

ABN 55 101 714 989

**Pepinini**  
Minerals Limited



# ANNUAL REPORT 2014

A DIVERSIFIED AUSTRALIAN MINERAL EXPLORATION COMPANY

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## CORPORATE DIRECTORY

### Directors

Murray Bailey  
Rebecca Holland-Kennedy  
Robert (Wei) Sun  
Phil Clifford

### Company secretary

Justin Nelson

### Registered office

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ABN 55 101 714 989

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### Share registry

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### Legal advisors

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81 Flinders Street,  
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### Auditor

Ernst & Young  
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Adelaide SA 5000

### Accountant

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91 King William Street,  
Adelaide SA 5000

# CHAIRMAN'S LETTER TO SHAREHOLDERS



**Murray Bailey - Chairman**

## Dear Shareholder,

It is with great pleasure that I write my first letter to PepinNini Shareholders since my appointment in January 2014.

I have worked in the mining industry for over thirty years. I retired from the position of Chief Executive Officer of Yancoal Ltd (ASX: YAL) in July 2013 after nearly three years, with the company which is a majority Chinese-owned coal major. I was previously Chief Operations Officer of New Hope Corporation and Executive General Manager of Wesfarmers Resources Limited.

I was impressed by the hard work Managing Director Rebecca Holland-Kennedy and her team have undertaken to develop the PepinNini portfolio of exploration projects. The portfolio has real potential and this year I have enjoyed contributing to taking key projects to the next stage of development, and thereby driving value across the group.

Our project in Argentina at Santa Ines has seen two stages of systematic exploration activities which have delineated target areas with significant high priority Porphyry Cu-Au and Epithermal Cu-Au targets; 'La Recompensa' and 'El Obsequio'.

The company has continued to concentrate on our Musgrave Projects over the last twelve months with significant and encouraging results. Drill testing of SkyTEM508 targets generated in 2012-2013 has resulted in the intersection of massive to strongly disseminated magmatic sulphides grading up to 0.25% Copper at the Marrawah Prospect. A renewed R&D collaboration with CSIRO was announced for fixed wing high-moment electromagnetic data collection and interpretation with expenditure up to \$0.5m funded by grant and company contribution.

A successful entitlements issue which commenced in April 2014 and completed subsequent to the end of the reporting year raised \$0.94m and in July the company announced the divestment of the Curnamona Project to ensure our exploration activities are funded through to 2016-2017.

PepinNini continues to be enthusiastic about our future exploration prospects and highly motivated to continue exploring our diversified projects. Nickel-Copper and Platinum Group Elements (PGE) continue to be targeted for our Musgrave Project in South Australia which incorporates our joint venture with Rio Tinto and our exciting new project in the West Musgrave, the Manchego project with Phosphate Australia in Western Australia. We will continue with our Argentine Project searching for copper and gold into 2015.

The Company continues to explore and administer in the most efficient manner possible to ensure all exploration will be focused towards our primary objective of rewarding our investors by the discovery of a major new mineral deposit.

On behalf of the Directors of PepinNini I would like to thank management and all PepinNini staff for their support, dedication and assistance during the year and on behalf of the Directors I thank all our shareholders for their continued support and loyalty during the past year and look forward to a rewarding year of exploration ahead.

A handwritten signature in black ink that reads "Murray Bailey".

**Murray Bailey**  
Chairman  
PepinNini Minerals Limited



**Rebecca Holland-Kennedy**  
Managing Director

# 2014 HIGHLIGHTS

## AUSTRALIA



02

### MUSGRAVE PROJECT – SOUTH AUSTRALIA

- Drill testing of the SkyTEM508 target at Marrawah Prospect intersected massive to strongly disseminated magmatic sulphides grading up to 0.25% Copper.
- Drill testing of V-TEM and ground electromagnetic targets at Cooperinna has concluded following the completion of four diamond core at the Yagen, Deception, Venus and Cactus Prospects.
- The EM conductivity targets at the Yagen, Deception, Venus and Cactus Prospects were conclusively tested, adequately resolved and attributed to the occurrence of graphite bearing gneiss or graphite bearing shear structures within the bedrock sequence. Each of the holes did contain some quantity of

disseminated to blebby magmatic sulphide within the crystalline basement associated with intruded magmatic mafic melt. The sulphide species observed within the core is dominantly pyrrhotite (iron sulphide).

- Two diamond core holes were completed at the Marrawah Prospect which is located in the eastern part of EL5185 "Woodroffe". The drilling was undertaken to investigate the source of a well constrained electromagnetic anomaly which had been defined during fixed-loop ground EM surveying across a SkyTEM508 electromagnetic anomaly. The conductivity target was modeled to be a steeply dipping 7 millisecond time constant response proximal to the layered mafic Giles Complex Caroline Intrusion.

- Drill hole DDI3WOD017 intersected strongly disseminated to massive sulphide accumulations associated with intrusive mafic lithologies between 75.6 to 94.4m (down hole depth) at the modeled position of the conductivity anomaly. The sulphide phases present consist of abundant coarse pyrrhotite (iron sulphide) with lesser pyrite (iron sulphide) and chalcopyrite (copper sulphide). Analytical results from the sulphide bearing intervals returned maximum results of 2,500ppm Copper, 745ppm Nickel, 660ppm cobalt, 13ppb gold, 3.5ppb Platinum and 6ppb palladium.

- An R&D collaboration with CSIRO was announced for fixed wing high-moment electromagnetic data collection and interpretation with expenditure up to \$0.5m funded by grant and company contribution.
- Three nickel-sulphide prospects within the Caroline Project (100% PNN) named Scott, Wandila and Fowler were outlined. The mineral potential of these prospects was highlighted following identification of seven discrete magnetic targets near the intersections of major structure and gravity lineaments. These positive interpretations highlight the potential for prospective mafic feeder dykes within the project area. Planning is still ongoing for a roughly 2,500 line kilometre airborne electromagnetic survey in 2015 to investigate the presence of nickel-sulphide mineralisation within and around these high-priority prospects.



## CURNAMONA PROJECT – SOUTH AUSTRALIA

- Subsequent to the end of the year on 15 July 2014 PepinNini Minerals Ltd announced the signing of a Sale and Purchase Agreement for its 40% interest in the Uranium and Mineral Resources Joint Venture for \$2.3m. The purchaser is Sinosteel Uranium SA Pty Ltd.

## ARGENTINA

- Systematic exploration activities including geological mapping, sampling and ground geophysics over the Santa Ines Project in Salta Province delineated high priority Porphyry Cu-Au and Epithermal Cu-Au targets; 'La Recompensa' and 'El Obsequio'
- Coincident anomalous poly-metallic values with maxima of 3.256% Copper, 0.8 g/t gold, 12.5 g/t silver, 91.1ppm molybdenum in rock chip samples
- 1.4km x 0.8km concealed magnetic target identified for further geophysical investigation

## APPOINTMENT OF NEW CHAIRMAN

- Murray Bailey was appointed Chairman of PepinNini Minerals Ltd. Mr. Bailey brings with him extensive mining industry experience from both Australia and overseas and his appointment is very significant to the company.

# TENEMENT SCHEDULE

04

Tenement	Tenement Name	Area Km <sup>2</sup>	PepinNini Interest	Grant Date
<b>South Australia</b>				
EL 4587	Mt Harcus	1,607	100%	25.10.10
EL 4749	Oualpa	201	40%	10.06.11
EL 4780	Pine Ridge	1,382	100%	13.10.11
EL 4784	Scott Hill	521	40%	13.10.11
EL 5185	Woodroffe	764	Earning 51%	24.09.12
EL 5220	Mt Caroline	1,916	100%	25.02.13
EL 5462	Kalabity	822	40%	12.03.09
EL 4375	Bimbowrie	843	40%	12.11.09
EL 4965	Mt Victor	1,218	40%	30.07.12
ELA 278/82	Jalukana	77	Earning 51%	application
ELA 491/94	Aparatjara	537	Earning 51%	application
ELA 118/96	Anerinna Hills	2,415	100%	application
ELA 185/96	Willugudinna	823	100%	application
ELA 367/09	Mt Caroline West	46	100%	application
ELA 368/09	Hanging Knoll	34	100%	application
<b>Queensland</b>				
ML 2720	Gooligoomba	83ha	100%	01.10.84
EPM 15469	The Gilbert	13	100%	07.03.07
EPM 18020	Clarke River	187	100%	04.02.13
EPM 18048	Keppel Creek	41	100%	31.03.11
EPM 18979	Oasis	147	100%	17.08.12
<b>Western Australia</b>				
E52/1964	-	33	50%	01.11.07
E52/1910	-	204	50%	10.08.06
E52/1723	-	60	50%	01.12.04
E52/1672	-	106	40%	22.09.05
E52/1670	-	27	40%	23.11.04
E52/1613	-	91	40%	29.03.06
E51/1033	-	161	40%	22.09.05
<b>Total</b>		<b>14,270</b>		
<b>Argentina</b>				
	Mina Santa Ines II	35	100%	27.06.13
	Mina Santa Ines VII	44	100%	application
	Mina Santa Ines IV	35	100%	28.11.13
	Mina Santa Ines X	3.4	100%	application
	Mina Santa Ines XI	5.3	100%	application
	Mina Santa Ines	18ha	100%	20.09.11
	Santa Ines	31	100%	17.08.12
	Mina Santa Ines III	11	100%	application
	Mina Santa Ines V	26	100%	application
	Mina Santa Ines VI	35	100%	application
	Mina Santa Ines IX	34	100%	application
	Mina Santa Ines VIII	30	100%	application
<b>Total</b>		<b>290</b>		

## INTRODUCTION

PepinNini Minerals Limited is a diversified Australian mineral exploration Company. The Company was incorporated in August 2002 as a proprietary company limited by shares, known as PepinNini Mining Company Pty Limited. In March 2004, the Company changed its name to PepinNini Minerals Limited, and converted its status to a public company limited by shares to facilitate an initial public offering and listing on ASX in April, 2005.

The Company's primary business objectives are to:

- reward investors;
- discover and participate in the development of major new mineral deposits;
- conduct exploration and corporate activities in a responsible and professional manner in accordance with industry standards whilst observing statutory requirements;
- define, quantify and develop the considerable mineralisation potential already recognised in the exploration tenements held by the Company; and
- establish equitable and respectful relationships with the traditional owners of tenement areas held by the Company.

PepinNini had at the end of the reporting year an interest in twenty seven exploration tenements covering approximately 14,270km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia, the Georgetown Inlier, Woolgar Goldfield and Drummond Basin areas of North Queensland and the Robinson Range area of the Midwest region of Western Australia. It also holds a 100% interest in an 83 hectare mining lease in the Woolgar Goldfield. The Company also has one granted cateo (exploration lease), four granted mina (mining leases) and seven applications for conversion of cateo to mina covering approximately 290 kms<sup>2</sup> in the Argentine province of Salta.

Subsequent to the end of the year five tenements of the Curnamona Project held 40% by PepinNini have been sold.

The Musgrave tenements have the potential for the discovery of a major world class nickel copper sulphide and platinum group element (PGE) deposit. Subsequent to the end of the year PepinNini announced an expansion of the Musgrave Project into Western Australia with the Manchego Project purchase option with Phosphate Australia Lt (ASX: POZ).

The Robinson Range tenements are being explored for high grade direct shipping iron ore deposits. A Resource of 17.7MT at @ 49.7% Fe including 4.3MT @ 55.2% Fe reported in accordance with JORC code (2004) has been defined at the PNN Area C Prospect.

The Queensland tenements are prospective for the discovery of high grade gold and uranium.

In Argentina the Company is initially targeting copper-gold porphyries; precious and base-metal epithermal systems and breccia-complexes associated with the Andean volcanic belt.

During the year the Company's exploration activities were focussed on five main projects designated as the:

- a) Musgrave Province Project;
- b) Curnamona Province Project; (divested subsequently)
- c) North Queensland Project
- d) Robinson Range Project.
- e) Argentina – Santa Ines Project, Salta

The Company has established a respectful relationship with the traditional owners of our Musgrave tenements and supports local communities through active sponsorship of cultural, with the SA Museum, and sporting events as well as sponsoring art shows produced by various communities within the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands and the Adelaide Fringe.



## MUSGRAVE PROVINCE PROJECT

### Introduction

The project consists of four granted exploration licences EL4780, EL5185, EL5220 and EL4587 and six exploration licence applications ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, and ELA368/09. PepinNini subsidiary NiCul Minerals Limited (formerly PepinNini Resources Pty Limited) is earning a 51% interest in EL5185 and ELA278/82 and ELA491/94 under a Farm-in and Joint Venture Agreement with Rio Tinto Ltd subsidiary Rio Tinto Exploration Pty Limited.

The tenements are considered prospective for nickel, base metals, gold, platinum group metals, ferrous metals and precious stones. The project comprises sixteen separate areas covering approximately 9,601 km<sup>2</sup>.

Subsequent to the end of the year PepinNini has taken up a Purchase option with Phosphate Australia Ltd (ASX:POZ) for the exploration of the Manchego Project in the West Musgrave region of Western Australia covering one granted exploration licence E69/2864 and one licence application ELA69/3131. The option is for an ultimate 80% interest in the project over a two year period.

### Prospectivity

The Musgrave Province is a large, under-explored Proterozoic Block with a diversity of geological environments located in the north-west corner of South Australia extending across the border into the Northern Territory and Western Australia. Proterozoic Blocks represent some of the most prospective terrain for mineral exploration in Australia and include the well known mineral provinces of the Mount Isa Inlier, Broken Hill, the Granites Tanami Block, the Gascoyne Complex and the Tennant Creek Inlier.

Demonstrated potential exists within the Musgrave Province of South Australia for base metals (copper, lead, zinc) and ferrous metals (chromium, nickel, vanadium, titanium). Potential also exists for precious metals (platinum group metals, gold and silver), precious stones (diamonds and rubies), heavy mineral sands and rare earths.

The prospectivity of Proterozoic rocks is well recognised and, with the exception of those contained within the Musgrave Province, have generally been subject to relatively intense exploration for a considerable period of time yielding a number of world class mineral deposits. Australian Proterozoic hosted world-class mineral deposits include:

- Olympic Dam (Cu, Au, U)
- Broken Hill (Pb, Zn, Ag)
- Mt Isa (Cu, Pb, Zn, Ag)
- Hilton (Pb, Zn, Ag)

- Cannington (Pb, Zn, Ag)
- Century (Zn, Pb, Ag)
- McArthur River/HYC (Pb, Zn, Ag)
- Telfer (Au)
- Alligator River Field (U, Au, platinoids)
- Argyle AK1 (diamonds)
- Hamersley Basin (Fe)
- Nebo Babel (Cu-Ni-PGE)

Although PepinNini is initially concentrating on discovering large Ni-Cu sulphide deposits similar to Voisey's Bay, Canada, the Company is aware that the tenements are also very prospective for Broken Hill style base metal (Pb-Zn-Ag) deposits in the metasediments of the Birksgate Complex. These metasediments also have considerable potential to host base metal sedex deposits similar to Mt Isa and Century. There is also good discovery potential for layered intrusive platinum group element (PGE) sulphide deposits such as the Platreef, Merensky and UG-2 Reefs of the Bushveld Complex in South Africa.

Drilling by PepinNini within EL4587 has intersected sulphide-bearing mafic/ultramafic rocks with concentration of nickel and copper mineralisation confirming the geological environment exists for the potential development and accumulation of Voiseys Bay style mineralisation. The presence of mixed sulphide mineralisation assaying up to 0.46% Cu and 0.33% Ni provides encouragement that the Harcus Intrusion could host significant nickel-copper sulphide mineralisation.



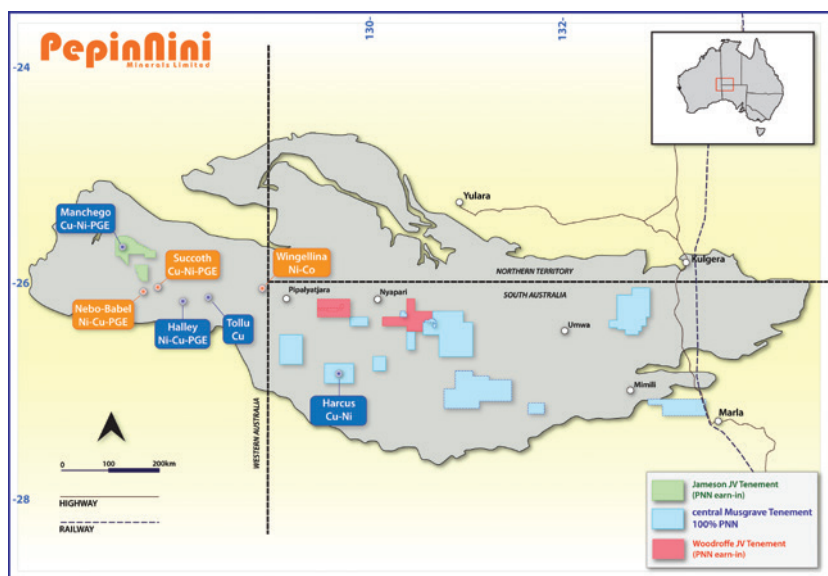


Figure 1 – Tenement Location Musgrave Province, South Australia.

### Current Exploration

PepinNini Minerals is currently undertaking exploration programs primarily focused on targeting nickel-copper sulphides contained within the layered mafic-ultramafic Giles Complex rocks. The Giles Complex is considered to be highly prospective for Ni-Cu sulphide and PGE mineralisation following the discovery of the Nebo-Babel deposit in Western Australia by WMC (392Mt @ 0.30%Ni and 0.33%Cu) and now held by Cassini Resources (ASX:CZI) in 2014 who are currently increasing resource confidence and extending mineralisation. The base metal potential of felsic and mafic gneisses of the Birksgate Complex is also being investigated.

