PILBARA MINERALS LIMITED

ABN 95 112 425 788

(formerly Fortuna Minerals Limited)

Interim Financial Report

31 December 2009

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DIRECTORS' REPORT

Your Directors submit the financial report of the Company for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Mathew Walker	Chairman
Garry Ralston	Non-Executive Director
James Robinson	Non-Executive Director (appointed 30 September 2009)
Russell Lynton-Brown	Non-Executive Director (resigned 30 September 2009)

Review of Operations

Seluma Iron Sands Project (option to acquire 100%)

On 11 August 2009 the Company advised that drilling at the Seluma Iron Sands Project had been suspended after completion of the first five holes. Initial drilling was undertaken in the southern tenement areas while land access agreements were negotiated with villagers in the northern tenement areas. Remote sensing data and results of previously completed surface sampling indicates that better grades may be found in the north, and drilling progress in the south proved slower, and therefore more expensive, because of difficulty moving between holes. A decision was therefore made to suspend drilling.

Assays from this very limited program returned only weakly anomalous results, with a better intersection of 3m at 8.42% Fe2O3 (5.89% Fe) from surface. The land access issues resulted in a failure of the program to test the more prospective areas within the project area and therefore to systematically evaluate the potential of the project.

The Seluma Iron Sands Project remains prospective for economic Iron Sands mineralization and it is the Company's intention to resume exploration activities upon securing land access agreements on the more prospective areas within the license area.

West Pilbara Mineral Tenements (Pilbara 100%)

On 13 October 2009, the Company announced it had entered into a conditional agreement (Agreement) with Pilbara Mining Pty Ltd (Pilbara Mining) to acquire 6 granted exploration licences in the West Pilbara region of Western Australia (West Pilbara Mineral Tenements) (the Acquisition). These conditions were subsequently either satisfied or waived and settlement occurred before the end of the half year.

The West Pilbara Mineral Tenements comprise six granted exploration licences forming five project areas over 365 blocks and cover approximately 1,095 square kilometres and are located south of the regional centre of Karratha in the West Pilbara region of Western Australia Access to the West Pilbara Mineral Tenements is either east from Karratha on the Great Northern Highway, then south on the Roebourne-Wittenoom road or south-east from Karratha on the Hamersley Iron Railway road then along station tracks.

Regional Geology

The project areas are broadly aligned along the unconformity between the Archaean granite – greenstone sequence in the north and the younger Fortescue Group sediments and mafic volcanic in the south.

The granite – greenstone sequence in the West Pilbara is characterised by the presence of a series of large layered mafic – ultramafic intrusions. These intrusions host significant PGE-Ni-Cu mineralisation in areas adjacent to some of the Tenements. The granite – greenstone sequence also hosts significant VMS Cu-Pb-Zn mineralisation. The Fortescue Group, the lowest group in the Mount Bruce Supergroup of the Precambrian Hamersley Basin, is an unmetamorphosed and largely undeformed sequence. No significant mineral occurrences have been recorded with the Fortescue Group rocks in the area of the Tenements.

Project Geology

Four of the West Pilbara Mineral Tenements cover rocks of the Fortescue Group adjacent to the unconformity contact with the Archaean granite – greenstone sequence with large portions of two of these tenements covered by colluviums associated with major drainage systems. One of the West Pilbara Mineral Tenements straddles the unconformity contact

DIRECTORS' REPORT (continued)

and predominantly covers the granite – greenstone sequence, although outcrop is generally masked by colluviums. The remaining West Pilbara Mineral Tenement is wholly within the Fortescue Group.

Previous exploration

The West Pilbara Mineral Tenements have not been the subject of systematic exploration in the past and are considered prospective for iron ore, gold and base metals, particularly copper and nickel.

A regional aeromagnetic survey completed by the former Bureau of Mineral Resources, Geology and Geophysics (**BMR**) in the mid 1980's has identified a number of magnetic highs beneath Fortescue Group rocks in the portion of the West Pilbara where the West Pilbara Mineral Tenements are located. Past exploration has generally focussed on these anomalies, however there has been no drilling or modern geophysics completed on the targets.

