class mines in this region include Ok Tedi (>10Moz Au, +3Mt Cu), Porgera (>32Moz Au) and Frieda River (>15Moz Au, +17Mt Cu), and the Australian company Marengo Mining Limited is developing the nearby Yandera Copper-Molybdenum Project.

The flagship asset is the Malaumanda Gold and Copper Project, which is comprised of three Exploration Licences and one Exploration Licence Application covering an area of 4,600km^2 in the heart of the resource-rich Orogenic Copper-Gold Belt. The southern boundary of the Malaumanda tenements lies approximately 15km north of Barrick Gold Corporation's massive Porgera Gold Mine and some 120km along strike from the Frieda River copper-gold deposit.

The PNG portfolio includes the Tamo Placer Gold Project which offers potential for near-term, low-cost production and cash flow potential, and a surrounding exploration licence (the Tamo Gold and Copper Project) on which initial geochemical exploration has been undertaken.

The Board resolved to impair $612,617 of the exploration and evaluation assets carried forward in respect of the Malamaunda area of interest in accordance with the accounting policy set out in Note 1(o).

New Projects

Pilbara continues to seek to acquire interests in mineral projects having good prospects for near- term development and cash flows. This is intended to support and complement the Company's green-fields exploration programmes in Papua New Guinea.

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.

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.

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.

Operating results for the year

The loss of the Company for the financial period, after providing for income tax amounted to $1,156,207 (2012: $2,080,520).

DIRECTORS' REPORT (continued)

Review of financial conditions

The Company has $240,658 in cash assets at 30 June 2013. As announced to the Australian Securities Exchange (ASX) on 31 July 2013, the Company raised an additional $488,000 through the issue of 48,800,000 fully paid shares at 1 cent each to sophisticated and professional investors. Subject to the successful completion of an additional 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 1(d))

Risk management

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

Corporate Governance

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

Significant events after balance date

On 31 July 2013, 48,800,000 fully paid shares at 1 cent each were issued to sophisticated and professional investors to raise $488,000.

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

Likely developments and expected results

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

Environmental legislation

The Group 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 2013.

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

Tony Leibowitz	Non-Executive Director (appointed 30 May 2013) and Chairman (appointed 11 June 2013)
Gavan Farley	Executive Director (appointed 12 February 2010)
Neil Biddle	Non-Executive Director (appointed 30 May 2013)
Robert Adamson	Non-Executive Director (appointed 1 July 2010)
Victor Rudenno	Non-Executive Director (appointed August 2010, resigned 30 May 2013)

DIRECTORS' REPORT (continued)

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 2013 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.

DIRECTORS' REPORT (continued)

Remuneration of Key Management Personnel

Table 1: Directors' and executives remuneration for the year ended 30 June 2013

	Short-term employee benefits		Post-employment benefits		Equity	Other	Total	%
	Salary	Consulting Fees	Superannuation	Prescribed Benefits	Options			Performance Related
Tony Leibowitz	3,000	-	-	-	-	-	3,000	-
Gavan Farley	73,000	-	-	-	-	-	73,000	-
Neil Biddle	3,000	-	-	-	-	-	3,000	-
Robert Adamson	35,700	9,450	-	-	-	-	45,150	-
Victor Rudenno	33,000	-	-	-	-	-	33,000	-
Robert J Waring	54,620	-	-	-	-	-	54,620	-
Zane Lewis	-	-	-	-	-	-	-	-
Total	**202,320**	**9,450**	**-**	**-**	**-**	**-**	**211,770**	**-**

Remuneration of Key Management Personnel

Table 2: Directors' and executives remuneration for the year ended 30 June 2012

	Short-term employee benefits		Post-employment benefits		Equity	Other	Total	%
	Salary	Consulting Fees	Superannuation	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**	**-**

No remuneration was payable via the issue of options in the year ended 30 June 2013.

End of remuneration report

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	Attended	Eligible to attend
Tony Leibowitz	2	2
Gavan Farley	8	8
Neil Biddle	2	2
Robert Adamson	8	8
Victor Rudeno	6	6

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 18 and forms part of this Directors' report for the year ended 30 June 2013.

DIRECTORS' REPORT (continued)

Non-Audit Services

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.

During the year, the auditors did not provide any non-audit services to the Group.

Signed in accordance with a resolution of the Directors.

Tony Leibowitz
Chairman of the Board

Dated this 27th day of September 2013

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 20 September 2013

Tenement Number	Status	Interest	Joint Venture

Western Australia

E47/1092	RELINQUISHED	NIL	
E47/1093	GRANTED	60%	Fox Resources Limited
E47/1094	GRANTED	60%	Fox Resources Limited
E47/1095	RELINQUISHED	NIL	
E47/1097	GRANTED	60%	Fox Resources Limited
E47/1811	RELINQUISHED	NIL	
E47/1812	RELINQUISHED	NIL	
E47/1813	GRANTED	60%	Fox Resources Limited
E47/1814	GRANTED	60%	Fox Resources Limited
E47/1815	GRANTED	60%	Fox Resources Limited
E47/1816	RELINQUISHED	NIL	
E47/1817	RELINQUISHED	NIL	
E47/2260	RELINQUISHED	NIL	
E47/2261	GRANTED	60%	Fox Resources Limited

Papua New Guinea

EL 1915	GRANTED	100%	
EL 1916	GRANTED	100%	
EL 1989	RELINQUISHED	NIL	
ELA 2071	APPLICATION	N/A	

CORPORATE GOVERNENCE STATEMENT

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

The Board monitors the business and affairs of the Company on behalf of its 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 CGC in August 2007 with 2010 amendments (including the June 2010 recommendations on diversity). At a number of Board meetings each year the Directors examine the Company's Corporate Governance practices and progress towards a review of its practice compared to the best practice principles proposed by the CGC. While the Company 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 its size.

The August 2007 CGC publication “Corporate Governance Principles and Recommendations” second edition is referred to for guidance purposes as necessary. However, all listed companies are required to disclose the extent to which they have followed the recommendations, and 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 has considered new arrangements to enable compliance. In a limited number of instances, the Company has determined 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 its size.

The Company's Corporate Governance practices were in place throughout the year ended 30 June 2013, except as indicated below.