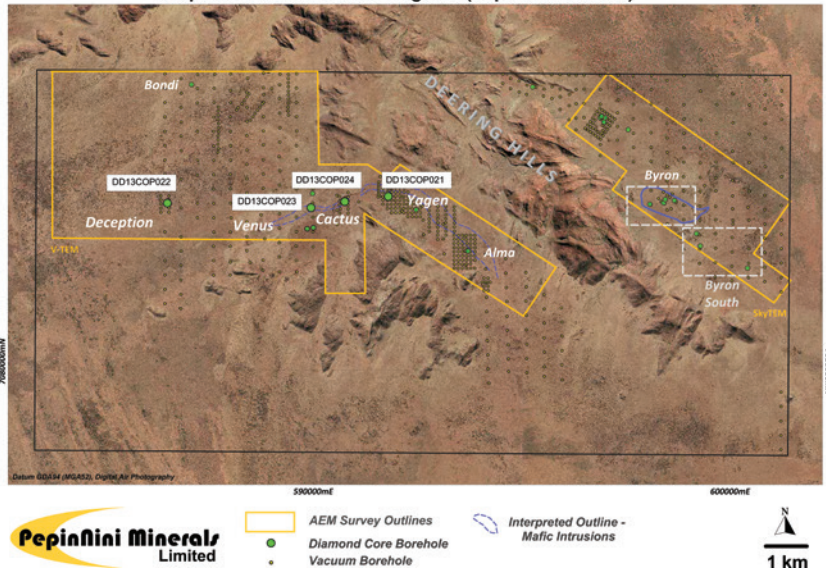
During the past year exploration activity focused on the Cooperinna block of EL4587 and Woodroffe EL5158.

Following the successful generation of targets from the previous SkyTEM surveys, a 200 line kilometre helicopter borne electromagnetic survey (V-TEM) was extended across the western portions of the Cooperinna Block during August 2012. Multiple high priority responses considered worthy of follow-up were identified from the acquired V-TEM data. The responses form a number of discrete “multi-line” clusters which locate favourably to the conceptual geological model by being spatially coincident to interpreted mafic-ultramafic intrusions and feeder dykes.

Drill testing of V-TEM and ground electromagnetic targets at Cooperinna has concluded following the completion of four diamond core holes at the Yagen, Deception, Venus and Cactus Prospects.

The EM conductivity targets at the Yagen, Deception, Venus and Cactus Prospects were conclusively tested, adequately resolved and attributed to the occurrence of graphite bearing gneiss or graphite bearing shear structures within the bedrock sequence. Each of the holes did contain some quantity of disseminated to blebby magmatic sulphide within the crystalline basement associated with intruded magmatic mafic melt. The sulphide species observed within the core is dominantly pyrrhotite (iron sulphide). This was confirmed by geochemical analyses.

Cooperinna EL4587 : Drill Program (Sept Quarter 2013)



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Current Exploration (continued)

Two diamond core holes (Table 1) were completed at the Marrawah Prospect which is located in the eastern part of EL5185 "Woodroffe" (Figure 3). The drilling was undertaken to investigate the source of a well constrained electromagnetic anomaly which had been defined during fixed-loop ground EM surveying across a SkyTEM508 electromagnetic anomaly. The conductivity target was modeled to be a steeply dipping 7millisecond time constant response proximal to the layered mafic Giles Complex Caroline Intrusion.

Figure 2 – Diamond Drill Hole Locations September Quarter 2013, Cooperinna block (EL4587).

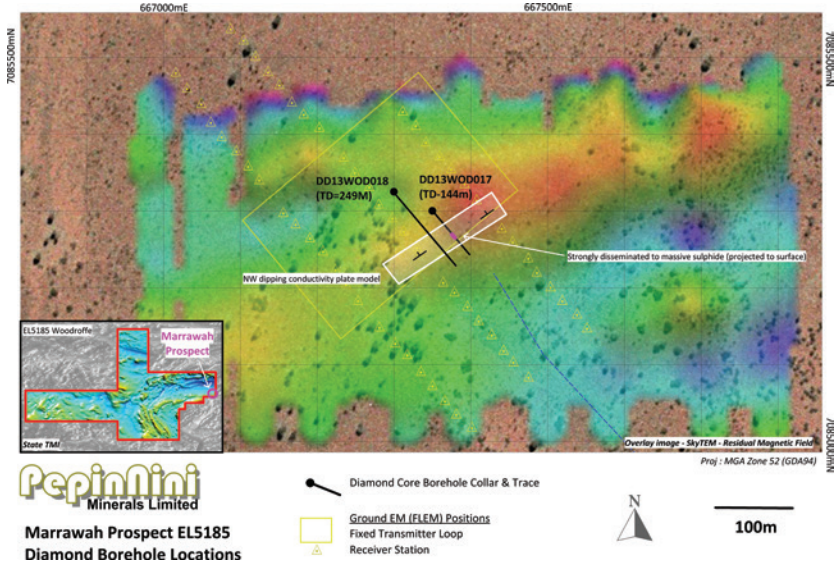


Figure 3 – Borehole Locations Woodroffe Tenement EL 5185.

Table 1 – Diamond drill hole details – Marrawah Prospect

Hole ID	Easting	Northing	Elevation	Azimuth	Dip	Depth
Marrawah Prospect						
DD13WOD017	667350mE	7085300mN	619m	140°	-60°	143.97m
DD13WOD018	667300mE	7085325mN	618m	140°	-60°	249.07m

Drill hole DD13WOD017 intersected strongly disseminated to massive sulphide accumulations associated with intrusive mafic lithologies between 75.6 to 94.4m (down hole depth) at the modeled position of the conductivity anomaly. The sulphide phases present consist of abundant coarse pyrrhotite (iron sulphide) with lesser pyrite (iron sulphide) and chalcopyrite (copper sulphide) which are hosted within pyroxenite and gabbronorite. A photograph of drill core intersecting the main sulphidic zone is presented as Figure 4. Analytical results from the sulphide bearing intervals returned maximum results of 2,500ppm Copper, 745ppm Nickel, 660ppm cobalt, 13ppb gold, 3.5ppb Platinum and 6ppb palladium (Table 2).



Figure 4 – DD13WOD017 from depth 84 to 93 metres: image showing massive to semi-massive pyrrhotite hosted within a sulphidic pyroxenite and gabbronorite.

Table 2 – Summary of Core sample assay results

Hole	from	to	(m)	All results reported in ppm unless stated					
				Copper	Nickel	Cobalt	Chrome	Sulphur	Iron
DD13WOD017	75.6	76.3	0.7	783	143.5	90.2	179	4.05%	13.2%
	76.3	76.9	0.6	73.1	78	62.5	161	0.58%	12.35%
	76.9	77.7	0.8	165.5	125	65.3	125	1.21%	13.25%
	77.7	78.4	0.7	361	156.5	86.1	183	1%	15.35%
	78.4	79.2	0.8	357	60.2	56.8	59	0.95%	13.25%
	79.2	80.3	1.1	857	145	146	91	4.73%	10.3%
	80.3	80.8	0.5	116.5	93.1	68.5	115	0.3%	9.36%
	80.8	81.5	0.7	33.9	106.5	58.8	113	0.37%	9.1%
	81.5	82.5	1	46.4	125.5	64.8	130	0.52%	10.3%
	82.5	83.6	1.1	156.5	90.7	59.9	93	0.29%	12.8%
	83.6	84.6	1	1,010	479	390	78	>10.0%	30.1%
	84.6	85.6	1	1,160	163	98.7	107	4.58%	19.6%
	85.6	86.6	1	1,240	421	211	79	>10.0%	23.4%
	86.6	87.4	0.8	640	130	65.8	62	3.52%	13.45%
	87.4	88.1	0.7	1,470	156	192	100	6.09%	17.45%
	88.1	89.1	1	1,810	672	660	52	>10.0%	36.1%
	89.1	90	0.9	1,130	745	320	50	>10.0%	36.6%
	90	91	1	1,280	339	244	34	>10.0%	19.8%
	91	92	1	<b>2,270</b>	396	211	82	>10.0%	23.6%
92	93	1	1,650	450	356	82	>10.0%	25.5%	
93	94	1	1,280	296	129.5	125	8.08%	21.9%	
94	94.5	0.5	<b>2,500</b>	335	129	125	9.36%	21.7%	

Note: All metreages quoted are down – hole depths as true widths are not known.

**Current Exploration (continued)**

The intersection in DD13WOD017 confirms that encouraging sulphide accumulations can be dependability identified from AEM (airborne electromagnetic surveying) within the Musgrave Province as a valuable exploration targeting tool in the search for magmatic nickel – copper sulphide deposits.

In June 2014 PepinNini announced the details of three high-priority Nickel Sulphide (Ni-S) prospects identified within the Caroline Project. The Ni-S prospects are named Scott, Fowlers and Wandila and are located along a prominent south-east trending domain boundary and within intersections of key east-west (Wintinginna FZ) and north-east trending structural lineaments. PepinNini will be targeting Ni-S mineralisation associated with north-west to north-east plunging mafic feeder dykes termed chonoliths, analogous to the geological setting of the Nebo-Babel deposits that host significant Nickel-Copper mineralisation in the West Musgrave Region. Seven discrete magnetic targets have been identified near intersections of major structures and gravity lineaments and highlights the potential for chonoliths in the project area. The presence of Ni-Cu massive sulphides within the project area will be investigated through a collaborative geological and geophysical research project with the Minerals Down Under (MDU) Flagship of the CSIRO, involving the acquisition and analysis of airborne electromagnetic survey data during 2015.

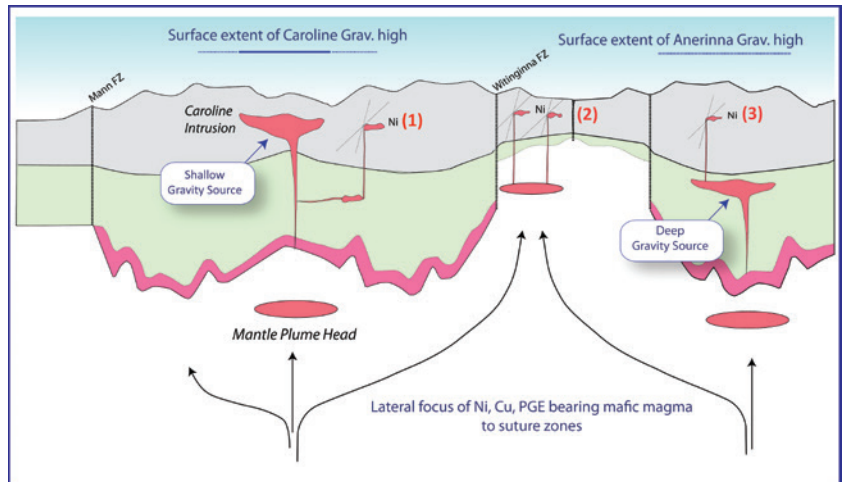


Figure 5 – Schematic cross-section through PepinNini's Caroline and Anerinna Hills project showing the location of major mafic magmatism (gravity) in relation to deep crustal structures (magnetics). PepinNini is targeting 1) Nebo-Babel style mineralisation in feeder dykes to the Caroline Intrusion, 2) structurally controlled mineralisation associated with mafic magmatism channelled laterally into the Wintinginna FZ, and 3) Jinchuan-style mineralisation hosted in superjacent (stratigraphically above) mafic dykes replenished by a deeply buried mafic source.

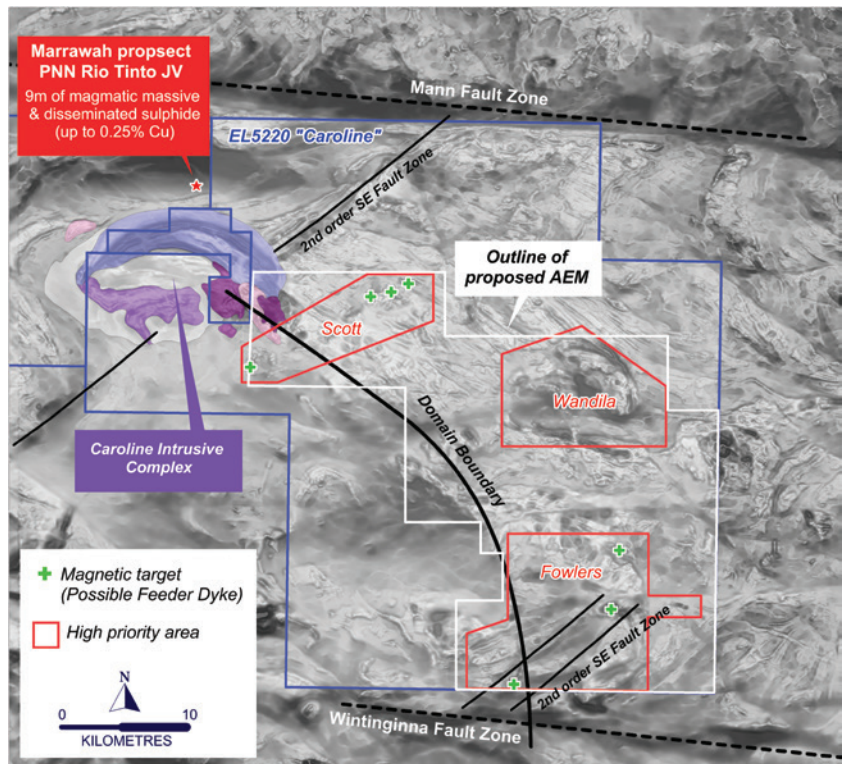


Figure 6 – Location of Nickel Sulphide (Ni-S) geological prospects within PepinNini's Caroline Ni-Cu Project, central Musgrave Region of South Australia. Ni-S prospects are located favourably near the intersections of east-west crustal lineaments and a south-east trending curvilinear domain boundary. The identification of discrete magnetic targets within north-east structures highlights the potential for mafic feeder dykes (chonoliths) within the project area. The presence of massive Ni-S will be investigated through a large airborne electromagnetic survey planned for Q1 2015.

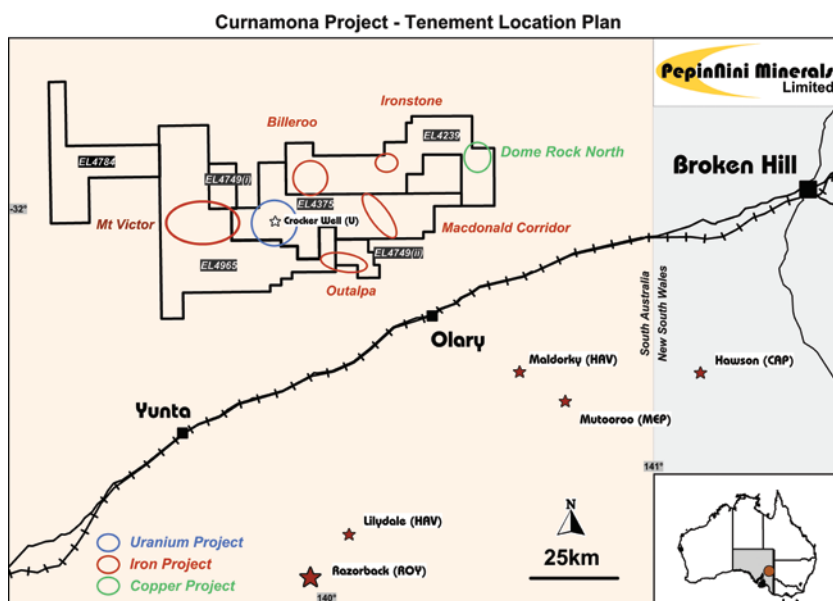


Figure 7 – Tenement Location Curnamona Project, South Australia.

## CURNAMONA PROVINCE PROJECT

At the close of the reporting year PepinNini Minerals Limited held a 40% interest in five granted exploration licences covering approximately 3,605 km<sup>2</sup> of the Curnamona Province of South Australia (Figure 7). A Joint Venture Alliance was established in 2007 with Sinosteel Corporation to manage and operate the development of the Crocker Well Uranium Deposit and explore for other commodities within the Joint Venture tenements. In December, 2009 a decision was made by the Joint Venture to delay the completion of a Bankable Feasibility Study for the development of the Crocker Well Uranium Deposit due to a depressed uranium price and weak American dollar. The focus since 2010 has been on other minerals, mainly iron ore.

Subsequent to the end of the reporting year PepinNini announced the signing of a Sale and Purchase Agreement for its 40% interest in the Uranium and Mineral Resources Joint Venture between PepinNini Resources Curnamona Pty Ltd, a wholly owned subsidiary of PepinNini Minerals Ltd, and Sinosteel Uranium SA Pty Ltd.

Under the Sale and Purchase Agreement Sinosteel Uranium SA Pty Ltd is the purchaser and the purchase consideration is \$2.3m.



## ARGENTINA PROJECT

PepinNini have one granted cateo (exploration leases), four granted mina (mining lease) and seven applications for a cateo conversion to mina covering approximately 290 kms<sup>2</sup> in the Argentine province of Salta. The Salta Project comprises two separate areas designated as Santa Ines and Chivinar.

Salta Province is recognised as one of the most mining friendly provinces in Argentina and is a province where mining rights are well regulated. The geology is prospective for copper-gold porphyries; precious and base-metal epithermal systems and breccia-complexes associated with the Andean volcanic belt.

The region is traversed by an international gas pipeline, high-transmission power lines extending from Salta across to Chile and the Salta-Antofagasta railway, which is currently partially operational.

## Santa Ines

The Santa Ines Project comprises three mina (mining licence), one cateo (exploration licence) and eight cateo conversion to mina applications. The project is situated in the Los Andes Department of Salta ~35km south of Socompa and 65km southwest of Tolar Grande. This project logistically benefits by being only 5km from the Salta-Antofagasta railway and is easily accessed using existing roads and tracks.