Potential targets

The magnetic highs identified by the BMR survey have been identified in four of the five project areas comprising the West Pilbara Mineral Tenements and have also been interpreted as having potential to represent concealed greenstone sequences of layered mafic – ultramafic intrusions in the Archaean basement rocks.

The depth of the Fortescue Group cover rocks overlying the magnetic highs is unknown in three of the four project areas in which the magnetic highs have been identified although previous modelling has indicated that the cover could range from 500 to 2,000 metres in one project area. Economic development on any potential discoveries may be impacted by the depth of overburden, with modern geophysics and/or stratigraphic drilling required to test the targets and assess the depth of cover.

Significant Events

On 30 September 2009 Russell Lynton-Brown resigned as a Non-Executive Director and James Robinson was appointed to this position.

On 13 October 2009 the Company announced it has agreed to acquire six (6) mineral tenements in the west Pilbara region of Western Australia from Pilbara Mining Pty Ltd for consideration of 12,000,000 ordinary shares and the reimbursement of documented tenement expenditure up to a maximum of $600,000.

On 17 December 2009 the Company issued 5,350,000 shares at 10 cents to raise $535,000 before costs pursuant to the terms of the west Pilbara tenement acquisition agreement.

On 31 December 2009 the Company issued 12,000,000 shares and paid $380,737 to Pilbara Mining Pty Ltd pursuant to the terms of the west Pilbara tenement acquisition agreement.

Corporate and Cash at Bank

The Company had 37,067,962 fully paid ordinary shares and 1,001,000 listed company Options (exercisable at $1.00 cents on or before 18 September 2010) on issue at the end of the half. In addition, there were 19,277,500 unlisted company Options on issue (exercisable at various prices on various dates).

Cash and Cash equivalents held by the Company at the end of the half was approximately $135,163.

Events Subsequent to the End of the Half Year

On 4 January 2010 the Company issued 107,038 shares at 10 cents to raise $10,704 before costs pursuant to the terms of the west Pilbara tenement acquisition agreement.

On 12 January 2010 the Company announced it has agreed to acquire a further seven (7) mineral tenements in the west Pilbara region of Western Australia from Seefingan Exploration Pty Ltd ("Seefingan"). The acquisition is subject to a number of conditions precedent including, but not limited to, due diligence and receipt of all necessary shareholder and regulatory approvals. The consideration payable by the Company for the acquisition is the issue of 3,000,000 ordinary shares and a cash payment of $60,000 to Seefingan or its nominee.

DIRECTORS' REPORT (continued)

Other Activities and Company Strategy

The Company continues to focus on the exploration of its projects with the aim of finding and developing world class deposits. The Company continues to monitor resource exploration opportunities both locally and internationally.

Auditor's Independence Declaration

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 review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' report for the half-year ended 31 December 2009.

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

Mathew Walker

Director

10 February 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Pilbara Minerals Limited (formerly Fortuna Minerals Limited) for the half-year ended 31 December 2009, 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 review; and

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

This declaration is in respect of Pilbara Minerals Limited.