Composition of the Board

The skills, experience and expertise of each Director in office at the date of this Annual Report are included in the Directors' Report. The Directors of the Company 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. In the context of Director independence, ‘materiality’ is considered from both the Company and individual Director's perspectives. 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.

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 at the date of this Annual Report is as follows:

Name	Term in Office
Gavan Farley	40 months
Robert Adamson	36 months
Tony Leibowitz	1 month (appointed 30 May 2013)
Neil Biddle	1 month (appointed 30 May 2013)

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

CORPORATE GOVERNENCE STATEMENT (Contiinued)

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 include a Board Charter, which discloses the specific responsibilities of the Board and can be viewed on the Company's website at www.pilbaraminerals.com.au, 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 include a section on Performance Evaluation Practices, which discloses the performance evaluation criteria of senior executives and can be viewed on the Company's website at www.pilbaraminerals.com.au.

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

Any departures from Principles 1.1 and 1.2 are contained in the above points.

A performance evaluation of the senior executive (the Executive Director) was carried out during the financial year and was in accordance with the process described in the Company's Corporate Governance Policies.

Principle 2: Structure the Board to add value

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

The Independent Directors of the Company during the past financial year were considered to be Robert Adamson, Victor Rudenno and Tony Leibowitz. The Company does not meet the recommendation that a majority of the Board should be Independent Directors but 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 most of the financial year was Gavan Farley and he is an Executive Director. He is not therefore considered to be an Independent Director. The Company appointed Independent Non-Executive Director Tony Leibowitz as Chairman on 11 June 2013.

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

During most of the financial year the Company had an Executive Chairman, Gavan Farley (considered to be the Chief Executive Officer (CEO)). A permanent Chairman, Tony Leibowitz, was elected on 11 June 2013.

R2.4 The Board should establish a Nomination Committee.

The Board does not believe it is necessary to establish a separate Nomination Committee. However the Board has established a Remuneration and Nomination Committee that has assumed the role of the Nomination Committee. This 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 comprised Gavan Farley (Chairman) and Victor Rudenno for the period until 30 May 2013 when Victor Rudenno resigned and was replaced by Tony Leibowitz. 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 at www.pilbaraminerals.com.au.

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 Performance Evaluation Practices that are used to evaluate the performance of the Board.

R2.6 Companies should provide the information indicated in the 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 of this Annual Report.

Any departures from Principles 2.1, 2.2, 2.3, 2.4 and 2.5 are contained in the above points.

CORPORATE GOVERNENCE STATEMENT (Continued)

Principle 3: Promote ethical and responsible decision-making

R3.1 Companies should establish a Code of Conduct and disclose the Code, or a summary of the Code, as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company's Corporate Governance includes a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment, and can be found on the Company's website at www.pilbaraminerals.com.au.

General principles of the Company's Code of Conduct include:

- Employees of the Company must act honestly and with integrity, in good faith and in the best interests of the Company as a whole.
- 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.
- Employees must recognise that their primary responsibility is to the Company's shareholders as a whole.
- Employees must not take advantage of their position for personal gain, or the gain of their associates.
- Directors have an obligation to be independent in their judgments.
- 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.
- 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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them. The Company's Diversity Policy is available on the Company's website at www.pilbaraminerals.com.au.

The Board believes that the pursuit of diversity in the workplace increases the Company's ability to attract, retain and develop the best talent available, creates an engaged workforce, enhances individual work-life balance, encourages personal achievement, improves co-operation and assists in the optimisation of organisational performance. Diversity in the workplace should mirror the diversity of the broader community in which the Company operates, encompassing age, gender, ethnicity, cultural and other personal factors. The Company respects the diversity of all its employees, consultants and contractors, and cultivates an environment of fairness, respect and equal opportunity. During the year the Company farmed-out its tenements in the Pilbara region of Western Australia and in May 2013 acquired Sturt Resources Ltd, whose main operations are in Papua New Guinea (PNG). As the Group ramps up its activities in PNG in 2013-14, it will be mindful of its gender and other diversity obligations.

R3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

At this time, given the size and composition of the Company's workforce, the Board has not formalised measurable objectives for achieving gender diversity. However it is committed to providing equal employment opportunities to enable a workplace based on gender diversity and, in accordance with the adopted Diversity Policy, will further address this matter as the Company grows in size.

R3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The Company has a small number of staff members (no employees and six contractors). The Company does not have any women on its Board or amongst its executives, but two of its six contract staff members are women.

CORPORATE GOVERNENCE STATEMENT (Continued)

R3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.

Any departures from Principles 3.1 and 3.2 during the reporting year are contained in the above points.

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, and has been posted on the Company's website at www.pilbaraminerals.com.au. The key policy items include:

- General restrictions when in possession of inside information, which includes sections dedicated to insider trading laws and confidential information.
- Additional trading restrictions for Directors and employees. This section details times when restricted persons are prohibited from trading in the Company's securities, and policies on exceptional circumstances where clearance is given to restricted persons.
- Policies that restricted persons must comply with prior to and after trading in the Company's securities.

Other sections of this Policy include notification of trading, breaches of policy and general information.

Principle 4: Safeguard integrity in financial reporting

R4.1 The Board should establish an Audit Committee.

The Board has established an Audit and Risk Management Committee, which operates under charters, approved by the Board, which have been posted on the Company's website at www.pilbaraminerals.com.au. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. 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 and Risk Management Committee.

The Audit and Risk Management 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 and Risk Management Committee for most of the year were Independent Non-Executive Director, Victor Rudenno, as Chairman and Executive Director Gavan Farley. Tony Leibowitz replaced Victor Rudenno on the Committee on 30 May 2013. The 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 at www.pilbaraminerals.com.au.

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

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

The Audit and Risk Management Committee was chaired by Victor Rudenno, the only Non-Executive Director of the Company, until he resigned on 30 May 2013. Victor Rudenno was not the Chairman of the Company. Tony Leibowitz joined the Committee on 30 May 2013 and the Committee is now chaired by Gavan Farley. During the year, and because of the size of the Board, the second member of the Audit and Risk Management Committee, Gavan Farley, was an Executive Director. For the period until 30 May 2013, the Audit and Risk Management Committee consisted of the only Non-Executive Director as Chairman and an Executive Director. For most of the financial year, the Audit and Risk Management Committee had only two members due to the Company only having one Independent Non-Executive Director to form the Committee during this period, and therefore did not comply with the requirement that the Committee have a majority of Independent Directors.