The Santa Ines Project lays within a crustal scale NW trending mega-lineament (Figure 8), which in Andean geology are widely recognised as being major long-lived structural corridors that are fundamental in the control of the distribution of porphyry-epithermal deposits. The “Archibarca” NW lineament extends from Cerro Galán (Argentina’s largest ignimbrite caldera complex) in the southeast through to the Pacific coast of Chile.

Known mineralization along this lineament to the immediate southeast of Santa Ines includes Mansfield’s Lindero Gold Porphyry project (2.2 Moz. Au) that is currently in feasibility and advanced Cu-Au exploration projects including Rio Grande, Arizario and Samenta. Situated some 100km to the northwest along the same lineament is BHP’s giant Escondida Cu-Au porphyry (~5 billion tonnes at 1% Cu and 0.25 g/t Au) which also was deposited contemporaneously with the Santa Ines Formation event during the Late Eocene-Oligocene.

Santa Ines mina comprises a number of small artisanal diggings consisting of shallow pits exploiting abundant secondary copper and specular haematite mineralisation associated with haematite-silica veining within a broader envelope of albite alteration. Orientated to the NE this steeply dipping vein system extends across a low outcropping hill.

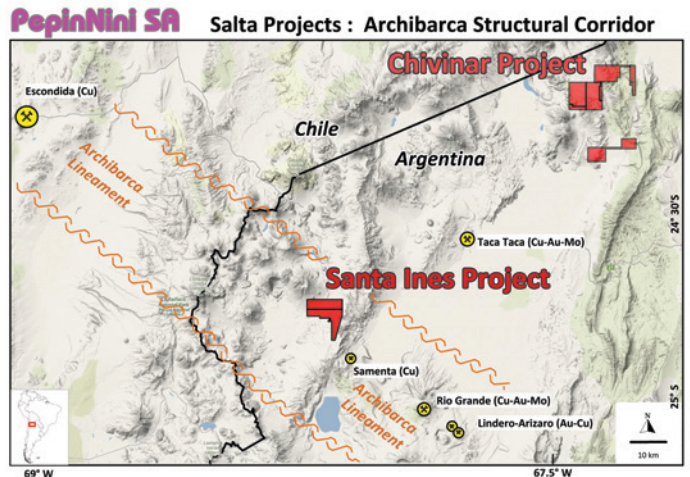


Figure 8

More recent shallow pits indicate that mineralisation is evident for at least 400m across strike whereas along strike it becomes lost under thin cover at the base of a hill after a few hundred metres. Published reports by SEGEMAR (Argentine Geological Survey) describe the mineralisation at Santa Ines as being gold bearing with mineralisation present dominantly as malachite, azurite, chrysocolla and specular haematite with minor primary mineralisation occurring as chalcopryrite and chalcocite. Samples collected recently by PepinNini Minerals confirm high grade copper and gold mineralization is present.

In December 2013 and April 2014 PepinNini undertook field activities within the Santa Ines project involving field mapping, soil and rock chip sampling and ground magnetic geophysical surveys.

Two prospects (Figure 9) were delineated:

- i) El Obsequio – The Gift
- ii) La Recompensa – The Reward

The geological field team completed 1,000 ha of mapping across the central portion of the project area which lies to the west of the historic Santa Ines mine working during the first phase of mapping activities. Thirty seven rock chip and grab samples were collected across the mapping area for multi element geochemical analysis and gold assay. Ten samples returned significant results with eight of those recording greater than 0.5% copper to a maximum result of 3.256% Copper. The anomalous samples are located in the vicinity and to the west of the Santa Ines historic mine (Figure 10). The ten samples also recorded anomalous poly-metallic values with maxima of 0.8 g/t gold, 12.5 g/t silver, 91.1ppm molybdenum, 541.1ppm lead, 2,992ppm zinc, 36.29% iron, and >200 ppm tungsten.

A total of fifty eight rock samples were also collected for hyperspectral analyses to investigate the alteration patterns across the project area. Analysis of these samples using a Spectral Evolution oreXpress spectrometer supports field observations indicative of regional propylitic alteration within which there is locally developed crystalline kaolinite and illite.

A detailed, continuous-reading, ground magnetic survey was undertaken during the phase-I exploration activities using locally based geophysical contractors. The survey involved the acquisition of approximately 180 line kilometres of data along 150m spaced N-S survey lines in the central portion of the project area (Figure 11).

The survey has highlighted an interesting 1.4km x 0.8km target in an area dominated by alluvial / colluvial / scoria cover. Profiling of the data suggests a deep magnetic source worthy of additional investigations given the association of copper-gold mineralisation with magnetite at the nearby Lindero and Rio Grande deposits.

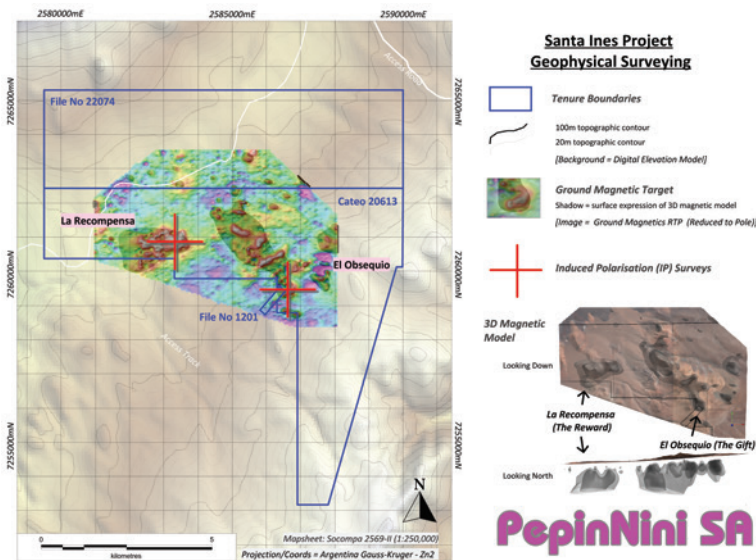


Figure 9 – Santa Ines Prospects.

Copper and gold results highlight coincident anomalism in the vicinity of El Obsequio prospect, (Figure 13) with maximum value of 228ppm Cu and 13.7 ppb Au present in soil samples. This expands on positive results from stage 1 field activities, from which PepinNini reported maximum concentrations of 3.25% Cu, 0.8g/t Au, 91.1 ppm Mo 12.5 g/t silver, in rock chip samples. No interesting geochemical distributions were identified from soil geochemical sampling over the La Recompensa prospect, although a single sample contained 39.1ppb Au (Figure 11).

Four lines of pole-dipole IP were read over two targets defined within El Obsequio and La Recompensa (Figure 11) following positive interpretation of ground magnetic data within these areas. The chargeability values ranged from 2 to 6mV/V across the entire survey and the resistivity values were high. The results detect weak responses within El Obsequio possibly sourced by narrow chargeable bodies (veins). The IP survey did not identify any significant chargeability anomalism at La Recompensa.

PepinNini are currently assessing the merit of a drill campaign to test anomalous base metal geochemistry and IP anomalies at El Obsequio. PepinNini is exploring the project area for a large copper-gold-molybdenum porphyry system that may also have iron-copper-gold (IOCG) characteristics. Epithermal style quartz veins were also identified, though non-mineralised in the sparse outcrop exposed.

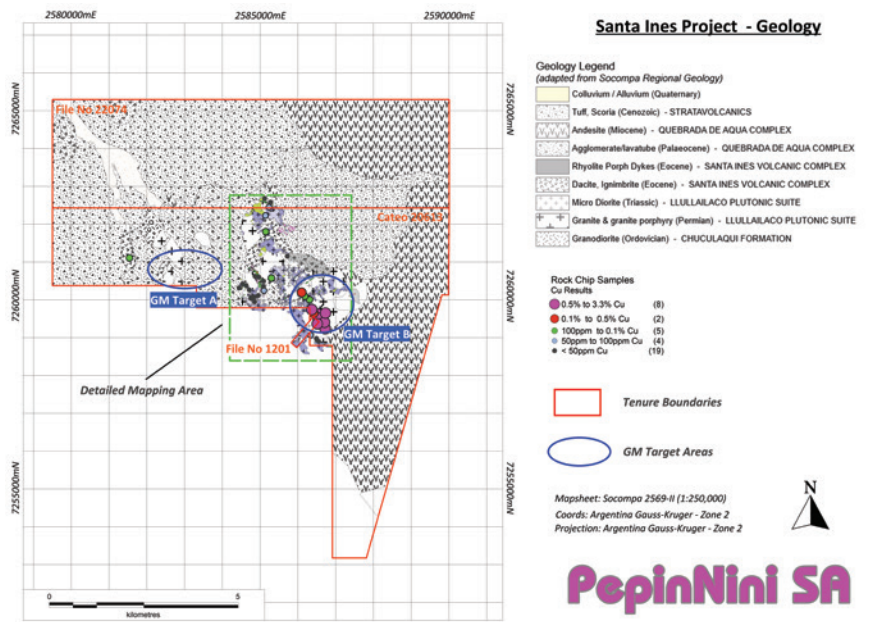


Figure 10 – Phase I exploration rock sample results.

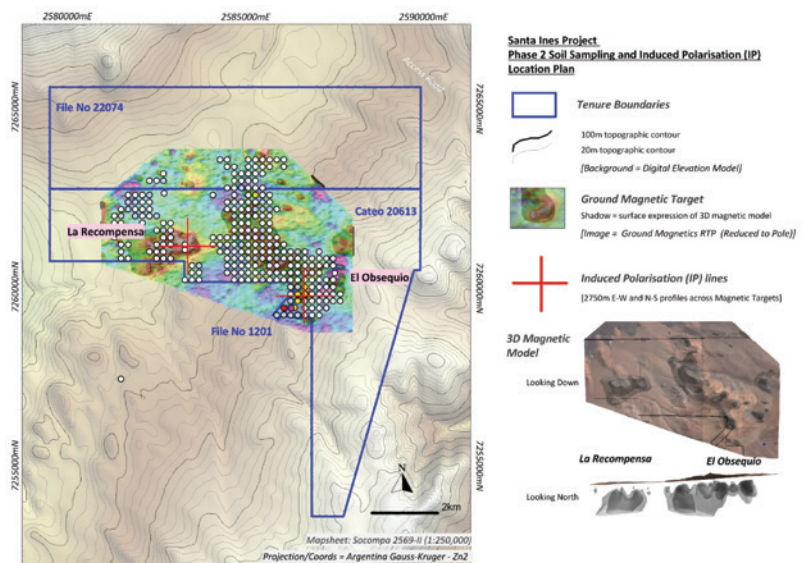


Figure 11 – Phase 2 exploration sampling results and ground magnetic survey location.





Figure 12 – Haematite matrix breccias with trace copper mineralisation from within major shear zone located near the ‘El Obsequio’ epithermal Cu-Au prospect.

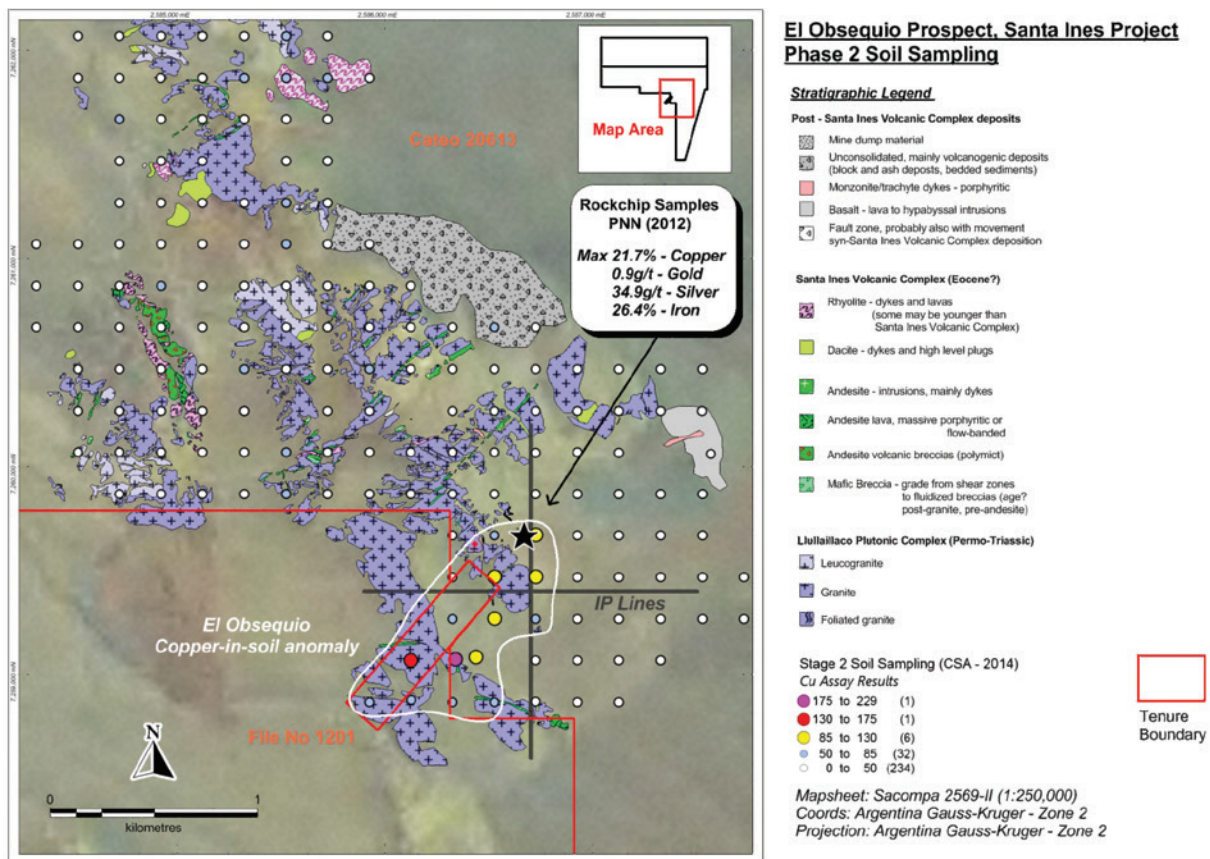


Figure 13 –El Obsequio Prospect, Phase 2 sample results.

## NORTH QUEENSLAND PROJECT

Currently the company has a 100% interest in 4 exploration tenements (EPMs) and 1 mining lease in Queensland. The company's holding covers approximately 388 kms<sup>2</sup> prospective for Uranium, Copper, Gold and Chromite. The tenements are highly prospective for Uranium and contain shear hosted uraninite mineralisation over a strike extent of 300m with an average grade of 0.4% U<sub>3</sub>O<sub>8</sub>.

The licence covers radioactively anomalous Mesoproterozoic Mywyn Granite and is host to the Oasis Uranium Deposit as well as a number other uranium targets identified from regional radiometric surveys. The licence is also considered to have some potential for epithermal and shear / quartz vein hosted gold.

In October 2012 the Queensland Government lifted the long standing ban on Uranium mining within the state improving the viability of the Oasis Project as an attractive exploration opportunity.

The Oasis Project is located within the eastern portion of the Georgetown Inlier in terrane straddling the Lynd Mylonite Zone. The west of the Lynd Mylonite Zone is occupied by Palaeoproterozoic amphibolite grade metasediments of the Einasleigh Metamorphics which are intruded by the Mesoproterozoic A-type Mywyn Granite. The eastern side of the structure is occupied by Neoproterozoic to Cambrian Oasis Metamorphics which are intruded by Silurian Pama Province Granitoids.

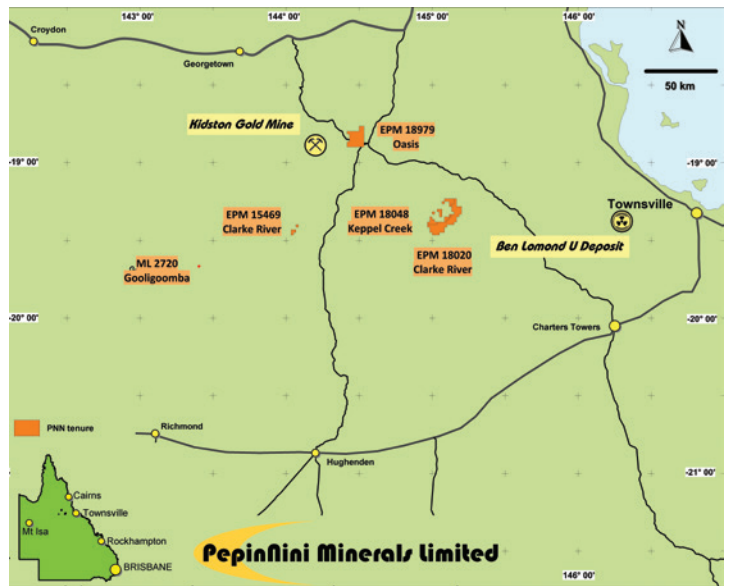


Figure 14 – QLD tenement locations.