Perth, Western Australia
10 February 2010

N G NEILL
Partner, HLB Mann Judd

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	2009 $	2008 $
Continuing operations			
Interest Revenue		2,599	11
Other income		-	41,471
Employee benefits expense		(146,250)	(46,889)
Finance costs		(782)	-
Audit fees		(9,935)	(6,500)
Professional costs		(10,925)	(8,863)
Legal Fees		(5,250)	(38,129)
Rent		(24,000)	(24,000)
Travel		(36,257)	-
Share option expenses		(109,206)	-
Other expenses		(40,691)	(38,570)
Loss before income tax expense	2	**(380,697)**	**(121,469)**
Income tax expense		-	-
Total comprehensive loss for the period		**(380,697)**	**(121,469)**
Loss attributable to members of the parent entity		**(380,697)**	**(121,469)**
Basic loss per share (cents per share)		(1.891)	(1.091)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	31 Dec 2009 $	30 June 2009 $
Assets			
Current Assets			
Cash and cash equivalents		135,163	355,096
Trade and other receivables		52,590	19,303
Total Current Assets		187,753	374,399
Non-Current Assets			
Exploration and evaluation expenditure	3	1,800,585	55,736
Total Non-Current Assets		1,800,585	55,736
Total Assets		1,988,338	430,135
Liabilities			
Current Liabilities			
Trade and other payables		132,079	35,234
Total Current Liabilities		132,079	35,234
Total Liabilities		132,079	35,234
Net Assets		1,856,259	394,901
Equity			
Issued capital	5	8,125,598	6,392,749
Reserves	6	1,227,281	1,118,075
Accumulated Losses		(7,496,620)	(7,115,923)
Total Equity		1,856,259	394,901

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Capital	Accumulated Losses	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2008	5,705,722	(6,878,396)	1,118,075	(54,599)
Total comprehensive loss for the period	-	(121,469)	-	(121,469)
Shares issued during the half-year	78,161	-	-	78,161
Balance at 31 December 2008	5,783,883	(6,999,865)	1,118,075	(97,907)
Balance at 1 July 2009	6,392,749	(7,115,923)	1,118,075	394,901
Total comprehensive loss for the period	-	(380,697)	-	(380,697)
Share option expenses	-	-	109,206	109,206
Shares issued during the half-year	1,732,849	-	-	1,732,849
Balance at 31 December 2009	8,125,598	(7,496,620)	1,227,281	1,856,259

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31 Dec 2009 $	31 Dec 2008 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(203,536)	(192,084)
Interest received	2,599	11
Net cash used in operating activities	**(200,937)**	**(192,073)**
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(544,849)	(16,891)
Net cash used in investing activities	**(544,849)**	**(16,891)**
Cash flows from financing activities		
Proceeds from issue of shares	532,849	78,161
Payment of share issue expenses	(6,996)	-
Net cash provided by financing activities	**525,853**	**78,161**
Net (decrease) in cash held	(219,933)	(130,803)
Cash and cash equivalents at the beginning of the period	355,096	135,506
Cash and cash equivalents at the end of the period	**135,163**	**4,703**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Pilbara Minerals Limited (formerly Fortuna Minerals Limited) during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Basis of preparation

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

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

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

Going concern

The financial statements have been prepared on the going concern basis, the validity of which depends upon the positive cash position, reduced ongoing costs and the positive working capital position. The Company's existing projections show that further funds will be required to be generated, either by capital raisings, sales of assets or other initiatives, to enable the Company to fund its activities for at least the next twelve months from the date of signing these financial statements.

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

- 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.
- It is the Directors' intention to raise additional capital to fund operating expenses for the period of 12 months from the date of signing the financial report.

Therefore, the ability of the Company to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report is dependent upon the directors successfully raising further equity.

In the Directors' opinion, at the date of signature of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going concern (continued)

Should the Company be unable to obtain these additional funds there is significant uncertainty whether or not the Company will be able to continue as a going concern and therefore whether it will realise its assets, in particular its carried forward exploration and evaluation expenditure, and extinguish its liabilities in the normal course of business and at the amounts stated in the balance sheet.

The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the Company does not continue as a going concern.

Segment Reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Pilbara Minerals Limited.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	31 December 2009 $	31 December 2008 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Other income (Input tax (GST) refunds – GST receivable written off in prior period)	-	41,471
Employee benefits	146,250	46,889
Rent	24,000	24,000
Legal fees	5,250	38,129
Exploration expenditure expensed	6,502	11,592
Travel expenses	36,257	-

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2009 $	30 June 2009 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation expenditure – at cost		
Seluma Iron Sands Project	194,221	55,736
West Pilbara Tenements	1,606,364	-
	1,800,585	55,736

	West Pilbara	Seluma Iron Sands	Total
Balance at beginning of period	-	55,736	55,736
Expenditure incurred	25,627	138,485	164,112
Acquisition Costs	1,580,737	-	1,580,737
	1,606,364	194,221	1,800,585

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: SEGMENT INFORMATION

Industry & Geographical Segment

Segment information is presented in the in the interim financial statements in respect of the Company's geographical segments, which are the primary basis for segment reporting. The Company operates in a single business segment, namely natural resources exploration.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated times comprise mainly income earning assets, interest income, corporate assets and corporate expenses.