The members of the Audit and Risk Management Committee during the year had the requisite financial experience and qualifications, including:

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

Gavan Farley – Dipl Bus, MBA, MAICD

Tony Leibowitz – FCA

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

The Company's Corporate Governance Policy includes a formal charter for the Audit Committee, which is available on the Company's website at www.pilbaraminerals.com.au.

CORPORATE GOVERNENCE STATEMENT (Continued)

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

Any departures from Principles 4.1, 4.2 and 4.3 are contained in the above points.

The Corporate Governance Statement has been posted on the Company's website, which is available on the Company's website at www.pilbaraminerals.com.au.

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, which is available on the Company's website at www.pilbaraminerals.com.au. There is a vetting and authorisation process in place that is designed to ensure that the Company's announcements:

- are made in a timely manner;
- are factual;
- do not omit material information; and
- 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 the Guide to Reporting on Principle 5.

Any departures from Principle 5.1 are contained in the above point. The Corporate Governance Statement has been posted on the Company's website, which is available on the Company's website at www.pilbaraminerals.com.au.

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 the policy or a summary of the policy.

The Company's Corporate Governance Policy includes a Shareholder Communications Strategy, which aims to ensure that the Company's shareholders are informed of all major developments affecting the Company's state of affairs and which is available on the Company's website at www.pilbaraminerals.com.au

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

Any departures from Principle 6.1 are contained in the above point.

The Corporate Governance Statement has been posted on the Company's website, which is available on the Company's website at www.pilbaraminerals.com.au.

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 are an agenda item at Board, and Audit and Risk Management 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 at www.pilbaraminerals.com.au.

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.

Risk Management and internal control system

The Executive Director was responsible for risk management and internal control systems during the year, and reported material business risks to the Board. The Audit and Risk Management Committee is described in Principle 4 above.

CORPORATE GOVERNENCE STATEMENT (Continued)

Risk Management Committee

The Board has not established a separate Risk Management Committee. However, it has established an Audit and Risk Management Committee that has assumed the role of a separate Risk Management Committee, and operates under a charter approved by the Board. The Board is ultimately responsible for risk oversight and risk management. Discussions on the recognition and management of risks were also considered by 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. The issue of risk is covered by the Board, and the Audit and Risk Management Committee. The Board, at least annually, receives assurance from the CEO and the Chief Financial Officer (CFO) that the declaration 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.

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

The Board considers that it is appropriate to require the CEO and CFO to provide this statement at the relevant time, i.e. as part of the Annual and Half-Yearly Financial Report process.

Any departures from Principles 7.1, 7.2 and 7.3 are contained in the above points.

The Corporate Governance Statement has been posted on the Company's website at www.pilbaraminerals.com.au.

Prinicple 8: Remunerate fairly and responsibly

R8.1 The Board should establish a Remuneration Committee.

Purpose of the Remuneration Committee

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

The Remuneration and Nomination Committee:

- consisted of the Executive Director, Gavan Farley (Chairman) and Victor Rudenno (Non-Executive Director). Victor Rudenno was replaced on the Committee by Tony Leibowitz on 30 May 2013.
- was Chaired by an Executive Director, Gavan Farley, and is now chaired by the Company Chairman, Tony Leibowitz.
- 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.

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 and Nomination 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 the Company.

For a full explanation of the Company's remuneration philosophy and framework, and the remuneration received by Directors and executives in the current year, refer to the Remuneration Report, which is contained in the Directors' Report of this Annual Report.

CORPORATE GOVERNENCE STATEMENT (Continued)

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, for the CEO and for the executive team on advice from the Remuneration and Nomination Committee.

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

The names of the members of the Remuneration and Nomination Committee during the year are included in section 8.1 above.

Any departures from Principles 8.1 and 8.2 are contained in the above points.

The Company's Corporate Governance Policies, which include a Remuneration Committee Charter, are available on the Company's website at www.pilbaraminerals.com.au.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Pilbara Minerals Limited for the year ended 30 June 2013, 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 Minerals Limited and the entities it controlled during the year.

Perth, Western Australia
27 September 2013

N G Neill
Partner

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
Revenue			
Other income	4	**96,989**	49,502
Total revenue		**96,989**	49,502
Audit and assurance fees	5	**(27,350)**	(17,600)
Consulting fees	5	**(21,003)**	(4,557)
Directors' fees	5	**(147,700)**	(132,648)
Exploration expenditure written-off	5	**(678,467)**	(1,815,777)
Professional and legal fees	5	**(308,139)**	(106,380)
Share registry expenses	5	**(24,142)**	(22,497)
Marketing	5	**(5,050)**	(965)
Other expenses	5	**(41,345)**	(29,598)
Loss before income tax		**(1,156,207)**	(2,080,520)
Income tax expense	6	**-**	-
Loss for the year after income tax		**(1,156,207)**	(2,080,520)
Other Comprehensive income		**-**	-
Other Comprehensive income for the period, net of tax		**-**	-
Total Comprehensive loss for the year		**(1,156,207)**	(2,080,520)
Loss for the year is attributable to:			
Owners of the Parent		**(1,156,207)**	(2,080,520)
Total Comprehensive loss for the year is attributable to:			
Owners of the Parent		**(1,156,207)**	(2,080,520)
Earnings per share (cents per share)			
Basic earnings/(loss) per share for the year attributable to ordinary equity holders of the parent	16	**(1.63)**	(3.75)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	2013 $	2012 $
Assets			
Current Assets			
Cash and cash equivalents	8	**240,658**	163,839
Other current assets	9	**20,942**	43,087
Total Current Assets		**261,600**	206,926
Non-Current Assets			
Plant and equipment	10	**8,315**	-
Deferred exploration and evaluation expenditure	11	**4,400,140**	1,766,912
Investments	12	**43,706**	-
Total Non-Current Assets		**4,452,161**	1,766,912
Total Assets		**4,713,761**	1,973,838
Liabilities			
Current Liabilities			
Trade and other payables	13	**654,725**	69,491
Total Current Liabilities		**654,725**	69,491
Total Liabilities		**654,725**	69,491
Net Assets		**4,059,036**	1,904,347
Equity			
Contributed Equity	14	**14,752,182**	11,441,286
Reserves	15	**24,753**	1,580,535
Accumulated Losses		**(10,717,899)**	(11,117,474)
Total Equity		**4,059,036**	1,904,347