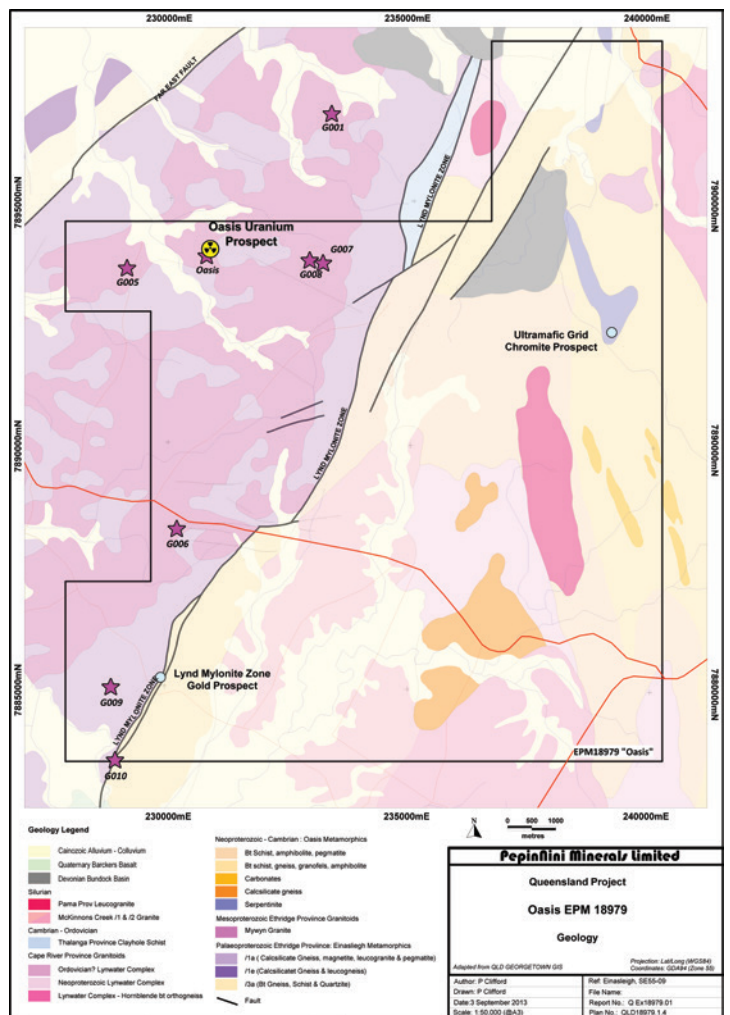


Figure 15 – Oasis tenement Geology.

Previous explorers have drilled a total of sixty three diamond drill core and RC percussion holes at the Oasis Deposit however many of the holes are shallow. Highlights of the previous exploration activity within the tenement are:

- 10 metres from 54 metres with 0.12% or 2.64 lbs/t  $U_3O_8$
- 7 metres from 34 metres with 0.17% or 3.74 lbs/t  $U_3O_8$
- 5 metres from 92 metres with 0.15% or 3.30 lbs/t  $U_3O_8$
- 2 metres from 170 metres with 0.15% or 3.30 lbs/t  $U_3O_8$

It has been surmised that the lateral north – south extent of the mineralisation is less than 300m and that the thickness and grade of the steeply dipping uraniferous zone decreases with depth.

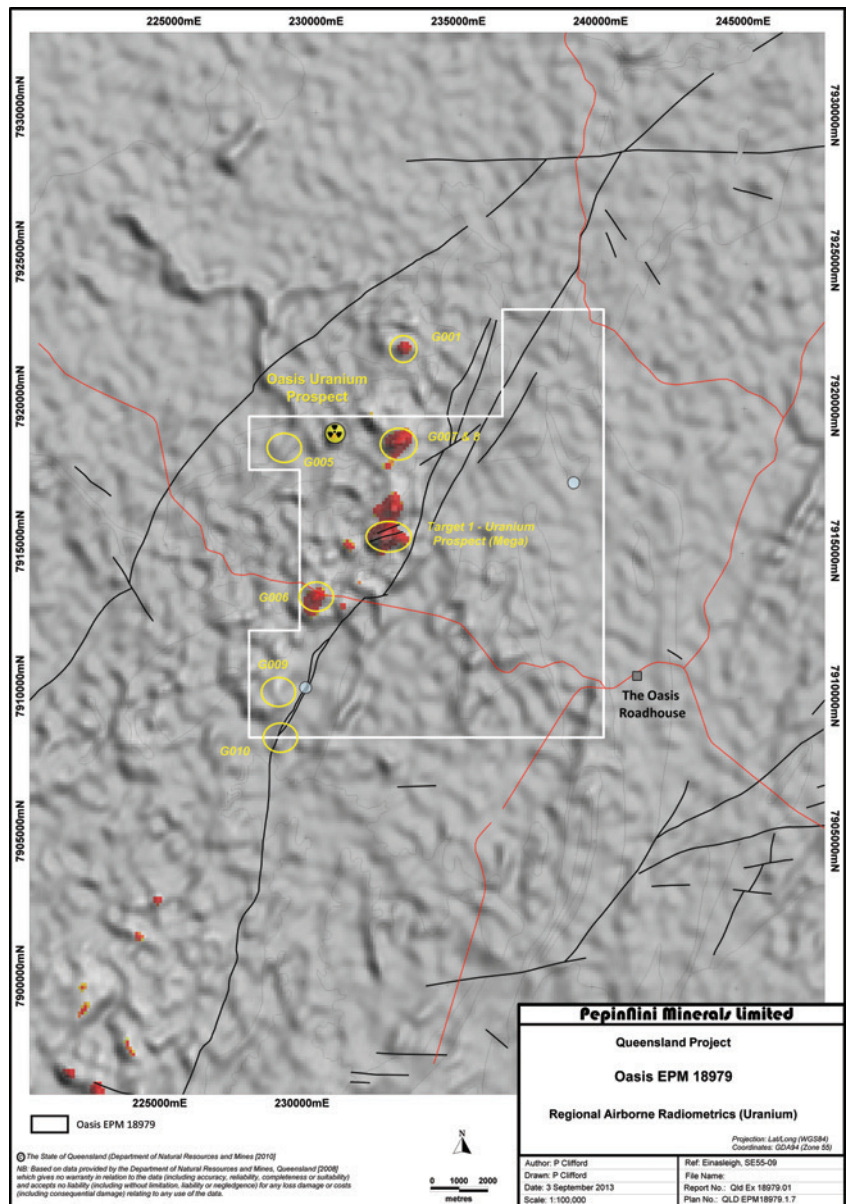


Figure 16 – Oasis tenement regional airborne radiometrics.

## ROBINSON RANGE PROJECT

PepinNini Minerals has a 50% interest in the iron ore contained within three tenements and a 40% interest in the iron ore contained within another four tenements located in the Midwest region of Western Australia. Collectively the tenements cover approximately 700km<sup>2</sup> and contain a 40kms strike length of the Robinson Range Formation considered highly prospective for iron ore. Joint Venture Agreements have been executed to facilitate the exploration and development of the iron ore potential of the tenements. PepinNini Minerals manage exploration on behalf of the Joint Venture partners.

Supergene enriched haematite and haematite-goethite mineralisation associated with banded iron and granular iron formation units of the Robinson Range Formation form the primary target of the project.

The Joint Venture is currently focused on exploration of the identified Direct Shipping Ore (DSO) potential of the tenements. During 2011 and 2012 PepinNini undertook an extensive reverse circulation (RC) drilling program designed to investigate potential supergene iron ore resources at eleven prospect areas located amongst the ~40km strike length of Robinson Range Formation identified within the project area. Ninety eight boreholes were completed for 5,609 metres of drilling.

Independent technical specialists, H & S Consultants Pty Ltd, were commissioned to undertake a resource estimation for PNN Area C. A maiden Mineral Resource Estimate reported in accordance with the JORC code (2004) of 4.65million tonnes grading 55.2% Fe in the Inferred Category was announced on 28<sup>th</sup> December, 2011. A revised JORC(2004) Resource Estimate was announced on 6<sup>th</sup> June, 2012 as follows;

Field reconnaissance and surface sampling were also undertaken over two new prospect areas designated as "PNN Area-E" and "PNN Area-F". More than fifty percent of the 21 surface samples collected from within PNN Area "E" returned assays in excess of 55% Fe and ranged up to a maximum of 66.4% Fe. Nine samples were collected from within PNN Area "F" and returned assays ranging from 32.2% Fe to 66.2% Fe.

During the 2014 year the company continued rehabilitation over the areas previously explored and maintained tenement reporting.

Inferred Mineral Resource Estimate for PNN Area C – Robinson Range Project (June, 2012)

Million Tonnes	Cut Off %Fe	Density SG	Fe %	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	TiO <sub>2</sub> %	LOI %
17.7	45	3.6	49.7	13.3	8.5	0.06	0.04	0.29	5.4
4.3	52	3.8	55.2	8.5	6.5	0.06	0.05	0.21	4.7

*This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

## MINERAL RESOURCES STATEMENT

No additional evaluation was undertaken on the haematite-goethite iron oxide resource at PNN area C - Robinson Range Project during the reporting year ended 30 June 2014. The Inferred Mineral Resource Estimate therefore remains materially unchanged from that disclosed under JORC(2004) on 6<sup>th</sup> June 2012.



Figure 19 – Robinson Range Iron Ore Project - Prospect Locations

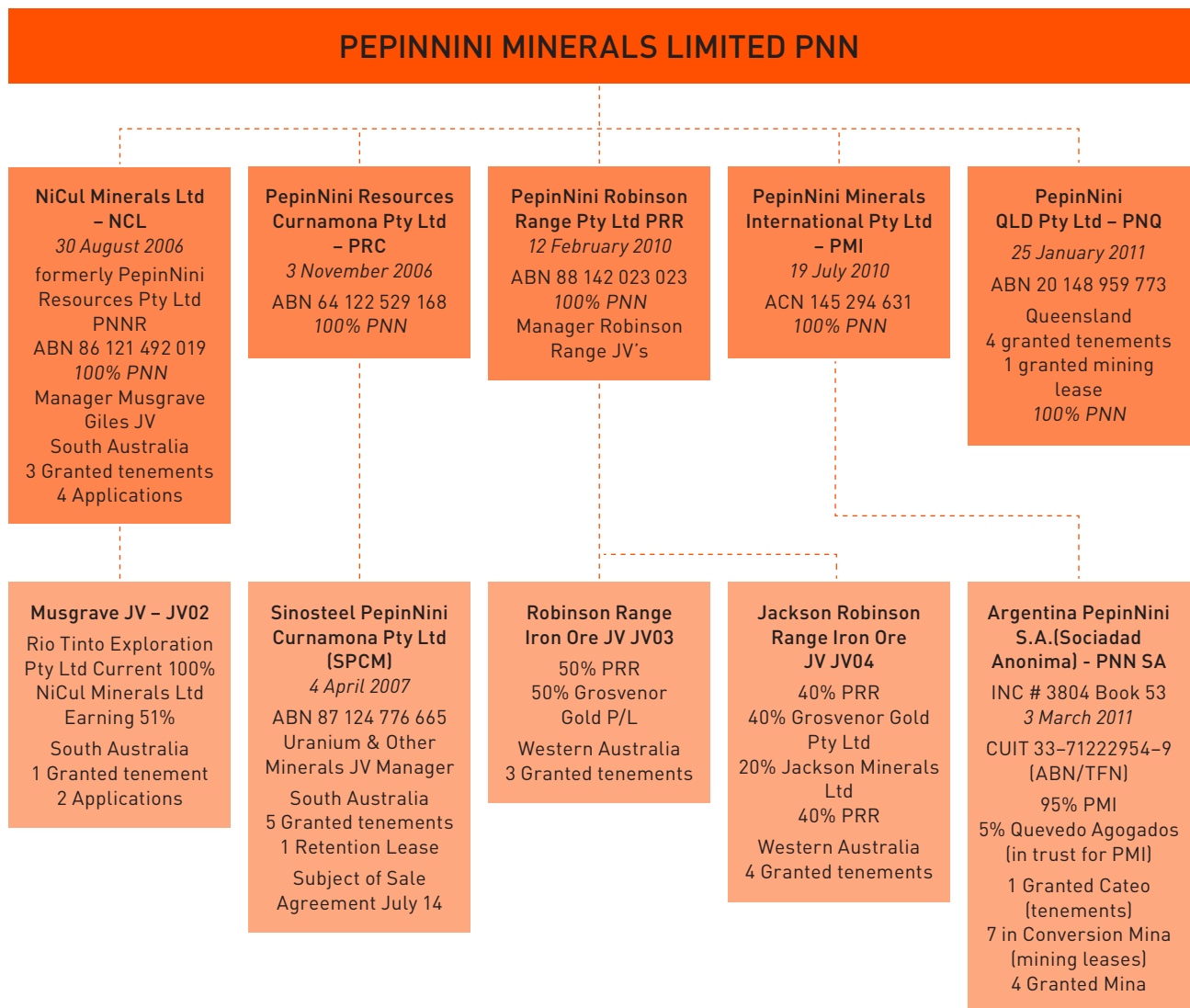
The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Phil Clifford BSc MAusIMM. Phil Clifford is the Technical Director of PepinNini Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Phil Clifford consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## SUMMARY OF GOVERNANCE ARRANGEMENTS

PepinNini Minerals' internal resource assessment and review process reconciles where applicable previously stated mineral resources against updated figures in the case of additional exploration data. PepinNini have only one project in which a resource estimate is reported (Mineral Resources Statement above) and in this case no reconciliation was undertaken for the reasons stated.

# FINANCIAL AND CORPORATE STRATEGY

20



The chart above shows the projects within the company's control and the corporate entities that administer them. As stated in the introduction to this annual report the company's primary business objective is to:

- reward investors;
- discover and participate in the development of major new mineral deposits;
- conduct exploration and corporate activities in a responsible and professional manner in accordance with industry standards whilst observing statutory requirements;
- define, quantify and develop the considerable mineralisation potential already recognised in the exploration tenements held by the Company; and
- establish equitable and respectful relationships with the traditional owners of tenement areas held by the Company.

The corporate strategy to achieve these aims has been to, where possible, realise value within the holdings of the company and to fund effective exploration activities within key priority project areas to maximise the potential of a commercially viable mineral discovery. By using in-house drilling expertise and its own drilling and exploration equipment the company can generate and conclusively test valid exploration targets with the additional advantage of a capacity to raise revenue through contract of these services to other explorers.

Strategic equity raisings of capital have been and will be undertaken to ensure adequate funding for worthy ongoing activities. Tenement acquisitions either by payment, farm-in to joint venture or application may be considered essential to maintaining core activities.

Dividend payments may be considered as was the case in 2007 when the windfall sale of 60% equity in a uranium project was partially redistributed to shareholders. Financially efficient and regulation compliant company and project administration is fundamental to the corporate strategy.

The annual financial report for the year ended 30 June 2014 is included with the annual report. At 30 June 2014, the company had cash of \$0.7m, working capital of \$1.0m, and a non-current debt of \$0.2m.

A capital raising entitlements issue of shares commenced 24 April 2014 to raise up to \$1.5m.

The issue was under a Prospectus and details of the issue were:

- Eligible shareholders entitled to 2 shares for every 3 shares held at record date 1 May 2014
- Shares to be at an issue price of 1.9c per share
- Entitlement closure date was 22 May 2014

The entitlement issue raised \$0.44m with the issue of 23,294,559 shares. This represented a 29% take up of the entitlements on offer. Costs totalling \$0.02m were deducted from the equity with share capital increased by \$0.42m. The shortfall was available for a further three months following the close during which time a further \$0.5m was sold and another 26,315,789 shares issued, representing a further 32% take up resulting in a total of 61% purchased.

During the financial year to 30 June 2014 the company did not sell any tenement assets. The strategy of divestment of non-core assets that we have applied in the past will continue into the June 2015 year to ensure adequate capital for core activities, as is evident in the sale and purchase agreement signed on 14<sup>th</sup> July 2014 to sell the interest in tenements held by PepinNini Resources Curnamona Pty Ltd within the Uranium and Mineral Resources Joint Venture for a consideration of \$2.3m.

All core projects have the potential and positive prospectivity for the discovery of a significant mineral deposit. PepinNini will seek to reduce liabilities and recover value by divesting non-core projects within the portfolio, and replacing with exciting and prospective projects. PepinNini is focused on these goals with the aim of maximising and increasing shareholder value.

PepinNini has proved in the past that we can release the value in our assets and will continue to ensure that our shareholders receive the maximum possible returns.

# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE, 2014





# CORPORATE GOVERNANCE STATEMENT

PepinNini Minerals Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

## THE BOARD OF DIRECTORS

The board operates in accordance with the broad principles set out in its charter. The charter includes details on the board's composition, responsibilities, performance review and evaluation procedures, ethical standards, and required communications with shareholders.

## BOARD COMPOSITION

The board currently performs its roles and function, consistent with the above statement of its overall corporate governance responsibility. The board is made up of two independent, non-executive directors and two non-independent executive directors. The Chairman is independent non-executive.

## RESPONSIBILITIES

Responsibility for the Group's corporate governance rests with the board. The board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of PepinNini's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The Board's broad function is to:

- a) chart strategy and set financial budgets for the Company;
- b) monitor the implementation and execution of strategy and performance against financial budgets; and
- c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above.

These areas include:

- a) composition of the Board itself including the appointment and removal of Directors;
- b) oversight of the Group, including its control and accountability system;
- c) appointment and removal of senior management and the company secretary;
- d) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- e) monitoring senior management's performance and implementation of strategy; and
- f) approving and monitoring financial and other reporting and the operation of committees.

## BOARD MEMBERS

Details of the members of the board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading "Information on directors".

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the board is conducive to effective discussion and efficient decision-making.

## COMMITMENT

The board held 12 board meetings during the year. The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed on page 36.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2014. The commitments of non-executive directors are considered by the board prior to the directors' appointment to the board of the Group and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

## CONFLICT OF INTERESTS

It is company policy that the directors declare their interests in dealings with the Company which create a conflict of interest, and take no part in decisions relating to them or the preceding discussions. In addition, those directors do not receive any papers from the Group pertaining to those dealings. There were no such conflicts of interest during the 30 June 2014 financial year.

## INDEPENDENT PROFESSIONAL ADVICE

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by the Company.

## PERFORMANCE ASSESSMENT

The corporate governance charter adopted by the board requires individual performance review and evaluation to be conducted formally on an annual basis. In addition, an external review of the performance of directors and key executives is planned for intervals not exceeding three years to ensure independent professional scrutiny and benchmarking against developing best market practice. The board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. PepinNini's practice complies with the guidelines in this area.