The company operated in 2 distinct geographical segments, Australia and Indonesia. These segments were determined based on the location of the Company's assets. The Company's geographical segment in Indonesia was on the island of Sumatra – the Seluma Iron Sands project.

Geographical segments

	Australia $	Indonesia $	Total $
31 December 2009			
Segment expenses	383,296	-	383,296
Segment result	(380,697)	-	(380,697)
Unallocated revenues and expenses			-
Loss from ordinary activities before related income tax expense			(380,697)
Segment assets	1,794,117	194,221	1,988,338
Segment liabilities	(132,079)	-	(132,079)

	Australia $	Indonesia $	Total $
31 December 2008			
Segment expenses	162,951	-	162,951
Segment result	(121,469)	-	(121,469)
Unallocated revenues and expenses			-
Loss from ordinary activities before related income tax expense			(121,469)
Segment assets	44,398	-	44,398
Segment liabilities	(142,305)	-	(142,305)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 5: ISSUED CAPITAL

	31 December 2009 $	30 June 2009 $
Ordinary shares		
Issued and fully paid	8,125,598	6,392,749

	No.	$
Movements in ordinary shares on issue		
At 1 July 2009	19,717,962	6,392,749
Shares at $0.10 issued on 17/12/2009	5,350,000	535,000
Shares at $0.10 issued on 31/12/2009	12,000,000	1,200,000
Shares issue costs		(2,151)
At 31 December 2009	37,067,962	8,125,598

NOTE 6: SHARE OPTIONS AND RESERVES

	Number	$
Movements in options over ordinary shares on issue		
At 1 July 2009	11,278,500	1,118,035
Options issued on 17/12/2009	9,000,000	109,246
At 31 December 2009	20,278,500	1,227,281

NOTE 7: DIVIDENDS

The Directors of the Company have not declared an interim dividend.

NOTE 8: CONTINGENT LIABILITIES

There have been no changes in the commitments or contingencies as outlined in the 30 June 2009 annual report.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 4 January 2010 the Company issued 107,038 shares at 10 cents to raise $10,703.80 before costs pursuant to the terms of the west Pilbara tenement acquisition agreement.

On 12 January 2010 the Company announced it has agreed to acquire a further seven (7) mineral tenements in the west Pilbara region of Western Australia from Seefingan Exploration Pty Ltd (“Seefingan”). The acquisition is subject to a number of conditions precedent including, but not limited to, due diligence and receipt of all necessary shareholder and regulatory approvals and satisfaction of ASX listing requirements and the quotation of the Company's securities on the ASX no later than 30 April 2010.The consideration payable by the Company for the acquisition is the issue of 3,000,000 ordinary shares and a cash payment of $60,000 to Seefingan or its nominee.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, as set out on pages 5 to 13, are in accordance with the Corporations Act 2001 including:

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

   b. giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year then ended.

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

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

Mathew Walker

Director

10 February 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of
Pilbara Minerals Limited *(formerly Fortuna Minerals Limited)*

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration of Pilbara Minerals Limited ("company").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of Pilbara Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 in the financial report which indicates that the company will require additional sources of funding to enable it to carry out its objectives. If the company is unable to generate additional cash flows, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets, in particular its carried forward exploration and evaluation expenditure, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

HLB Mann Judd

HLB MANN JUDD

Chartered Accountants

Norman Glück

Perth, Western Australia
10 February 2010

N G NEILL
Partner