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Consolidated	Notes	Contributed Equity $	Options Reserve $	Accumulated Losses $	Total Equity $
Balance at 30 June 2011		11,441,286	1,580,535	(9,036,954)	3,984,867
Loss for the year		-	-	(2,080,520)	(2,080,520)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(2,080,520)	(2,080,520)
Transactions with owners in their capacity as owners:					
Share based payment		-	-	-	-
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
Loss for the year		**-**	**-**	**(1,156,207)**	**(1,156,207)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive loss for the year		**-**	**-**	**(1,156,207)**	**(1,156,207)**
Transactions with owners in their capacity as owners:					
Issued shares	14	**3,340,466**	**-**	**-**	**3,340,466**
Share issue transaction costs		**(29,570)**	**-**	**-**	**(29,570)**
Lapse of options	15	**-**	**(1,555,782)**	**1,555,782**	**-**
Total transactions with owners in their capacity as owners		**3,310,896**	**(1,555,782)**	**1,555,782**	**3,310,896**
Balance at 30 June 2013		**14,752,182**	**24,753**	**(10,717,899)**	**4,059,036**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Payments to suppliers and employees		**(346,097)**	(306,549)
Interest received		**2,542**	18,562
Other receipts		**128,969**	38,991
Net cash used in operating activities	8	**(214,586)**	(248,996)
Cash flows from investing activities			
Proceeds from joint venture farm-in of tenements		**165,000**	-
Payments for exploration and evaluation		**(108,708)**	(379,369)
Cash acquired from acquisition of subsidiaries	17	**34,617**	-
Net cash provided by/(used in) investing activities		**90,909**	(379,369)
Cash flows from financing activities			
Proceeds from the issue of shares		**230,066**	-
Share issue transaction costs	14	**(29,570)**	-
Net cash provided by/(used in) financing activities		**200,496**	-
Net change in cash and cash equivalents		**76,819**	(628,365)
Net foreign exchange differences			
Cash and cash equivalents at beginning of financial year		**163,839**	792,204
Cash and cash equivalents at end of financial year	8	**240,658**	163,839

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

1 Corporate information

Pilbara Minerals Limited (the Parent) is a listed public company, incorporated in Australia and operating in Australia and Papua New Guinea. The entity's principal activities are Mineral Exploration.

The nature of the operations and principal activities of the Group are described in the directors' report.

This financial report of Pilbara Minerals Limited (the 'Company') for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 September 2013.

2 Summary of significant accounting policies **Page**

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

All amounts are presented in Australian dollars which is the Group's functional and presentation currency, unless otherwise noted.

(b) Compliance with IFRS

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).

(c) New Accounting Standards and Interpretations

(i) Standards and interpretations affecting amounts reported in the current year

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements.

New and Revised Standard	Requirements and impact assessment
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arises from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial report. The application of the amendment to AASB 101 has not had a material impact on the Company or Group's financial information as the amendment merely provides further choice in the disclosure options available for presentation purposes.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The application of the revision to AASB 124 has not had a material effect on the Company or Group's financial information as neither are government-related entities and the expanded definition of related parties does not extend the current disclosure being undertaken.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of the amendment to AASB 2009-12 has not had a material effect on the Company or Group's financial information as neither are government-related entities.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(ii) Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial report, the following Standards and Interpretations listed below were in issue.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	July 1, 2013	June 30, 2014
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	July 1, 2013	June 30, 2014
AASB 10 'Consolidated Financial Statements'	July 1, 2013	June 30, 2014
AASB 11 'Joint Arrangements'	July 1, 2013	June 30, 2014
AASB 12 'Disclosure of Interests in Other Entities'	July 1, 2013	June 30, 2014
AASB 127 'Separate Financial Statements' (2011)	July 1, 2013	June 30, 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	July 1, 2013	June 30, 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	July 1, 2013	June 30, 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	July 1, 2012	June 30, 2013
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	July 1, 2013	June 30, 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	July 1, 2012	June 30, 2013

(d) Going concern

The financial statements have been prepared on the going concern basis, the validity of which depends upon the positive cash position. The Group'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 Group 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.

Additionally, the Group has a working capital deficiency of $315,124 at 30 June 2013 and cash reserves of $240,658. As noted in Note 24, the Group has raised $488,000 post balance date.

Notwithstanding this issue, accordingly the directors have prepared the financial statements of the Group 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.

The Directors recognise that additional funding is required in order for the Group to meet its objectives, develop its assets and remain as a going concern. Whilst the Directors are confident of the Group's ability to raise additional capital, should the Group be unable to do so, there exists a material uncertainty that the Group will continue to be a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(e) Principles of consolidation

A controlled entity is any entity that Pilbara Minerals Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(f) 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(g) Goods and services tax (GST)

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.

(h) Property, plant and equipment

Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Office Equipment	10-37.5%
Plant and Equipment	20%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(j) Financial instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

When financial instruments are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Classification and subsequent measurement

- Financial assets at fair value through profit or loss

  Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

The carrying amount of financial assets including uncollectable trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(k) 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 Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- the Group 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 Group 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 Group 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 Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group'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.

(l) Impairment of non financial assets

The Group assesses at each reporting 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 Group 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 reporting 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.

(m) Investment in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(n) Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Capitalised Expenditure

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(o) Exploration and evaluation expenditure

Exploration and evaluation expenditure 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 reporting 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(p) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period, where this approximates the rate at the transaction date.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(q) Provisions

Provisions are recognised when the Group 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 Group 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.

(r) 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.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(t) 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 Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group 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 Group.

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.

(u) Trade and other payables

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

(v) Contributed equity

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.

(w) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group 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 reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group'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 Group 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

(x) 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.

(y) 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.

3 Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Actual results may differ from these estimates.

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

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

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.

No impairment has been recognised at reporting date. The group assesses the estimated useful life of assets based upon historical experience, industry experience and estimated usage for each class of asset.

Significant judgments — Taxation

Deferred tax assets are not recognised for deductible temporary differences as management considers that it is not virtually certain that future taxable profits will be available to utilise those temporary differences.