## CORPORATE REPORTING

The Managing Director and Financial Controller have made the following certifications to the board:

- The financial records for the Company for the full year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.  
The financial statements and associated notes comply in all material respects with the Australian Accounting Standards as required by section 296 of the *Corporations Act 2001*.
- The financial statements and associated notes give a true and fair view, in all material respects of the financial position of the Company as at 30 June 2014 and the performance of the Company for the full year ended 30 June 2014 as required by section 297 of the *Corporations Act 2001*.
- The statements made above regarding the integrity of the financial statements have been formed on the basis of a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board of Directors.
- The risk management and internal compliance and control systems of the Company, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

## BOARD COMMITTEES

The Group's size is not sufficient to warrant the establishment of separate committees for the nomination of directors, and risk management. As an alternative the Group has formed a corporate governance committee (currently consisting of all directors) to assist with the building of its own internal practices concerning good corporate governance. As part of their regular Corporate Governance Committee meetings, the directors discuss and action matters concerning:

- risk management;
- issues relevant to policies and practices for all Directors and senior management; and
- any recommendations concerning the appointment of new Directors and senior management.

Items of business that the committee will address at its meetings are:

- Board and committee structure to facilitate a proper review function by the board;
- corporate risk assessment and compliance with internal controls;
- review and evaluation of market practices and trends on remuneration matters;
- the performance of senior management;
- development of suitable criteria such as skills, qualifications and experience for Board candidates;
- identification and consideration of possible candidates; and
- review of the performance of each director and of senior management each year in accordance with the procedures developed and adopted by the board.

Whilst items of risk management will be discussed on a quarterly basis, items concerning remuneration and nominations will be discussed annually.

## AUDIT COMMITTEE

The Audit Committee meets and reports to the board as required, but in any case at least twice each year. Its members are currently one executive director and two non-executive directors. The committee has authority to seek any pertinent information it requires from any employee or external party. The Company's external auditor is invited to attend each meeting of the committee.

The responsibilities of the audit committee include:

- oversee the existence and maintenance of internal controls and accounting systems, including the implementation of mandatory and non-mandatory accounting policies and reporting requirements;
- oversee the financial reporting process, including reviewing and reporting to the board on the accuracy of all financial reports lodged with ASX which include the quarterly, half-yearly and annual financial reports;
- recommendations to the board regarding the nomination, removal and remuneration of the external auditors;
- review the existing external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence; and
- assessing the adequacy of external reporting for the needs of shareholders.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors at least twice a year without the presence of management;
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

## REMUNERATION COMMITTEE

The Remuneration Committee meets and reports to the board annually. Its members are currently one executive director and one non-executive director. Details of the directors' attendance at the remuneration committee meetings is set out in the directors' report page 36. The remuneration committee advises the board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors and employees.

Each employee signs a formal employment contract at the time of their appointment covering a range of matters including their duties, responsibilities and any entitlements on termination. The contract refers to a specific job description. The job description and employee performance are reviewed on an annual basis by executive management and where necessary the job description is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration including principles used to determine remuneration is set out in the Directors' report under the heading *Remuneration report*.

## RESPECT THE RIGHTS OF SHAREHOLDERS

The board strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Group's auditors will always attend the annual general meeting and are available to answer shareholders' questions. The Group's policies are outlined in the Company Policy and Procedure Document available from the Company's website. These policies ensure continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have been established for reviewing whether any price sensitive information has been inadvertently disclosed and if so, this information is also immediately released to the market.

All shareholders who have requested, will receive a copy of the Company's annual report. In addition, the Company provides opportunities for shareholders to download from the website, annual and quarterly reports.

## EXTERNAL AUDITORS

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Ernst & Young was appointed as the external auditor in 2009 and continue in office for the year ended 30 June 2014.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in note 20 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## RISK ASSESSMENT AND MANAGEMENT

The board through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company's website. In summary the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues. The internal audit reporting group carries out regular systematic monitoring of control activities and report to both relevant operations and administrative management and the audit committee. The company risk management policy and the operation of the risk management and compliance system is managed by the company risk management group consisting of senior management and senior executives chaired by the Managing Director. The board receives updates at monthly directors' meetings on material risks that may impede meeting operational and business objectives. The risk management group is then responsible for implementing appropriate controls to effectively manage those risks which are in turn monitored by the board.

### The environment, health and safety management systems (EHSMS)

The Company recognises the importance of environmental and work health and safety (WH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and WH&S issues and to ensure they are managed in a structured manner.

The system allows the company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and WH&S issues;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the Group's principal suppliers and contractors

Information on compliance with significant environmental regulations is set out in the directors' report.

## CODE OF CONDUCT

The Company has developed and adopted a detailed code of conduct to guide directors and employees in the performance of their duties. The Company has also developed and adopted a formal code to regulate dealings in securities by directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Code is available on the Company's website.

## DIVERSITY POLICY

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company has developed a diversity policy. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annually both the objectives, and the Company's progress in achieving them.

In accordance with ASX Corporate Governance Principles, the board has achieved the following objectives in relation to gender diversity.

	Number	%
Number of women employees in the whole organisation	6	40%
Number of women in senior executive positions	2	67%
Number of women on the board	1	25%

## ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

Subject to the exceptions outlined below, the Company has adopted the 'Corporate Governance Principles and Recommendations (including 2010 Amendments'Guidelines') applying to listed entities as published in 2010 by the ASX Corporate Governance Council. Below is a listing of the Best Practice Recommendations that PepinNini Minerals Limited does not comply with.

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Best practice recommendation	Notification of departure	Explanation of departure
Principle 2.1	A majority of directors are not independent	<p>Currently, two of the four directors satisfy the criteria for independence. The Company considers that the expense involved in the recruitment and employment of an additional independent director is not justified given the present size and complexity of its operations. Together, the current directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and have demonstrated that they make quality and independent judgments in the best interests of the Company on all relevant issues. Procedures are in place whereby directors having a conflict of interest in relation to a particular item of business must exclude themselves from the meeting before commencement of discussion of the topic.</p> <p>It is intended that, subject to the performance of the Company, new candidates for the board will be considered.</p>
Principle 2.4	A separate Nomination Committee has not been formed	<p>The board has not formed a separate Nomination Committee. The full Board consists of four directors and has formed the view that it is more efficient for the board as a whole to deal with matters that would otherwise be dealt with by a Nomination Committee. Strategies such as reviewing the skill base and experience of existing directors and identification of attributes required in new directors are in place and, if necessary, appropriate independent consultants will be engaged to identify possible new candidates for the board.</p>
Principle 4.2	The Audit Committee consists of three members; one executive and two independent non-executive directors	<p>An Audit Committee has been established and has a formal charter. The Audit Committee is not in compliance with the Guidelines as all members are not non-executive directors however a majority of members are independent. To safeguard the integrity of financial reporting, the Chairman of the Audit Committee is a non-executive director who is independent and regular sessions are held with the external auditors in the absence of management to discuss any issues or concerns the auditors may have. Separate audit committee meetings are held to finalise annual and half yearly financial reports before recommending approval by the board.</p>
Principle 8.2	The Remuneration Committee consists of two members; one executive and one independent non-executive director	<p>A Remuneration Committee with a formal charter has been established. The Remuneration Committee is not in compliance with the Guidelines in that it has less than three members and the majority of members are not independent. To safeguard the integrity of remuneration setting the Chair of the Remuneration Committee is independent.</p>

## CORPORATE GOVERNANCE SCORECARD

		Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
<b>Principle 2</b>	<b>Structure the board to add value</b>	
2.1	A majority of the Board should be independent directors.	No
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	No
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the Company' integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	Yes Yes Yes Yes
3.2	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.	Yes
3.3	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.	Yes
3.4	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.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members</li> </ul>	No Yes Yes Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes

## CORPORATE GOVERNANCE SCORECARD *(continued)*

		Comply
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system 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.	Yes
7.3	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 provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it:	
	• consists of a majority of independent directors	No
	• is chaired by an independent chair	Yes
	• has at least three members.	No
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes



The directors of PepinNini Minerals Limited ("PepinNini" or the "Company") submit herewith the annual financial report of the consolidated group consisting of PepinNini Minerals Limited and the entities it controlled (the Group) at the end of, or during, the year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

## DIRECTORS

The following persons were Directors of PepinNini Minerals Limited during the whole of the financial year and up to the date of this report:

- Rebecca Holland-Kennedy
- Robert (Wei) Sun
- Phil Clifford

Murray Bailey was appointed as Chairman, non-executive Director on 1 January 2014.

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of exploration for:

- Nickel
- Copper
- Gold
- Lead
- Iron Ore
- Zinc
- Uranium
- Other mineral commodities.

## DIVIDENDS

No dividends have been paid for the year ended 30 June 2014 or 30 June 2013.

No further dividends have been declared up to the date of this report.

## REVIEW OF OPERATIONS

The Group currently has an interest in 28 exploration tenements covering approximately 14,317 km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia, the Georgetown Inlier and Woolgar Goldfield of North Queensland and the Robinson Range area of Midwest Western Australia. It also holds an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland. The Company also has one granted cateo (exploration lease), three granted minas (mining lease) and eight applications for conversion of cateo into mina covering a total of approximately 290 kms<sup>2</sup> in the Argentine province of Salta.

Exploration has progressed in all current project areas during the financial period.

## 1. Musgrave Province Nickel/Copper Project

PepinNini is currently undertaking exploration programs designed to target nickel-copper sulphide mineralisation and base metal mineralisation in the Musgrave Province, South Australia. PepinNini has four granted exploration licences (EL4780, EL5185, EL5220, EL4587) covering 5,672 km<sup>2</sup> and six exploration licence applications (ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, ELA368/09) covering 3,932 km<sup>2</sup>. PepinNini subsidiary NiCul Minerals Limited (formerly PepinNini Resources Pty Limited) is earning a 51% interest in EL5185 and ELA278/82 and ELA491/94 under a Farm-in and Joint Venture Agreement with Rio Tinto Ltd subsidiary Rio Tinto Exploration Pty Limited.

During the year, exploration activity focused on the Cooperinna block of EL4587, the Woodroffe licence EL5185 and the Mt Caroline licence EL5220. A total of 47 shallow geochemical vacuum holes were drilled to test basement lithologies on a regional grid pattern and on tighter prospect scale grid patterns in areas of anomalous geochemical results. In addition 7 diamond holes were drilled for a total of 1,658m to test potential Nickel-copper targets identified from geochemical, structural and geophysical data. The diamond holes intersected garnet-bearing quartzo-feldspathic gneiss of the Birksgate Complex with localised intervals of minor pyrite and pyrrhotite. A variety of sulphidic and graphitic units were encountered within the drill holes at each of the geophysical targets which conclusively explain the source of the electromagnetic anomalism. Significant intersections of up to 11m of sulphidic units with Copper up to 0.25% and Nickel up to 745ppm were intersected at the Marrawah Prospect on Woodroffe tenement EL 5185.

PepinNini Minerals commenced a second collaboration with CSIRO for Research and Development using innovative geophysical techniques for the Musgrave Project. A fixed wing electromagnetic survey system similar to that developed by Anglo American for regional target generation which is understood to be instrumental in the 2013 discovery of the Manhego Ni-Cu system in West Musgrave will be undertaken with funding provided by government grant and company contribution. Modelling and planning for the survey over the Mt Caroline tenement EL 5220 and tenement application EL185/96 Anerinna Hills was undertaken during the year. The survey is planned for early 2015.

## 2. Curnamona Province Uranium, Base Metals and Magnetite Project

Exploration within the Curnamona Province Project area, which includes the Crocker Well Uranium Deposit, is being managed by Sinosteel PepinNini Curnamona Management Pty Ltd (SPCM) on behalf of the Joint Venture partners Sinosteel Corporation (60%) and PepinNini Minerals (40%). The project comprises five granted exploration licences covering approximately 3,778 km<sup>2</sup> of the Curnamona Province of South Australia.

The Joint Venture has prioritized the investigation of the iron ore potential of the Braemar Iron Formation. The EL4965 Mt Victor covering approximately 1,218 km<sup>2</sup> was granted in July 2012. Mt Victor contains potential for a very large magnetite deposit within the Braemar Iron Formation. An aeromagnetic survey of approximately 2,462 line kilometres of data was carried out in September 2012. In May and June 2013, a drilling program of 17 boreholes and 2,978m was carried out covering 4.3 kms strike length of the 40 km outcropping Braemar Formation. During the year to 30 June 2014, results from Davis Tube Recovery (DTR) tests on the samples from the drilling in the previous year were received showing concentrates averaging 64.3% Fe with mass recovery of 23.5% with low levels of alumina, phosphorous and sulphur.

The signing of a Sale and Purchase agreement was announced on 14 July 2014 whereby joint venture partner Sinosteel Uranium SA Pty Ltd will purchase PepinNini's 40% interest in the joint venture for \$2.3m.

## 3. North Queensland Project

PepinNini hold five tenements in North Queensland which cover 489km<sup>2</sup> and are prospective for uranium and gold. The Oasis Project contains shear hosted uraninite mineralisation over a strike extent of 300m with an average grade of 0.1% U<sub>3</sub>O<sub>8</sub> as delineated by Esso Exploration and Production Australia Inc (1977-1979) and Glengarry (2005/2006). Subsequent work was undertaken on this prospect by Mega Uranium (2007-2010). During the year, PepinNini continued to maintain the project tenements and evaluate the existing data.

## 4. Robinson Range Iron Ore Project

The Robinson Range Project comprises seven tenements that cover approximately 700km<sup>2</sup>. PepinNini has a 50% interest in the iron ore contained within three tenements and a 40% interest in the iron ore contained within the other four tenements and manages exploration on behalf of the Joint Venture partners.

The joint venture has delineated an Inferred Mineral Resource for PNN Area C of 17.7million tonnes grading 49.7% Fe in the Inferred Category including 4.3million tonnes grading 55.2% Fe in the Inferred Category as announced on 6th June, 2012.

During the year the joint venture partners continued to maintain the project tenements and evaluate the resource estimate for JORC 2012 compliance.

## 5. Argentina - Salta Project

PepinNini has one granted cateo (exploration leases), three granted minas (mining leases) and eight applications for a cateo to mina conversion covering approximately 290 kms<sup>2</sup> in the Argentine province of Salta. The Salta Project comprises two separate areas designated as Santa Ines and Chivinar.

Salta Province is recognised as one of the most mining friendly provinces in Argentina and is a province where mining rights are well regulated. The geology is prospective for copper-gold porphyries, precious and base-metal epithermal systems and breccia-complexes associated with the Andean volcanic belt. Several significant copper-gold porphyry and epithermal silver deposits are currently being progressed by other companies to development in the area.

The prospect is situated approximately 80km to the southeast along the same lineament as BHP's giant Escondida Cu-Au porphyry (~5 billion tonnes at 1% Cu and 0.25 g/t Au) which also was deposited contemporaneously with the Santa Ines Formation event during the Late Eocene-Oligocene.

Exploration was carried out on the Santa Ines Project during the reporting year incorporating, field mapping and sampling, geochemical soil sampling using a portable field XRF and induced polarisation (IP) geophysical surveying. The program covered two phases of exploration firstly in December 2013 and subsequently in April 2014. Two targets, El Obsequio (the Gift) and La Recompensa (the Reward) were delineated and tested. Copper and gold results highlight coincident anomalism in the vicinity of the El Obsequio prospect, with maximum value of 228ppm Cu and 13.7 ppb Au present in soil samples. This expands on positive results from stage 1 field activities, from which PepinNini reported maximum concentrations of 3.25% Cu, 0.8g/t Au, 91.1 ppm Mo 12.5 g/t silver, in rock chip samples. No interesting geochemical distributions were identified from soil geochemical sampling over the La Recompensa prospect, although a single sample contained 39.1ppb Au. Evaluation of further potential for drilling IP anomalies and anomalous base metal geochemistry at El Obsequio continues together with assessment of the current exploration portfolio held by PepinNini.

Further information relating to the Company's projects and future directions has been made publicly available on the company's web site at [www.pepinini.com.au](http://www.pepinini.com.au)

## CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Group during the financial year, other than that referred to above.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

PepinNini Minerals Limited announced on 14 July 2014 the signing of a Sale and Purchase Agreement for the sale of the Company's 40% interest in the Curnamona Project joint venture to joint venture partner Sinosteel Uranium SA Pty Ltd for \$2.3m.

In August 2014, PepinNini Minerals Limited successfully raised \$500,000 through the sale of part of the shortfall relating to an entitlements issue during the financial year. PepinNini Minerals Limited announced a pro-rata non-renounceable entitlement issue of shares on 24 April 2014. The issue, under a prospectus, was two shares for every three shares held by eligible shareholders. The offer closed on 22 May 2014 and the shortfall was available for 3 months until 22 August 2014.

In September 2014 PepinNini Minerals Limited announced the signing of a purchase option deed with Phosphate Australia (ASX: POZ) for exploration of the Manchego project in the West Musgrave region of Western Australia. An initial consideration of \$100,000 has been paid to allow PepinNini to start exploration of this project.

There has been no other matter or circumstance that has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue actively exploring its tenements for mineral potential. Field exploration, drilling and geophysical programs are in the approval and planning process for the Musgrave Province projects and are planned for the Argentinean project. The programs are designed to investigate targets with potential for the discovery of a major new mineral deposit. The company continues to evaluate new areas for potential projects.

Further information on the likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

## ENVIRONMENTAL REGULATIONS

The mining tenements granted to the Group pursuant to Mining Acts are granted subject to various conditions which include standard environmental requirements. The Group adheres to these conditions and the directors are not aware of any contraventions of these requirements.