Deferred tax assets, including those arising from recouped tax losses, capital losses and temporary differences, will be recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. As at 30 June 2013 the Group had carry forward losses of $5,562,456 (2012: $3,439,544). No amount has been estimated for subsidiaries, as these losses are uncertain at this point in time.

Significant judgments - Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Key estimates – Share based payments

Management judgment is applied in determining the following key assumptions that are used in the valuation of share based payments:

- Market price of the underlying asset
- Prevailing level of the risk free rate
- Expected volatility of the value of the underlying asset over the period until the expiry of the option
- Level of dividends expected to be paid on the asset in the period until the expiry of the option and their timing
- Probability of options held being exercised
- Performance conditions

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

4 Revenue

	2013 $	2012 $
Other Income		
Interest received[1]	**2,532**	18,562
Gain on the sale of tenements	**94,457**	-
Other income	**-**	30,940
Total Other Income	**96,989**	49,502

1. Interest received from		
- Bank	**2,532**	18,562

5 Expenses

	2013 $	2012 $
Profit before income tax includes the following specific expenses:		
Audit and assurance fees	**27,350**	17,600
Consulting fees	**21,003**	4,557
Directors' fees	**147,700**	132,648
Exploration expenditure written-off	**678,467**	1,815,777
Professional and legal fees	**308,139**	106,380
Share registry expenses	**24,142**	22,497
Marketing	**5,050**	965
Other expenses	**41,345**	29,598
Total expenses	**1,253,196**	2,130,022

6 Income Tax Expense

	2013 $	2012 $
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	**(1,156,207)**	(2,080,520)
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2012: 30%)	**(346,862)**	(624,156)
Consolidated entity		
Add:		
Tax effect of:		
- Non-deductible expenses	**53,312**	553,373
- Capitalised tenement expenses	**181,171**	(18,437)
- Deferred tax asset not recognised	**112,379**	89,220
Income tax expense	**-**	-

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. Deferred tax assets, including those arising from recouped tax losses, capital losses and temporary differences, will be recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. As at 30 June 2013 the Company, Pilbara Minerals Ltd, has tax losses arising in Australia of $5,562,456 (2012: $5,193,862) that are available indefinitely to offset against future taxable profits. No amount has been estimated for subsidiaries, as these losses are uncertain at this point in time.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

7 Auditor's Remuneration

	2013 $	2012 $
Remuneration of the auditor of the parent entity for auditing the financial report	**27,350**	21,600
Other services	**-**	-
Total auditor's remuneration	**27,350**	21,600

8 Current assets - Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	**240,658**	163,839
Total cash at bank and on hand	**240,658**	163,839

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	**240,658**	163,839
	240,658	163,839

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 Group, and earn interest at the respective short-term deposit rates. The Group did not engage in any non-cash financing activities for the period ending 30 June 2013 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.

	2013 $	2012 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss for the year	**(1,156,207)**	(2,080,520)
Non-cash flows in profit:		
- Gain on sale of tenements	**(94,457)**	
- Exploration expenditure written-off	**678,467**	1,815,777
Changes in assets and liabilities		
- (Increase) Decrease in other current assets	**22,145**	(2,906)
- Increase (Decrease) in accrued exploration and evaluation expenditure	**(29,375)**	212,449
- Increase (Decrease) in trade and other payables	**364,841**	(193,796)
Cash flow from operations	**(214,586)**	(248,996)

9 Current assets – Other current assets

	2013 $	2012 $
Goods and services tax receivable	**-**	36,175
Prepayments	**8,487**	6,912
Other receivables	**12,455**	-
Total other current assets	**20,942**	43,087

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

10 Non-current assets – Plant and equipment

	2013 $	2012 $
Plant and equipment		
At cost	**13,359**	-
Accumulated depreciation	**(5,044)**	-
Total plant and equipment	**8,315**	-

Movements in Carrying Amounts

Movement in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year.

	2013 $	2012 $
Opening balance at 1 July	**-**	-
Additions	**8,315**	-
Carrying amount at 30 June	**8,315**	-

11 Non current assets - Deferred exploration and evaluation expenditure

	2013 $	2012 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	**1,766,912**	3,415,769
Exploration expenditure - W. Pilbara Project	**39,098**	114,510
Exploration expenditure - Seefingan Project	**23,454**	72,410
Exploration expenditure – acquired	**3,279,153**	-
Exploration expenditure – Papua New Guinea	**25,533**	-
Exploration expenditure tenements sold	**(55,543)**	-
Exploration expenditure written-off	**(678,467)**	(1,815,777)
Exploration expenditure to be recovered	**-**	(20,000)
Total deferred exploration and evaluation expenditure	**4,400,140**	1,766,912

Deferred exploration and evaluation expenditure represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1(o). 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(o), the Directors write off exploration expenditure where they assess that the asset is impaired.

12 Non-current assets – Investments

	2013 $	2012 $
Investments		
Investment in unlisted company	**43,706**	-
Total investments	**43,706**	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

13 Current liabilities – Trade and other payables

	2013 $	2012 $
Trade payables	**531,655**	69,491
Director's fees payable	**78,000**	-
Other payables	**45,070**	-
Total trade and other payables	**654,725**	69,491

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

14 Contributed equity

	2013 $	2012 $
(a) Share capital		
Ordinary shares	**14,752,182**	11,441,286
Total share capital	**14,752,182**	11,441,286

(b) Movements in ordinary share capital	**2013** Number of shares	**2013** $	**2012** Number of shares	**2012** $
Ordinary shares				
At the beginning of reporting period	**55,475,000**	**11,441,286**	55,475,000	11,441,286
Shares placement to sophisticated investors	**8,321,250**	**208,032**	-	-
Rights issue	**881,376**	**22,034**	-	-
Share issue on acquisition of subsidiaries	**129,600,000**	**3,110,400**	-	-
Share issue costs	**-**	**(29,570)**	-	-
At reporting date	**194,277,626**	**14,752,182**	55,475,000	11,441,286

During the twelve month period to 30 June 2013, as announced to the Australian Securities Exchange (ASX) on 27 December 2012, 8,321,250 fully paid shares at 2.5 cents each were issued to sophisticated and professional investors raising $208,032. An offer was also made to existing shareholders to participate in a 1:1 non-renounceable rights issue as announced to the ASX on 23 April 2013 and 881,376 fully paid shares at 2.5 cents each were issued to participating shareholders to raise $22,034.

As announced to the ASX on 30 May 2013, 129,600,000 fully paid ordinary shares were issued as consideration for the Company acquiring 100% of the issued share capital of Sturt Resources Limited from the Sturt Resources Limited shareholders. The fully paid ordinary shares were issued at a value of 2.4 cents per share for a total non cash consideration valued at $3,110,400.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

15 Reserves

Nature and purpose of other reserves

Share based payment reserve
This reserve records the fair value of the performance rights issued to directors and key executives.

Share based payments reserve	**$**
At 30 June 2011	1,580,535
Share based payment	-
At 30 June 2012	1,580,535
Lapse of options	(1,555,782)
At 30 June 2013	24,753

Movement in options	**Number of options**
At 30 June 2011	34,550,000
Options issued	-
At 30 June 2012	34,550,000
Lapse of options	(33,550,000)
At 30 June 2013	1,000,000

The balance of the share based payments reserve as at 30 June 2013 is represented by:

- 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.

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.
- All employees (full time and part time) will be eligible to participate in the Plan.

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

16 Earnings per share

		2013 $	2012 $
a.	**Basic Loss per share**		
I	Basic Loss per share (cents per share)	**(1.63)**	(3.75)
ii.	Net loss used to calculate basic loss per share	**(1,156,207)**	(2,080,520)
iii.	Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	**70,774,600**	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

17 Acquisition of Sturt Resources Limited

(a) Summary of acquisition

On 30 May 2013 the parent entity acquired 100% of the issued share capital of Sturt Resources Limited through the issue of 129,600,000 ordinary shares in the parent entity for a total non cash consideration of $3,110,400. Sturt Resources Limited is a mineral exploration company with exploration tenements in Papua New Guinea.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fair Value $
Purchase consideration refer to (b) below):	
Share issued: 129,600,000 at $0.024 per share	3,110,400
Total purchase consideration	3,110,400

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash	34,617
Trade receivables	14,204
Plant and equipment	8,315
Investments	43,706
Exploration expenditure	3,279,153
Trade payables	(269,595)
Net assets acquired	3,110,400

(b) Purchase consideration

On 30 May 2013 Pilbara Minerals Ltd (the Company) issued 129,600,000 fully paid ordinary shares as consideration for the Company acquiring 100% of the issued share capital of Sturt Resources Limited from the Sturt Resources Limited shareholders. The fully paid ordinary shares were issued at a value of 2.4 cents per share for a total non cash consideration valued at $3,110,400.

See also Note 22 regarding Contingent Consideration relating to the acquisition of Sturt Resources Limited.

There were no acquisitions in the year ended 30 June 2012.

18 Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2013	2012
Controlled Entities Consolidated			
Sturt Resources Limited	Australia	100%	-
Sturt Resources PNG Limited	Papua New Guinea	100%	-
Star 15 Limited	Papua New Guinea	100%	-
New Global Limited	Papua New Guinea	100%	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

19 Parent entity information

Financial information in relation to:	Parent entity 2013 $	2012 $
i. Statement of Comprehensive Income		
Loss before income tax	**(1,156,207)**	(2,080,520)
Income tax expense	**-**	-
Loss after income tax	**(1,156,207)**	(2,080,520)
Loss attributable to members of the parent entity	**(1,156,207)**	(2,080,520)
ii. Retained earnings		
Accumulated losses at the beginning of the year	**(11,117,474)**	(9,036,954)
Loss after income tax	**(1,156,207)**	(2,080,520)
Lapse of options	**1,555,782**	-
Accumulated losses at the end of the year	**(10,717,899)**	(11,117,474)

iii. Statement of Financial Position	**2013 $**	**2012 $**
Current Assets		
Cash and cash equivalents	**130,864**	163,839
Other assets	**6,738**	43,087
Total Current Assets	**137,602**	206,926
Non Current Assets		
Exploration and evaluation assets	**1,119,560**	1,766,912
Investment in controlled entities	**3,110,400**	-
Total Non Current Assets	**4,229,960**	1,766,912
Total Assets	**4,367,562**	1,973,838
Current Liabilities		
Trade and other payables	**308,526**	69,491
Total Current Liabilities	**308,526**	69,491
Total Liabilities	**308,526**	69,491
Net Assets	**4,059,036**	1,904,347
Equity		
Issued capital	**14,752,182**	11,441,286
Reserves	**24,753**	1,580,535
Accumulated losses	**(10,717,899)**	(11,117,474)
Total Equity	**4,059,036**	1,904,347

The parent entity had no commitments or contingent liabilities at balance date.

20 Operating segments

Segment information
Identification of reportable segments
During the year the Group operated principally in one business segment being mineral exploration. The Group operates principally in two geographical segments being Australia and Papua New Guinea.
The Group's revenues and assets and liabilities according to geographical segments are shown below.

		June 2013			June 2012	
	Total $	Australia $	PNG $	Total $	Australia $	PNG $
Revenue						
Other revenue	**96,989**	**96,989**	**-**	49,502	49,502	-
Total segment revenue	**96,989**	**96,989**	**-**	49,502	49,502	-
Results						
Net loss before income tax	**(1,156,207)**	**(543,590)**	**(612,617)**	(2,080,520)	(2,080,520)	-
Income tax	**-**	**-**	**-**	-	-	-
Net loss	**(1,156,207)**	**(543,590)**	**(612,617)**	(2,080,520)	(2,080,520)	-
Assets and Liabilities						
Assets	**4,641,760**	**1,869,779**	**2,771,981**	1,973,838	1,973,838	-
Liabilities	**576,724**	**302,526**	**274,198**	69,491	69,491	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

21 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:

	Note	2013 $	2012 $
Financial assets			
Cash and cash equivalents	8	**240,658**	163,839
Receivables	9	**20,942**	43,087
Total financial assets		**261,600**	206,926
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	13	**654,725**	69,491
Total financial liabilities		**654,725**	69,491