## INFORMATION ON DIRECTORS

The particulars of the directors of the Company during or since the end of the financial year are:

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	Name	Particulars
	<b>Murray Bailey</b> – Chairman	<b>Qualifications: BEng(Civil), MAICD</b>  Experience: Murray Bailey was appointed a director and Chairman of the company on 1 <sup>st</sup> January 2014. He is a civil/mining engineer with more than 30 years experience in the mining industry in both mining operations and corporate activities. He retired after three years from the position of Chief Executive Officer with Yancoal Ltd in July 2013. He had served previously as Chief Operations Officer of New Hope Corporation and Executive General Manager of Wesfarmers Resources Limited. His earlier experience was with Shell Coal and CSR Limited in coal mines in NSW and Queensland and in London as Manager of Mining and Projects for Shell Coal International. He held various mining operational positions with Curragh QLD Mining at Blackwater in QLD.
	<b>Rebecca Holland-Kennedy</b> – Executive Director – Managing Director	<b>Qualifications: BSc(Geology), MAusIMM, BArts(Humanities), MAICD</b>  Experience: Rebecca Holland-Kennedy was a founding director of PepinNini Minerals Limited and has been a board member and company secretary since 2002. She has more than 30 years' experience in exploration company administration and data management. She has held positions with Amax/BHP Joint venture, Robertson Research, Macquarie University, NSW Department of Mines and Energy as well as acting as exploration and data management consultant to AGL, BHP, AGIP, Shell, CRA, Caltex and Meekatharra Minerals Limited. She is a Director of PepinNini Resources Pty Ltd, PepinNini Robinson Range Pty Ltd, PepinNini Resources Queensland Pty Ltd and PepinNini Minerals International Pty Ltd.
	<b>Robert (Wei) Sun</b> – Non-Executive Director	<b>Qualifications: M.Econ(Commerce), M.Econ(IEM)</b>  Experience: Robert (Wei) Sun was appointed a director of the company on December 1 <sup>st</sup> 2011. He is a resource investment analyst with over 10 years experience in international trade and the resource industries of China, Canada and Australia. He has held positions as a business manager, resource and project analyst with major Chinese and Australian companies. Robert has exceptional communication skills being able to communicate on a corporate and technical level in Chinese and English. He has maintained a close association with major Chinese companies involved in Mineral Resources and has established contacts within the Asian investment sector.
	<b>Phil Clifford</b> – Executive Director – Technical Director	<b>Qualifications: BSc(Geology), MAusImm</b>  Experience: Phil Clifford was appointed a director of the company on April 9 <sup>th</sup> 2013. Phil Clifford has been Exploration Manager for PepinNini Minerals Limited since 2004 in charge of the South Australian Musgrave and Curnamona Projects and the company's West Australian iron ore joint venture project at Robinson Range. Before joining PepinNini Minerals Limited he was a project geologist and team leader with CRA Exploration and Rio Tinto Exploration for 15 years in projects exploring for magmatic nickel sulphide, PGE's, gold, diamonds, base metals, uranium and coal.

## DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship	Stock Exchange
Phil Clifford	-	-	-
Rebecca Holland-Kennedy	-	-	-
Robert (Wei) Sun	IMX Resources Ltd	Mar 2012 to present	ASX
	Ferrowest Ltd	Oct 2012 to present	ASX
Murray Bailey (commenced 1 January 2014)	-	-	-

## DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares, and rights or options in shares of the Group as at the date of this report.

PEPINNINI MINERALS LIMITED		
Directors	Fully paid ordinary shares (Number)	Share options (Number)
Rebecca Holland-Kennedy	55,356,488	18,923,549
Phil Clifford	401,000	6,700,000
Robert (Wei) Sun	187,818	75,128
Murray Bailey	1,000,000	7,500,000

## SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During the financial year share options were granted to Murray Bailey as executive incentive options as part of his remuneration package as a Director. Details are presented in the table below.

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
PepinNini Minerals Limited	2,500,000	Ordinary	5cps	31 December 2015
PepinNini Minerals Limited	2,500,000	Ordinary	6cps	30 June 2016
PepinNini Minerals Limited	2,500,000	Ordinary	7cps	31 December 2016

## SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
PepinNini Minerals Limited	2,500,000	Ordinary	4cps	1 June 2016
PepinNini Minerals Limited	2,500,000	Ordinary	6cps	1 June 2016
PepinNini Minerals Limited	1,600,000	Ordinary	12.5cps	1 June 2016
PepinNini Minerals Limited	2,500,000	Ordinary	5cps	31 December 2015
PepinNini Minerals Limited	2,500,000	Ordinary	6cps	30 June 2016
PepinNini Minerals Limited	2,500,000	Ordinary	7cps	31 December 2016

## SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS *(continued)*

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

There were no shares or interests issued during or since the end of the financial year as a result of exercise of an option.

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## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 37 to 46.

## COMPANY SECRETARY

Justin Nelson was appointed company secretary 6 May 2013.

Qualifications and experience of Justin Nelson are detailed below.

Mr Nelson was formerly ASX's State Manager, SA and Manager, Listings (Adelaide). He holds a Bachelor of Laws degree and is a Principal with DMAW Lawyers.

## DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Directors	BOARD OF DIRECTORS			CORPORATE GOVERNANCE COMMITTEE			AUDIT COMMITTEE			REMUNERATION COMMITTEE		
	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended
Rebecca Holland-Kennedy*	12	12	12	1	1	1	2	2	2	1	1	1
Phil Clifford	12	12	12	1	-	-	2	-	-	1	-	-
Robert (Wei) Sun*	12	12	12	1	1	1	2	2	2	1	1	1
Murray Bailey*	12	7	5	1	-	-	2	1	1	1	-	-

\*audit and remuneration committee members

## REMUNERATION REPORT - AUDITED

This remuneration report sets out remuneration information for PepinNini Minerals Limited's directors and other key management personnel of the group.

### Role of Remuneration committee

The Remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- non-executive director fees
- executive remuneration (directors and other executives) and
- the overarching executive remuneration framework and incentive plan.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In doing this, the Remuneration Committee seeks advice as required from independent remuneration consultants.

The corporate governance statement on pages 23 to 30 provides further information on the role of this committee.

The remuneration report is set out under the following main headings:

- a) Principles used to determine the nature and amount of remuneration
- b) Executive remuneration policy and framework
- c) Use of remuneration consultants
- d) Voting and comments made at the company's 2013 Annual General Meeting
- e) Performance of PepinNini Minerals Limited
- f) Details of remuneration
- g) Service agreements
- h) Share based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### A) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices;

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The board has established a remuneration committee which provides advice on remuneration and incentive policies and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and non-executive directors are remunerated for their services as Directors by a fixed sum and not a commission on a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to Shareholders. 7,500,000 share options were awarded to non-executive directors during 2014 (2013: 0). Directors are also entitled to reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any Committee engaged in the Group's business.

### Directors' fees

The company's constitution states that Directors are to be paid out of Company funds as remuneration for their services. At the Annual General Meeting of the company in 2004, it was resolved to fix the annual aggregate amount of fees payable to its Directors for director's duties at \$125,000.

## A) Principles used to determine the nature and amount of remuneration *(continued)*

### Directors' retirement benefits

Any Director may be paid a retirement benefit as determined by the Board, consistent with the *Corporations Act* and the Listing Rules.

A Director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material interest, if it will be contrary to the *Corporations Act*. If such a Director does vote, his or her vote will not be counted, nor will his or her attendance be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a General Meeting if permitted by the *Corporations Act*.

## B) Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned to the company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders.

The executive remuneration framework has three components:

- Base pay and benefits, including superannuation,
- Short-term performance incentives, and
- Long-term incentives through participation in the PepinNini Employee Option Plan

### Executive remuneration mix

In accordance with the company's objective to ensure that executive remuneration is aligned to company performance, a percentage(5%) of the employees base pay is available as bonus based on achieving both personal and company key performance indicators. These indicators are decided upon at the beginning of the financial year and assessed at the end of the financial year. The company indicator is a share price target and the executive indicators relate to leadership, teamwork, competency and proficiency.

### Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed pay increases included in any executives' contracts.

Executives do not receive any benefits.

### Superannuation

Employees receive Superannuation Guarantee payments based on the statutory percentage of base salary. No other retirement benefits are provided directly by the group unless approved by shareholders.

### Short-term incentives

Executives have the opportunity to earn an annual short term incentive (STI) if predefined targets are achieved. The executive team have an STI opportunity of 5% of TEC. The Company target is share price for the company and is reviewed annually. The executive targets relate to leadership, teamwork, competency and proficiency.

The remuneration committee is responsible for assessing whether KPIs are met. The committee has the discretion to adjust short-term incentives downwards in light of unexpected or unintended circumstances.

### Long-term incentives

Long-term incentives are provided to certain employees via the PepinNini Minerals Limited Employee Option Plan which was approved by shareholders at the 2011 Annual General Meeting.

The PepinNini Minerals Limited Employee Share Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if the employees are still employed by the company at the end of the vesting period. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The vesting conditions are determined by the board as a long term employment performance incentive specific to the employee and executive. Once vested, the options are exercisable at points over a period of years determined by the board. Options are granted under the plan for no consideration.

### Share trading policy

The trading of shares issued to participants under any of the company's employee equity plans is subject to, and conditional upon, compliance with the company's employee share trading policy. The policy was issued to the ASX and all shareholders on 29<sup>th</sup> December 2010.



### C) Use of remuneration consultants

No remuneration consultants have been used to review existing remuneration policies.

### D) Voting and comments made at the company's 2012 Annual General Meeting

PepinNini Minerals Limited received 99% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### E) Performance of PepinNini Minerals Limited

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2014:

	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Revenue	805	861	1,042	872	455
Net (loss) / profit before tax	(3,634)	(1,357)	(1,764)	(2,591)	(1,136)
Net (loss) / profit after tax	(3,641)	(1,181)	(1,346)	(2,006)	(960)
<b>Attributable to members of PepinNini Minerals Limited</b>	<b>(3,641)</b>	<b>(1,181)</b>	<b>(1,346)</b>	<b>(2,006)</b>	<b>(960)</b>

	30 June 2014	30 June 2014	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	\$0.02	\$0.04	\$0.11	\$0.14	\$0.35
Share price at end of year	\$0.02	\$0.02	\$0.04	\$0.11	\$0.14
Interim dividend	-	-	-	-	-
<b>Final dividend</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Basic (loss) / earnings per share</b>	<b>(2.9) cps</b>	<b>(1.0) cps</b>	<b>(1.5) cps</b>	<b>(2.4) cps</b>	<b>(1.2) cps</b>
Diluted (loss) / earnings per share	(2.9) cps	(1.0) cps	(1.5) cps	(2.4) cps	(1.2) cps
Short term incentive (% of maximum)	0.00%	0.00%	0.00%	1.06%	1.66%

The Performance Incentive Program for the 2013/14 year is based on the achievement of Corporate Objectives as well as Individual Objectives. The Corporate objectives include QHSE (quality, health, safety and environmental) targets. The performance measures do not take into account the performance of the Company over more than the current year. The payment of the short term incentive is at the discretion of the Board. The short-term incentive (Cash Bonus) as a percentage of the maximum available and the earnings per share for the current year and the previous four years are set out in the table above.

## F) Details of remuneration

### Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of PepinNini Minerals Limited and the PepinNini Minerals Limited Group are set out in the following tables. The key management personnel of the Group are the directors of PepinNini Minerals Limited (see page 34).

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### Key management personnel of the Group

2014	SHORT TERM EMPLOYEE BENEFITS				POST EMPLOYMENT BENEFIT	LONG TERM BENEFITS	TERMINATION BENEFITS	SHARE BASED PAYMENTS	TOTAL	
	Name	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Long service leave	Termination benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>										
Rebecca Holland-Kennedy	151,250	-	-	-	18,500	-	-	-	-	169,750
Robert (Wei) Sun	35,393	-	-	-	3,607	-	-	-	-	39,000
Phil Clifford (part time from 1 April 2014)	140,137	-	-	-	12,963	-	-	7,636	-	160,736
Murray Bailey (commenced 1 January 2014)	26,030	-	-	-	2,408	-	-	37,692	-	66,130
<b>Total Key Management Personnel Compensation (Group)</b>	<b>352,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,478</b>	<b>-</b>	<b>-</b>	<b>45,328</b>	<b>-</b>	<b>435,616</b>

## Key management personnel of the Group (continued)

2013 Name	SHORT TERM EMPLOYEE BENEFITS				POST EMPLOYMENT BENEFIT	LONG TERM BENEFITS	TERMINATION BENEFITS	SHARE BASED PAYMENTS	TOTAL
	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super- annuation	Long service leave	Termination benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>									
Rebecca Holland-Kennedy	168,776	-	-	-	15,557	-	-	-	184,333
Robert (Wei) Sun	36,697	-	-	-	3,303	-	-	-	40,000
Phil Clifford (commenced 9 April 2013)	163,221	-	-	-	14,690	-	-	30,733	208,644
Norman Kennedy (ceased 14 March 2013)	139,745	-	-	-	13,500	-	91,765	-	245,010
Christopher Lambert (ceased 22 November 2012)	15,778	-	-	-	-	-	-	-	15,778
<b>Total Key Management Personnel Compensation (Group)</b>	<b>524,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,050</b>	<b>-</b>	<b>91,765</b>	<b>30,733</b>	<b>693,765</b>

The percentage of remuneration to key management personnel that consists of options:

	2014	2013
Phil Clifford	4.8%	14.7%
Murray Bailey	57.0%	-

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

NAME	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2014	2013	2014	2013	2014	2013
<b>Executive directors of PepinNini Minerals Limited</b>						
Rebecca Holland-Kennedy	100%	100%	-	-	-	-
Robert (Wei) Sun	100%	100%	-	-	-	-
Phil Clifford (commenced 9 April 2013)	100%	100%	-	-	-	-
Norman Kennedy (ceased 14 March 2013)	-	100%	-	-	-	-
Murray Bailey (commenced 1 January 2014)	100%	-	-	-	-	-
Phil Clifford (Exploration manager to 8 April 2013)	-	100%	N/A	N/A	N/A	

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#### F) Details of remuneration (continued)

No director or member of senior management appointed during the period received any payments during the year other than those detailed above.

#### G) Service agreements

Rebecca Holland-Kennedy (Executive Director - Managing Director) has a contract for service, details of which are outlined as follows:

- She is required to work five days a week;
- Her current salary inclusive of superannuation is \$200,000 per year;
- Her contract commenced on 9 April 2013;
- Termination may be made by either party on providing six months' notice;
- Termination benefits payable upon termination to Mrs Holland-Kennedy are six months' pay.

Phil Clifford (Executive Director - Technical & Exploration Manager) has a contract for service, details of which are outlined as follows:

- He is required to work five days a week;
- His current salary inclusive of superannuation is \$180,000 per year;
- His contract commenced on 9 April 2013;
- Termination may be made by either party on providing one months' notice;
- Termination benefits payable upon termination to Mr Clifford are three months' pay.

Mr Clifford commenced part-time employment from 1 April 2014 for personal reasons. His salary is pro-rata from his employment contract for two days per week.

## H) Share based compensation

### Options

An employee share option scheme has been established whereby PepinNini Minerals Limited may, at the discretion of management, grant options over the ordinary shares of PepinNini Minerals Limited to directors and executives as part of a remuneration package offered for employment. The options so issued are for nil consideration and have variable exercise prices and maturity dates, i.e. last date to exercise the options.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
(1) 10 September 2012	10 September 2012	31 December 2014	\$0.055	\$0.0194
(2) 8 April 2013	1 June 2013	1 June 2016	\$0.04	\$0.0104
(3) 8 April 2013	1 November 2013	1 June 2016	\$0.06	\$0.0047
(4) 8 April 2013	1 June 2014	1 June 2016	\$0.125	\$0.0005
(5) 1 January 2014	1 January 2014	31 December 2015	\$0.05	\$0.00
(6) 1 January 2014	1 July 2014	30 June 2016	\$0.06	\$0.0085
(7) 1 January 2014	1 January 2015	31 December 2016	\$0.7	\$0.0132

Options granted under the plan carry no dividend or voting rights.

Each option is convertible into one ordinary share on exercise. Options may be exercised at any time from the date of vesting to the date of their expiry.

Details of options over ordinary shares in the Group provided as remuneration to each director of PepinNini Minerals Limited and each of the key management personnel of the Group are set out below. Further information on the options is set out in note 26 to the financial statements.

(1), (2-7) Options in this series are entitled to beneficial interest at vesting date only if the recipients continue to be employed by the company at that date. (1) Employee ceased employment 7 June 2013.

Holders of the options granted are as follows, (1) – Todd Williams, (2-4) – Phil Clifford and (5-7) – Murray Bailey.

Options (5-7) were granted during the year and have been determined as having the following values

(5) 0 zero

(6) \$0.0085 per option, a total value of \$21,234

(7) \$0.0132 per option, a total value of \$32,917

2014							
Name	Balance at start of the year	Granted as compensation	Exercised	Other change	Balance at end of the year	Vested and exercisable	Unvested
	(#)	(#)	(#)	(#)	(#)	(#)	(#)
Directors of PepinNini Minerals Limited Options							
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Robert (Wei) Sun	-	-	-	-	-	-	-
Phil Clifford	6,600,000	-	-	-	6,600,000	6,600,000	-
Murray Bailey	-	7,500,000	-	-	7,500,000	2,500,000	5,000,000
Other key management personnel of the Group							
	-	-	-	-	-	-	-

2013							
Name	Balance at start of the year	Granted as compensation	Exercised	Other change	Balance at end of the year	Vested and exercisable	Unvested
	(#)	(#)	(#)	(#)	(#)	(#)	(#)
Directors of PepinNini Minerals Limited Options							
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Robert (Wei) Sun	-	-	-	-	-	-	-
Phil Clifford	6,600,000	-	-	-	6,600,000	2,500,000	4,100,000
Norman Kennedy	-	-	-	-	-	-	-
Other key management personnel of the Group							
	-	-	-	-	-	-	-

6,850,000 options were granted to key management personnel and employees of PepinNini Minerals Limited in the year ended 30 June 2013 (nil - 2012)

7,500,000 options were granted to directors of PepinNini Minerals Limited during the year ended 30 June 2014.