The following table details the expected maturities for the Group'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 Group 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 $
2013						
Non-interest bearing	**-**	**159,615**	**-**	**-**	**-**	**-**
Variable interest rate instruments	**2.6**	**81,043**	**-**	**-**	**-**	**-**
Receivables	**-**	**20,942**	**-**	**-**	**-**	**-**
		261,600	**-**	**-**	**-**	**-**
2012						
Non-interest bearing	-	3,939	-	-	-	-
Variable interest rate instruments	3.5	159,900	-	-	-	-
Receivables	-	43,087	-	-	-	-
		206,926	-	-	-	-

The following tables detail the Group'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 Group 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 $
2013						
Non-interest bearing	**-**	**654,725**	**-**	**-**	**-**	**-**
	-	**654,725**	**-**	**-**	**-**	**-**
2012						
Non-interest bearing	-	69,491	-	-	-	-
	-	69,491	-	-	-	-

The Group'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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

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 Finance Risk and Audit Committee (FRAC) has been delegated responsibility by the Board of Directors for, among other issues, monitoring and managing financial risk exposures of the Group. The FRAC monitors the Group'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 FRAC's overall risk management strategy seeks to assist the Group 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 Group 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 Group'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 Group.

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 Group, 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 FRMC has otherwise cleared as being financially sound. Where the Group 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 Group has no significant concentrations of credit risk with any single counterparty or Group 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 Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

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 Group's income or value of the holdings of financial instruments. The Group 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 Group does not have short or long term debt, and therefore this risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

d. **Interest rate risk**

The Group is exposed to interest rate risk as the Group deposits the bulk of its cash reserves in Term Deposits. The risk is managed by the Group by maintaining an appropriate mix between short term and medium-term deposits. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

At 30 June 2013, 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:

	2013	2012
	$	$
Increase in interest rate by 1%	**(750)**	(630)
Decrease in interest rate by 1%	**750**	630

22 Commitments and Contingencies

Remuneration Commitments

No remuneration commitments were made by the Group.

Guarantees

Pilbara Minerals Limited did not commit to nor make guarantees of any form as at 30 June 2013.

Contingent liabilities

There are no contingent liabilities as at 30 June 2013.

Exploration licence expenditure requirements

In order to maintain the Group's tenements in good standing with the various mines departments, the Group will be required to incur exploration expenditure under the terms of all licences of $300,000 per annum in total. 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 Group from time to time.

Contingent consideration

As a condition of the acquisition of the assets of Sturt Resources Limited, the Group has agreed to issue a further 32.4 million shares to Brothers and Together (PNG) Ltd subject to the satisfaction of the following conditions:

- renewal of current exploration licences; and
- variation and amendment of agreements related to the Tamo project acquired.

23 Dividends

The Directors of the Group have not declared any dividends for the year ended 30 June 2013.

24 Events subsequent to reporting date

As announced to the Australian Securities Exchange (ASX) on 31 July 2013, 48,800,000 fully paid shares at 1 cent each were issued to sophisticated and professional investors to raise $488,000.

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

25 Key Management Personnel

(a) Details of Key Management Personnel

Tony Leibowitz	Non-Executive Director (appointed 30 May 2013) and Chairman (appointed 11 June 2013)
Gavan Farley	Executive Director (appointed 12 February 2010) (Non Executive Director 12 February 2010)
Neil Biddle	Non-Executive Director (appointed 30 May 2013)
Robert Adamson	Consulting Geologist (appointed Non-Executive Director 1 July 2010)
Victor Rudenno	Non-Executive Director (appointed August 2010, resigned 30 May 2013)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2013.

(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:

30 June 2013	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Tony Leibowitz	**-**	**-**	**-**	**-**	**-**	**-**
Gavan Farley	**250,000**	**-**	**-**	**-**	**-**	**250,000**
Bob Adamson	**250,000**	**-**	**-**	**-**	**-**	**250,000**
Neil Biddle	**-**	**-**	**-**	**-**	**-**	**-**
Victor Rudeno[1]	**250,000**	**-**	**-**	**-**	**-**	**250,000**
Robert Waring	**250,000**	**-**	**-**	**-**	**-**	**250,000**
Total	**1,000,000**	**-**	**-**	**-**	**-**	**1,000,000**

1. Balance at resignation as a director on 30 May 2013

30 June 2012	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Gavan Farley	250,000	-	-	-	-	250,000
Bob Adamson	250,000	-	-	-	-	250,000
Victor Rudeno[1]	250,000	-	-	-	-	250,000
Robert Waring	250,000	-	-	-	-	250,000
Total	1,000,000	-	-	-	-	1,000,000

(c) Shareholdings of Key Management Personnel

The number of shares held by each key management personnel of the company during the financial year is as follows:

30 June 2013	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Tony Leibowitz	**-**	**5,010,000**	**-**	**-**	**-**	**5,010,000**
Gavan Farley	**43,500**	**-**	**-**	**-**	**141,500**	**185,000**
Bob Adamson	**95,000**	**-**	**-**	**-**	**195,000**	**290,000**
Neil Biddle	**-**	**16,900,000**	**-**	**-**	**448,905**	**17,348,905**
Victor Rudeno[1]	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Robert Waring	**60,000**	**-**	**-**	**-**	**915,728**	**975,728**
Total	**298,500**	**21,910,000**	**-**	**-**	**1,701,133**	**23,909,633**

1. Balance at resignation as a director on 30 May 2013

30 June 2012	Balance at beginning of the year	Balance at appointment	Granted as remuneration	Options exercised	Shares acquired during the year	Balance at end of the year
Gavan Farley	43,500	-	-	-	-	43,500
Bob Adamson	45,000	-	-	-	50,000	95,000
Victor Rudeno[1]	100,000	-	-	-	-	100,000
Robert Waring	60,000	-	-	-	-	60,000
Total	248,500	-	-	-	50,000	298,500

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

25 Key Management Personnel (Continued)

(d) Key Management Personnel Compensation

Refer to the remuneration report contained in the directors report for details of the remuneration paid or payable to each members of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The total remuneration paid to KMP of the company and the Group during the year are as follows:

	2013 **$**	2012 $
Short term employee benefits	**211,770**	175,683
Post employment benefits	**-**	-
Share based payments	**-**	-
	211,770	175,683

26 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 Group's principal place of business, bookkeeping and boardroom facilities.
- Empire Securities Group Pty Ltd provided services to the Group on commercial terms during the year. The Group made payments during the year on commercial terms totaling $69,685 (2012: $75,223) to Empire Securities Group Pty Ltd for services provided.
- The amount payable at 30 June 2013 to Empire Securities Group Pty Ltd is $5,500.

(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 Group on commercial terms during the year. The Group made payments during the year on commercial terms totaling $58,048 (2012: $42,562) to Oakhill Hamilton Pty Ltd for services provided.
- The amount payable at 30 June 2013 to Oakhill Hamilton Pty Ltd is $32,200.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, as set out on pages 19 to 45 are in accordance with the Corporations Act 2001 including:

   a. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year then ended; and

   b. complying with Accounting Standards and Corporations Regulations 2001; and

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 2013.

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

Tony Leibowitz
Chairman of the Board
27 September 2013

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 ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report 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 company'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 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

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 consolidated entity's financial position as at 30 June 2013 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(b).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(d) 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 realize 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

Norman Glad

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
27 September 2013

ADDITIONAL SHAREHOLDER INFORMATION

A. Corporate Governance

A statement disclosing the extent to which the Group 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 two substantial holders listed on the Group's register as at 29 August 2013:

Neil Biddle's holding (via Biddle Partners Pty Ltd – 14,500,000 ordinary shares and Hatched Creek Pty Ltd – 2,400,000 ordinary shares) is 16,900,000 ordinary shares or 8.70% of the Group's issued capital.

Alistair Mackie's holding (via Wansbone Nominees Pty Ltd) is 14,400,000 ordinary shares or 7.41% of the Group's issued capital.

2. Number of holders in each class of equity securities and the voting rights attached (as at 29 August 2013)

Ordinary Shares

There are 634 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

In accordance with the Group'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 four unlisted option holders, each holding 250,000 options with an exercise price of $0.25 and an expiry date of 29 November 2013. There are no voting rights attached to these 1,000,000 options and, if exercised, will convert into 1,000,000 ordinary shares.

3. Distribution schedule of the number of holders in each class of equity security as at 29 August 2013.

Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	23	13,086	0.006
1,001 - 5,000	155	405,707	0.182
5,001 - 10,000	180	1,741,971	0.780
10,001 - 100,000	162	6,312,512	2.825
100,001+	114	214,945,993	96.207
TOTAL ON REGISTER	**634**	**223,419,269**	**100.000**

4. Marketable Parcel

There are 459 shareholders with less than a marketable parcel, based on the closing share price of $0.014 on 29 August 2013.

ADDITIONAL SHAREHOLDER INFORMATION (continued)

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

The names of the 20 largest holders of each class of quoted security, the number of equity security each holds and the percentage of capital each holds (as at 29 August 2013) are as follows:

Ordinary Shares Top 20 holders and percentage held

1	Petlin Noms Pty Ltd	15,000,000	6.714%
2	Biddle Partners Pty Ltd <Biddle Super Fund A/C>	14,400,000	6.445%
3	Wansbone Nominees Pty Ltd	14,400,000	6.445%
4	Pilbara Mining Pty Ltd	10,000,000	4.476%
5	Mr John Alexander Young & Mrs Cheryl Kayne Young <The Forever Young Family A/C>	9,600,000	4.297%
6	2M Resources Pty Ltd	7,200,000	3.223%
7	Invia Custodian Pty Limited <Mr Brendan M Hopkins A/C>	7,058,326	3.159%
8	Alberta Resources Pty Ltd <British Columbia S/F A/C>	6,400,000	2.865%
9	Banarway Pty Ltd	5,000,000	2.238%
10	Balfes (QLD) Pty Ltd <Balfes Super Fund A/C>	4,800,000	2.148%
11	Clariden Capital Ltd	4,800,000	2.148%
12	Kalonda Pty Ltd <Leibowitz Super Fund A/C>	4,800,000	2.148%
13	Starblend Nominees Pty Ltd <The Innis Super Fund A/C>	4,800,000	2.148%
14	TNG Ltd	4,800,000	2.148%
15	Cavandish Corporation Pty Ltd	4,000,000	1.790%
16	Rigi Investments Pty Limited	3,333,327	1.492%
17	Mrs Susan Jean Jardine & Mr Colin John Jardine	2,880,000	1.289%
18	Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	2,862,000	1.281%
19	Ms Katherine Rose Barnes & Mr Timothy Simon Blake <Holbrook A/C>	2,500,000	1.119%
20	Schaffer Nominees Pty Ltd	2,500,000	1.119%
	TOTAL TOP 20 SHAREHOLDERS	**131,133,653**	**58.692%**
	TOTAL REMAINING SHAREHOLDERS	**92,285,616**	**41.308%**
	TOTAL SHAREHOLDERS	**223,419,269**	**100.000%**

6. Company Secretaries

The names of the Company Secretaries are Robert Waring and Zane Lewis.

Address and telephone details of the Group's registered administrative office and principal 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
Telephone: 1300 737 760
International Telephone: + 61 2 9290 9600
Website: www.boardroomlimited.com.au

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

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

ADDITIONAL SHAREHOLDER INFORMATION (continued)

Restricted Securities

There are 129,600,000 Fully Paid Ordinary Shares, which are restricted for a period of 12 months from the date of issue on 30 May 2013. These shares were issued to the shareholders of Sturt Resources Ltd as consideration for the acquisition of that company. This acquisition was approved by the Group's shareholders on 17 May 2013.

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 Group 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 Group 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 Group's Schedule of Tenements can be found in the Schedule of Tenements section of this Annual Report.

CORPORATE INFORMATION

Pilbara Minerals Limited
ABN 95 112 425 788

Directors
Tony Leibowitz – Non-Executive Chairman
Neil Biddle – Executive Director
Gavan Farley – Non-Executive Director
Robert Adamson – Non-Executive Director

Company Secretaries
Zane Lewis
Robert Waring

Registered Office and Principal Place of Business
Level 5, 2 Bligh Street
Sydney NSW 2000
Telephone: + 61 2 8252 9223
Fax: + 61 2 9475 5435
Website: www.pilbaraminerals.com.au

Share Register
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: 1300 737 760
International telephone: + 61 2 9290 9600
Website: www.boardroomlimited.com.au

Solicitors
Gadens Lawyers
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

ASX Code
PLS