There were 33,098,677 unissued ordinary shares held by directors of PepinNini Minerals Limited and other key management personnel of the group under option at the date of this report.

No option holder has any right under the options to participate in any other share issue of the Group.

No ordinary shares in the company were issued as a result of the exercise of remuneration options by directors of PepinNini Minerals Limited and other key management personnel of the Group for either the 30 June 2014 or 30 June 2013 financial year.

## I) Share holdings

The number of shares in the company held during the financial year by each director of PepinNini Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2014				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
	(#)	(#)	(#)	(#)
<b>Directors of PepinNini Minerals Limited Ordinary shares</b>				
Rebecca Holland Kennedy	36,273,892	-	19,082,596	55,356,488
Robert (Wei) Sun	112,690	-	75,128	187,818
Phil Clifford	401,000	-	-	401,000
Murray Bailey (commenced 1 January 2014)	-	-	1,000,000	1,000,000
<b>Other key management personnel of the Group Ordinary shares</b>				
	-	-	-	-

Close family members of the Key management personnel also hold 3,777,779 shares at balance date in their own names.

2013				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
	(#)	(#)	(#)	(#)
<b>Directors of PepinNini Minerals Limited Ordinary shares</b>				
Rebecca Holland Kennedy	9,987,805	-	26,286,087	36,273,892
Robert (Wei) Sun	30,000	-	82,690	112,690
Phil Clifford (commenced 9 April 2013)	1,241,800	-	(840,800)	401,000
Norman Kennedy (ceased 14 March 2013)	9,680,000	-	(9,680,000)	-
Christopher Lambert (ceased 22 November 2012)	-	-	-	-
<b>Other key management personnel of the Group Ordinary shares</b>				
Phil Clifford (Exploration Manager to 8 April 2013)	1,241,800	-	(840,800)	401,000

## J) Other transactions

PepinNini Minerals Limited received a loan of \$200,000 from a director (Rebecca Holland-Kennedy) during the financial year, the loan attracts no interest. (2013 Nil)

### Indemnification of officers and auditors

PepinNini Minerals Limited has entered into standard deeds of indemnity and access with each of the directors. By these deeds, the Company has undertaken, consistent with the *Corporations Act 2001*, to indemnify each director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the director for seven years after the director has ceased to be a director. The Company has paid a premium for the period 13 October 2013 to 13 October 2014 to insure the directors and officers of the Company. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, which is permitted under section 300(9) of the *Corporations Act 2001*.

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### Proceedings on behalf of the Company

There are no proceedings on behalf of the Company at the date of this report.

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## Non-audit services

Details of amounts paid or payable to the auditor Ernst & Young for non-audit services provided during the year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### Auditor

Ernst & Young continued in office in accordance with section 327 of the *Corporations Act 2001*.

### Auditor's independence declaration

The auditor's independence declaration is included on page 47 of the annual report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

### On behalf of the directors



**Rebecca Holland Kennedy**  
Managing Director  
Adelaide, 18 September 2014



# AUDITOR'S INDEPENDENCE DECLARATION



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## Auditor's Independence Declaration to the Directors of PepinNini Minerals Ltd

In relation to our audit of the financial report of PepinNini Minerals Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Nigel Stevenson  
Partner  
18 September 2014

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# FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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	Note	CONSOLIDATED	
		2014	2013
		\$	\$
<b>Revenue from Continuing Operations</b>	<b>5</b>	<b>805,219</b>	<b>861,002</b>
<b>Other Income</b>	<b>5</b>	<b>71,317</b>	<b>8,828</b>
<b>Expenses</b>			
Depreciation expense	6	(15,662)	(38,559)
Salary & employment costs	6	(448,042)	(565,043)
Operating expenses		(522,370)	(569,372)
Professional fees		(77,675)	(127,999)
Administration expenses		146	(243)
Legal fees		(81,462)	(21,451)
Impairment of exploration asset		(3,365,772)	(904,565)
<b>Total expenses</b>		<b>(4,510,837)</b>	<b>(2,227,232)</b>
<b>Loss before tax</b>		<b>(3,634,301)</b>	<b>(1,357,402)</b>
Income tax benefit	7	(6,810)	176,384
<b>Loss for the year</b>		<b>(3,641,111)</b>	<b>(1,181,018)</b>
Other comprehensive income		-	-
<i>Items that may be reclassified to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>		-	-
<b>Total comprehensive Loss for the year</b>		<b>(3,641,111)</b>	<b>(1,181,018)</b>
Attributable to:			
Members of PepinNini Mineral Limited		(3,641,111)	(1,181,018)
		<b>(3,641,111)</b>	<b>(1,181,018)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic loss (cents per share)	25	(2.9)	(1.0)
Diluted loss (cents per share)	25	(2.9)	(1.0)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION AS  
AT 30 JUNE 2014

	Note	CONSOLIDATED	
		2014	2013
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	8	674,372	945,493
Trade and other receivables	9	336,929	526,678
Other assets		54,309	55,273
<b>Total current assets</b>		<b>1,065,610</b>	<b>1,527,444</b>
<b>Non-current assets</b>			
Exploration expenditure	10	19,626,854	21,442,398
Exploration bonds	10	35,750	35,750
Property, plant and equipment	11	191,804	263,217
Deferred tax Assets	15	-	-
<b>Total non-current assets</b>		<b>19,854,408</b>	<b>21,741,365</b>
<b>Total assets</b>		<b>20,920,018</b>	<b>23,268,809</b>
<b>Current liabilities</b>			
Trade and other payables	13	298,741	264,437
Provisions	14	220,598	183,582
<b>Total current liabilities</b>		<b>519,339</b>	<b>448,019</b>
<b>Non-current liabilities</b>			
Provisions	14	6,671	6,442
Borrowings, related party	19	200,000	-
<b>Total non-current liabilities</b>		<b>206,671</b>	<b>6,442</b>
<b>Total liabilities</b>		<b>726,010</b>	<b>454,461</b>
<b>Net assets</b>		<b>20,194,008</b>	<b>22,814,348</b>
<b>Equity</b>			
Issued capital	16	20,907,431	19,931,989
Reserves	17	438,097	392,768
Retained earnings	17	(1,151,520)	2,489,591
<b>Total Equity attributable to equity holders of the Company</b>		<b>20,194,008</b>	<b>22,814,348</b>

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

CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY FOR THE  
FINANCIAL YEAR ENDED  
30 JUNE 2014

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Consolidated	Fully paid ordinary shares	Fully paid options	Equity settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the Company
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2012</b>	<b>19,214,080</b>	<b>-</b>	<b>362,035</b>	<b>3,670,609</b>	<b>23,246,724</b>
(loss) for year	-	-	-	(1,181,018)	(1,181,018)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,181,018)</b>	<b>(1,181,018)</b>
Issue of shares, net of transactions costs and tax (note 16)	717,909	-	-	-	717,909
Employee share options	-	-	30,733	-	30,733
<b>Balance at 30 June 2013</b>	<b>19,931,989</b>	<b>-</b>	<b>392,768</b>	<b>2,489,591</b>	<b>22,814,348</b>
<b>Balance at 1 July 2013</b>	<b>19,931,989</b>	<b>-</b>	<b>392,768</b>	<b>2,489,591</b>	<b>22,814,348</b>
Loss for the year	-	-	-	(3,641,111)	(3,641,111)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,641,111)</b>	<b>(3,641,111)</b>
Issue of shares, net of transaction costs and tax (note 16)	426,707	-	-	-	426,707
Issue of Options	-	548,735	-	-	548,735
Employee share options	-	-	45,329	-	45,329
<b>Balance at 30 June 2014</b>	<b>20,358,696</b>	<b>548,735</b>	<b>438,097</b>	<b>(1,151,520)</b>	<b>20,194,008</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED	
		2014	2013
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(1,201,991)	(1,633,354)
Receipts in the course of business (inclusive of GST)		1,090,629	993,248
Interest and other costs of finance paid		-	-
Income taxes refunded (paid)		75,000	18,086
<b>Net cash (used in) operating activities</b>	<b>24</b>	<b>(36,362)</b>	<b>(622,020)</b>
<b>Cash flows from investing activities</b>			
Interest received		19,770	55,874
Payment for exploration activities		(1,540,702)	(1,734,677)
Payments for property, plant and equipment		-	-
Proceeds from disposal of property, plant and equipment		117,541	26,628
Proceeds from sale of assets held for sale		-	850,000
<b>Net cash (used in) investing activities</b>		<b>(1,403,391)</b>	<b>(802,175)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		968,632	676,207
Proceeds from directors loan		200,000	-
<b>Net cash provided by financing activities</b>		<b>1,168,632</b>	<b>676,207</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(271,121)</b>	<b>(747,988)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>945,493</b>	<b>1,693,482</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8</b>	<b>674,372</b>	<b>945,493</b>

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

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

## NOTE 1 GENERAL INFORMATION

This financial report covers the consolidated financial statements for the consolidated entity consisting of PepinNini Minerals Limited (the "Company" or "Parent") and its controlled entities (the "Group" or the "consolidated entity").

The company's registered office and its principal place of business are as follows:

### Principal and Registered office:

96 Babbage Road,  
Roseville Chase NSW 2069  
Phone: +61 (0)2 9417 6212  
Fax: +61 (0)2 9417 3043  
Email: [admin@pepinnini.com.au](mailto:admin@pepinnini.com.au)  
Website: [www.pepinnini.com.au](http://www.pepinnini.com.au)

### Exploration office WA:

56 Kathleen Street,  
Trigg WA 6029  
Phone: +61 (0)8 9246 4829  
Fax: +61 (0)8 9246 4829

### Exploration office SA:

22a and 22b Charlotte Street,  
Smithfield SA 5114  
Phone: +61 (0)8 8254 2044  
Fax: +61 (0)8 8254 2033

### Operations office:

Level 1, 76 Waymouth Street,  
Adelaide SA 5000  
Phone: +61 (0)8 8218 5000  
Fax: +61 (0)8 8218 5717  
Email: [admin@pnn-adelaide.com.au](mailto:admin@pnn-adelaide.com.au)

PepinNini Minerals Limited was incorporated in Australia and is domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 18 September 2014. The Group has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: [www.pepinnini.com.au](http://www.pepinnini.com.au)

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. PepinNini Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

### Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

### New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### Historical cost convention

These financial statements have been prepared under the historical cost convention.

### Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and judgements are significant to the financial statements are disclosed in note 3.

### Reclassification

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified to ensure comparability.

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is PepinNini Minerals Limited's functional currency.

## Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out below. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

- AASB 11 Joint arrangements – the standard has been considered and no change in treatment is required.
- AASB 12 Disclosure of interests in other entities – the current treatment by PepinNini covers the requirements of this standard
- AASB 13 Fair value measurement – the standard has been considered when accessing fair value and no change is required
- AASB 2011-14 Amendment to Australian accounting standards to remove individual KMP disclosure requirements – the standard has resulted in KMP disclosures being removed from the notes to the financials and included within the remuneration report.

## Principles of consolidation

### i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and the results of all subsidiaries as at 30 June 2014 and the results for all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. Control is achieved when the group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the group has less than a majority of the voting rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances between Group companies are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

### ii) Joint arrangement

The proportionate interests in the assets, liabilities and expenses of a joint arrangement activity have been incorporated in the financial statements under the appropriate headings. Details of the joint arrangements are set out in note 23. Interests in joint operations in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with the other venturers) and the Group's share of expenses incurred by or in respect of each joint arrangement. Further details of the joint operations are set out in note 23.

### iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

### iii) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale or the provision of services have been resolved.

#### **Service income**

Sales of drilling services are recognised in the accounting period in which the services are rendered.

#### **Interest income**

Interest income is recognised using the effective interest method.

#### **Dividend income**

Dividends are recognised as revenue when the right to receive the payment is established.

#### b) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants for exploration drilling activity within an exploration tenement which has not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, has been recognised as deferred income and is offset against costs capitalised and will be recognised in profit and loss over the expected useful life of the exploration tenement asset concerned.

#### c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes the provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount of tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **Tax consolidation legislation**

PepinNini Minerals Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The head entity, PepinNini Minerals Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, PepinNini Minerals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 7 (e).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### **d) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **e) Cash and cash equivalents**

For the purpose of presentation on the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

#### **f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known 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 terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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.

#### g) Exploration, evaluation and development expenditure

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

- i) the rights of 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 commercial exploitation 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 an 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 amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs whether they are directly related to operational activities in a particular area of interest.

A regular review is undertaken of each area of interest to determine whether any impairment indicators exist and therefore the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full against profit / (loss) in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

#### h) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on assets is calculated using the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Plant & equipment – 4 to 3 years or 25% to 33%
- Field vehicles – 3 years or 33%

Depreciation for assets used in exploration activities are capitalised rather than being expensed. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 (note 2(d)). Additionally, if an asset's written down value reduces below \$500, it is written off through the statement of comprehensive income.

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

#### i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

If the effect is material, provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability.

### i) Site restoration

Provision for site restoration is recognised when the land is disturbed. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at balance date. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits.

Restoration costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimate of either the timing or amount of the reclamation and abandonment costs. The site restoration obligation is based on when the spending for an existing environmental disturbance and activity will occur. The company reviews, on an annual basis, unless otherwise deemed necessary, the site restoration obligation at each site. Future reclamation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

## k) Employee benefits

### i) Wages and salaries, annual leave, long service and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised when it is probable that settlement will be required and they are capable of being measured reliably. Amounts recognised are in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### ii) Defined contribution plans

Contributions to defined contribution superannuation plans in respect of administrative employees are expensed as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available. Where an employee is involved in exploration activities, the contributions form part of the exploration and development expenditure capitalised for the period during which they occurred.

## l) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

#### m) Earnings per share

##### i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### n) Share-based payments

Share-based compensation is provided to selected employees, non-executive directors and is used to fund certain business transactions with third parties. The fair value of share based compensation granted is recognised as an expense or asset as appropriate, with a corresponding increase in equity. The fair value is measured at grant date and is recognised over the period during which the employees or third party become unconditionally entitled to the stock compensation.

The fair value at grant date is determined using market prices for shares and using a Black-Scholes option pricing model for options. The option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit and loss with a corresponding adjustment to equity.

#### o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

#### p) Foreign currency translation

##### i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is PepinNini Minerals Limited's functional and presentation currency.

##### ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

### iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit and loss item are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

### q) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### r) Parent entity information

The financial information for the parent entity, PepinNini Minerals Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### i) *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of PepinNini Minerals Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### ii) *Tax consolidation legislation*

PepinNini Minerals Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, PepinNini Minerals Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, PepinNini Minerals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate PepinNini Minerals Limited for any current tax payable assumed and are compensated by PepinNini Minerals Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to PepinNini Minerals Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

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#### AASB 9 / IFRS 9 Financial Instruments (effective from 1 January 2018)

IFRS 9 replaces IAS 39 and includes a logical model for classification and instruments measurement, a single forward looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting.

The new standard requires entities to account for expected credit losses from when the financial instruments are first recognised and to recognise full lifetime losses on a more timely basis.

AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the group does not have any such liabilities.

The group will not be impacted by the rules around hedge accounting as the group does not have any hedging arrangements.

The group has not yet decided when to adopt AASB 9 / IFRS 9. In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

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#### AASB Interpretation 21 Accounting for Levies (effective from 1 January 2014)

Interpretation 21 was issued by the AASB in June 2013. It is relevant to all taxes paid to governments excluding income taxes. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The Group has determined that the accounting for these levies will not have a material impact on the Group. The Group will adopt the Interpretation from the reporting period commencing 1 July 2014.

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#### Revenue from contracts with customers (effective 1 January 2017)

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on a principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. While the AASB has not yet issued an equivalent standard, they are expected to do so in the second half of 2014.

The Group has not yet considered the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future. Expected date of adoption by the Group is 1 July 2017.

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*There are no other standards that are not yet effective that are expected to have a material impact on the entity in the current or future reporting periods and unforeseeable future transactions.*

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future, the results of which, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### i) Reserves and resources

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine whether any impairment indicators exist and therefore the appropriateness of continuing to carry forward costs in relation to that area of interest.

### ii) Impairment

Assets held are subject to impairment in line with the accounting policy detailed in note 2(d). Determination of impairment requires significant judgement and estimation. In exercising this judgement the group evaluates, among other factors, the duration and extent to which fair value is less than carrying value.

## NOTE 4 FINANCIAL RISK MANAGEMENT

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

These methods include sensitivity analysis of interest rate, foreign exchange and other price risks.

Risk management is carried out by the board of directors who provide principles for overall risk management.

The Group holds the following financial instruments:

	CONSOLIDATED	
	2014	2013
<b>Financial assets</b>		
Cash and cash equivalents	674,372	945,493
Trade and other receivables	336,929	526,678
	<b>1,011,301</b>	<b>1,472,171</b>
<b>Financial liabilities</b>		
Trade and other payables	(298,741)	(264,437)
Borrowings, related party	(200,000)	-
	<b>(498,741)</b>	<b>(264,437)</b>

### a) Market risk

#### i) Commodity Price risk

Financial assets and liabilities held by the group are not subject to commodity price exposure for either the 30 June 2014 and 30 June 2013 financial years.

#### ii) Cash flow and fair value interest rate risk

As at 30 June 2014 and 30 June 2013, all of the Group's borrowings were non-interest bearing. The following table details the Group's and the Company's exposure to interest rate risk on each class of financial instrument as at 30 June 2014:

CONSOLIDATED	30 JUNE 2014		30 JUNE 2013	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash	1.61	115,000	2.7	18,130
At call deposits	1.86	134,116	2.95	152,812
Term deposits	3.37	425,256	4.13	774,551
Trade and other receivables	N/A	336,929	N/A	526,678
<b>Total financial assets</b>		<b>1,011,301</b>		<b>1,472,171</b>
Trade and other payables	N/A	(298,741)	N/A	(264,437)
<b>Total financial liabilities</b>		<b>(298,741)</b>		<b>(264,437)</b>

a) Market risk (continued)

An analysis by maturities is provided in (c) below.

Sensitivity analysis – interest rates

The Group analyses its interest rate exposure on a dynamic basis only for all financial assets and liabilities.

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Group sensitivity

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

CONSOLIDATED	INTEREST RATE RISK				
	+ 1.0%		- 1.0%		
30 June 2014	Carrying amount	Post Tax Profit	Other Equity	Post Tax Profit	Other Equity
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash	115,000	805	-	(805)	-
At call deposits	134,116	939	-	(939)	-
Term deposits	425,256	-	-	-	-
Trade and other receivables	336,929	-	-	-	-
<b>Financial liabilities</b>					
Trade and other payables	(298,741)	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>1,744</b>	<b>-</b>	<b>(1,744)</b>	<b>-</b>

CONSOLIDATED	INTEREST RATE RISK				
	+ 1.0%		- 1.0%		
30 June 2013	Carrying amount	Post Tax Profit	Other Equity	Post Tax Profit	Other Equity
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash	18,130	127	-	(127)	-
At call deposits	152,812	1,070	-	(1,070)	-
Term deposits	774,551	-	-	-	-
Trade and other receivables	526,678	-	-	-	-
<b>Financial liabilities</b>					
Trade payables and other payables	(264,437)	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>1,197</b>	<b>-</b>	<b>(1,197)</b>	<b>-</b>



## a) Market risk (continued)

### iii) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from the United States Dollar and Argentine Peso.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

As at 30 June 2014 and 2013, the Group had immaterial exposure to foreign currency. As a result financial assets and financial liabilities outstanding as at balance date are not sensitive to changes in exchange rates.

## (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure on trade receivables. For banks and financial institutions, only parties rated by the three rating agencies with a minimum rating of 'A' are accepted. Individual risk limits for customers are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by management.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table below:

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Cash and cash equivalents</b>		
Minimum rating of "A"	674,372	945,493
	<b>674,372</b>	<b>945,493</b>
<b>Trade receivables</b>		
Counterparties without external credit rating	336,894	526,678
<b>Total trade receivables</b>	<b>336,894</b>	<b>526,678</b>

## (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(c) Liquidity risk (continued)

**Maturities of financial assets**

The tables below analyse the Group's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the maturity date. The amounts disclosed in the table are undiscounted cash flows.

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Group – At 30 June 2014	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (asset)
		\$	\$	\$	\$	\$	\$
Trade and other receivables	11,929	325,000	-	-	-	336,929	336,929
<b>Total</b>	<b>11,929</b>	<b>325,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,929</b>	<b>336,929</b>

Group – At 30 June 2013	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (asset)
		\$	\$	\$	\$	\$	\$
Trade and other receivables	126,678	400,000	-	-	-	526,678	526,678
<b>Total</b>	<b>126,678</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526,678</b>	<b>526,678</b>

**Maturities of financial liabilities**

The tables below analyse the Group's financial liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2014	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (liability)
		\$	\$	\$	\$	\$	\$
Trade and other payables	(298,741)	-	-	-	-	(298,741)	(298,741)
<b>Total</b>	<b>(298,741)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(298,741)</b>	<b>(298,741)</b>

Group – At 30 June 2013	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (liability)
		\$	\$	\$	\$	\$	\$
Trade and other payables	(264,437)	-	-	-	-	(264,437)	(264,437)
<b>Total</b>	<b>(264,437)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(264,437)</b>	<b>(264,437)</b>

#### d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The carrying value of trade receivables, less the impairment provision, and trade payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The directors consider that the carrying amount of financial assets and liabilities recorded at amortised cost in the financial statements approximates their fair values.

### NOTE 5 REVENUE AND OTHER INCOME

The Group's revenue for the year is as follows:

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Interest revenue:</b>		
Bank deposits	18,617	56,398
	<b>18,617</b>	<b>56,398</b>
<b>Other revenue:</b>		
Drilling services revenue	254,552	180,234
Other revenue	532,050	624,370
	<b>786,602</b>	<b>804,604</b>
	<b>805,219</b>	<b>861,002</b>
<b>Other income:</b>		
Gain on sale of assets	71,317	8,828
	<b>71,317</b>	<b>8,828</b>

### NOTE 6 EXPENSES

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Loss before income tax includes the following specific expenses:</b>		
<b>Depreciation (a)</b>		
Exploration field equipment	1,380	2,954
Drilling equipment	-	1,725
Office computer equipment	10,365	15,952
Field vehicles	1,424	12,628
Office equipment	2,493	5,300
<b>Total depreciation expensed</b>	<b>15,662</b>	<b>38,559</b>
<b>Depreciation capitalised (a)</b>	<b>59,442</b>	<b>79,222</b>
<b>Total depreciation</b>	<b>75,104</b>	<b>117,781</b>
<b>Salary &amp; Employment costs</b>		
Salaries & wages	372,495	500,923
Employee options expense	45,329	30,734
Defined contribution superannuation expense	30,218	33,386
	<b>448,042</b>	<b>565,043</b>
<b>Operating lease</b>		
Rental expense relating to operating lease	109,378	147,208

(a) During the year, depreciation expense was capitalised as part of exploration expenditure.

## NOTE 7 INCOME TAX EXPENSE

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>(a) Income tax expense / (benefit)</b>		
Current tax (benefit) / expense	-	-
Deferred tax (benefit) / expense	6,810	41,702
Adjustment of tax of prior periods	-	(218,086)
	<b>6,810</b>	<b>(176,384)</b>
<b>Income tax expense / (benefit) is attributable to:</b>		
Loss from continuing operations	-	(176,384)
Aggregate income tax expense / (benefit)	-	<b>(176,384)</b>
<b>Deferred income tax expense included in income tax expense comprises:</b>		
Decrease (increase) in deferred tax assets (note 15)	6,810	41,702
(Decrease) increase in deferred tax liabilities (note 15)	-	-
	<b>6,810</b>	<b>41,702</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	<b>(3,634,301)</b>	<b>(1,357,402)</b>
Tax at the Australian tax rate of 30% (2013 30%)	(1,090,290)	(407,221)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee stock compensation	13,598	-
Adjustment of prior period tax	-	-
Adjustment to prior period R&D	(97,500)	(218,086)
R&D Non-deductible expenditure	216,667	146,667
Other	-	9,220
Deferred tax assets not recognised as not probable	964,335	293,036
Income tax (benefit) / expense	<b>6,810</b>	<b>(176,384)</b>
<b>(c) Amounts recognised directly in equity</b>		
Net deferred tax – credited directly to equity (note 16)	6,810	41,702
	<b>6,810</b>	<b>41,702</b>
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	7,094,101	3,187,226
Unused capital losses for which no deferred tax asset has been recognised	5,840,532	5,840,532
<b>Potential tax benefit @ 30%</b>	<b>3,880,390</b>	<b>2,708,327</b>

### e) Tax consolidation legislation

PepinNini Minerals Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 September 2006. The accounting policy in relation to this legislation is set out in note 2(c).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, PepinNini Minerals Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate PepinNini Minerals Limited for any current tax payable assumed and are compensated by PepinNini Minerals Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to PepinNini Minerals Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

## NOTE 8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2014	2013
	\$	\$
Cash and cash equivalents	668,194	934,751
Cash on hand	6,178	10,742
	<b>674,372</b>	<b>945,493</b>

The Group's exposure to interest rate risk is disclosed in note 4.

Included in cash and cash equivalents is \$121,721(2013: \$42,615) of cash held by the PepinNini Sinosteel Curnamona joint venture which is only available for expenditure on the joint venture project.

## NOTE 9 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Current</b>		
Trade receivables	11,929	126,678
Research & Development tax refund	325,000	400,000
Allowance for doubtful debts	-	-
	<b>336,929</b>	<b>526,678</b>
Goods and services tax recoverable	-	-
<b>Trade and other receivables</b>	<b>336,929</b>	<b>526,678</b>

## NOTE 9 TRADE AND OTHER RECEIVABLES *(continued)*

### a) Impaired trade receivables

There are no other receivables impaired at 30 June 2014 (2013: nil).

	2014	2013
	\$	\$
At 1 July	-	-
Charged for the year	-	-
Receivables written off during the year	-	-
At 30 June	-	-

### b) Past due but not impaired

As at 30 June 2014, no trade receivables were past due but not impaired (2013: nil). The other classes of receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

### c) Foreign exchange and interest rate risk

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 4.

### d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 4 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

## NOTE 10 EXPLORATION EXPENDITURE AND EXPLORATION BONDS

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Exploration expenditure</b>		
<b>Non-current:</b>		
Balance at the beginning of the year	21,442,398	21,422,530
Exploration expenditure capitalised	1,550,228	1,774,433
Disposed tenements	-	(850,000)
Impairment of exploration assets (a)	(3,365,772)	(904,565)
<b>Balance at the end of the year</b>	<b>19,626,854</b>	<b>21,442,398</b>
<b>Environmental bonds</b>		
<b>Non-current:</b>		
Balance at the beginning of the year	35,750	33,250
Amounts capitalised	-	2,500
Bonds released during year	-	-
<b>Balance at the end of the year</b>	<b>35,750</b>	<b>35,750</b>

### a) Impairment of exploration assets

The impairment loss relates to an intention to sell all of PepinNini's interest in PepinNini Resources Curnamona Pty Ltd.

The assets relating to capitalised exploration expenditure for the tenements held for sale are not considered to be assets held for sale as defined under AASB 5 at balance date, as the probability of the sale was unknown at balance date.

An impairment expense has been recognised at 30 June 2014 in relation to the exploration asset to carry the asset at fair value. The impairment expense recognised is \$3,365,772, being the difference between the carrying value of the asset at 30 June 2014 and the fair value, as determined by a conditional sale contract dated 14<sup>th</sup> July 2014.

## NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED					
	Drilling Equipment	Field Vehicles	Field Equipment	Computer equipment	Office Equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2013</b>						
Opening net book amount	153,251	89,461	51,266	50,257	16,947	361,182
Additions	21,130	1,143	-	2,999	-	25,272
Disposals	(414)	-	(525)	(1,193)	(3,324)	(5,456)
Depreciation charge	(52,995)	(27,653)	(15,875)	(15,952)	(5,306)	(117,781)
Net book amount	120,972	62,951	34,866	36,111	8,317	263,217
<b>At 30 June 2013</b>						
Cost	826,995	412,393	243,917	127,905	45,234	1,656,444
Accumulated depreciation	(706,023)	(349,442)	(209,051)	(91,794)	(36,917)	(1,393,227)
Net book amount	120,972	62,951	34,866	36,111	8,317	263,217
<b>Year ended 30 June 2014</b>						
Opening net book amount	120,972	62,951	34,866	36,111	8,317	263,217
Additions	27,856	-	-	-	-	27,856
Disposals	-	(22,192)	(1,469)	(476)	-	(24,137)
Depreciation charge	(40,410)	(12,166)	(9,698)	(10,365)	(2,493)	(75,132)
Closing net book amount	108,418	28,593	23,699	25,270	5,824	191,804
<b>At 30 June 2014</b>						
Cost	854,850	286,094	228,313	121,608	45,234	1,536,099
Accumulated depreciation	(746,432)	(257,501)	(204,614)	(96,338)	(39,410)	(1,344,295)
Net book amount	108,418	28,593	23,699	25,270	5,824	191,804

## NOTE 12 INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Country of incorporation	OWNERSHIP INTEREST	
		2014	2013
		%	%
NiCul Minerals Pty Ltd <sup>^</sup>	Australia	100	100
PepinNini Resources Curnamona Pty Ltd*	Australia	100	100
PepinNini Robinson Range Pty Ltd*	Australia	100	100
PepinNini Minerals International Pty Ltd*	Australia	100	100
PepinNini QLD Pty Ltd*	Australia	100	100
PepinNini Sociedad Anonima	Argentine Republic	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

\* These companies are members of the tax-consolidated group. PepinNini Minerals Limited is the head entity within the tax consolidated group.

<sup>^</sup>Name change 26 July 2011 from PepinNini Resources Pty Ltd

PepinNini Minerals Limited also has the following interests in joint ventures (refer to note 23):

- 40% interest in Sinosteel PepinNini Curnamona Management Pty Ltd, a company created so as to conduct joint operations with Sinosteel Corporation.
- PepinNini Robinson Range Iron Ore Joint Venture agreement, an agreement created to conduct joint operations with Grosvenor Gold Pty Limited and Jackson Minerals. On commencement date PepinNini Robinson Range had a 50% interest in JV03 (3 tenements) and 40% interest in JV04 (4 tenements).

## NOTE 13 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014	2013
	\$	\$
Trade payables (i)	152,743	193,045
Sundry creditors and accruals	145,998	71,392
	<b>298,741</b>	<b>264,437</b>

i) Trade payables are non-interest bearing and are usually settled on 30 day terms.

### a) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 4.

## NOTE 14 PROVISIONS

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Current</b> - Employee benefits	220,598	183,582
<b>Non Current</b> - Employee benefits	6,671	6,442
	<b>227,269</b>	<b>190,024</b>

The current provision for employee benefits relates to annual leave and long service leave entitlements accrued. These amounts are expected to be settled within 12 months of balance date.

The non-current provision for employee benefits relates to long service leave entitlements accrued.



## NOTE 15 NON CURRENT LIABILITIES – DEFERRED TAX LIABILITIES / (ASSETS)

	CONSOLIDATED	
	2014	2013
	\$	\$
The net deferred tax liability comprises temporary differences attributable to:		
<b>Deferred tax assets:</b>		
Fundraising costs	(46,618)	(66,126)
Provisions and accruals	(68,181)	(57,007)
Unused tax losses	(7,965,624)	(7,353,059)
Impairment of investment		
Deferred tax assets not recognised	2,128,230	964,507
<b>Deferred tax assets:</b>	<b>(5,952,192)</b>	<b>(6,511,685)</b>
<b>Deferred tax liabilities</b>		
Property, plant and equipment	64,136	78,966
Exploration expenditure, Resource exploration / potential, Mining information	5,888,056	6,432,719
	<b>5,952,192</b>	<b>6,511,685</b>
<b>Total net deferred tax liabilities</b>	<b>-</b>	<b>-</b>

Movements Consolidated	Total
At 1 July 2012	
Charged/(credited) to the statement of comprehensive income	-
Charged directly to equity	-
<b>At 30 June 2013</b>	<b>-</b>
Charged/(credited) to the statement of comprehensive income	-
Charged directly to equity	-
<b>At 30 June 2014</b>	<b>-</b>

## NOTE 16 ISSUED AND PAID UP CAPITAL

### a) Share capital:

	CONSOLIDATED	
	2014	2013
	\$	\$
143,731,600(2013:115,177,993) fully paid ordinary shares	20,900,621	19,931,989
	<b>20,900,621</b>	<b>19,931,989</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

### b) Movements in share capital:

	2014		2013	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	115,177,993	19,931,989	89,702,499	19,214,080
Issue of shares <sup>#</sup>	23,294,567	442,598	25,475,494	815,215
Share issue costs	-	(22,701)	-	(139,008)
Tax effect on issue costs	-	6,810	-	41,702
Issue of options	-	324,628	-	-
Options issue costs	-	(38,845)	-	-
Options exercised	5,259,040	262,952	-	-
<i>Subtotal</i>				
Transfer of amounts from equity-settled employee benefits expiring	-	-	-	-
<b>Balance at end of financial year</b>	<b>143,731,600</b>	<b>20,907,431</b>	<b>115,177,993</b>	<b>19,931,989</b>

<sup>#</sup> In June 2014 23.3 million PepinNini Minerals Limited ordinary shares were issued as part of a non-renounceable entitlements issue of shares offered to all shareholders at a price of 1.9 cents per share to raise \$442,597 in capital.

In October 2013, 5.3 million PepinNini Minerals Limited options were exercised at a price of 5 cents per option to raise \$262,952 in capital.

In July 2013 32.5 Million PepinNini Minerals Limited options were issued as part of an entitlement issue at a price of 1 cent per option to raise \$324,628.

#### c) Share options granted under the executive share option plan

During the 2014 and 2013 year, there were no options exercised that were issued under the executive share option plan. As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital. During the year, PepinNini Minerals Limited issued 7,500,000 share options (2013: 6,600,000) over ordinary shares under its executive share option plan. For further details on share options issued under the executive share option plan, refer to note 19.

#### d) Capital risk management

The Group's and the parent entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the prior year, the Group monitor capital to ensure the company has appropriate cash and cash equivalents available to meet projected operational, investing and financing cash flow needs.

## NOTE 17 RESERVES AND RETAINED EARNINGS

### (a) Reserves

	CONSOLIDATED	
	2014	2013
	\$	\$
Equity-settled employee benefits (i)	392,768	362,035
Equity-settled employee benefits expensed during the year	45,329	30,733
	<b>438,097</b>	<b>392,768</b>

i) The equity-settled employee benefits reserve is used to recognise the fair value at grant date of share options granted to executives and senior employees. The fair value is then expensed over the vesting period of the share options. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

### b) Retained earnings

Movements in retained earnings were as follows:

	CONSOLIDATED	
	2014	2013
	\$	\$
Balance at beginning of financial year	2,489,591	3,670,609
Net (loss) / profit attributable to members of the Company	(3,641,111)	(1,181,018)
Dividends provided for or paid (note 18)	-	-
<b>Balance at end of financial year</b>	<b>(1,151,520)</b>	<b>2,489,591</b>

## NOTE 18 DIVIDENDS

	COMPANY	
	2014	2013
	\$	\$
No dividends have been paid for the year ended 30 June 2014 or 30 June 2013	-	-
	-	-

There has been no dividend recommended by the directors since year end.

### Franked dividends

	COMPANY	
	2014	2013
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	4,709,476	4,709,476
	<b>4,709,476</b>	<b>4,709,476</b>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## NOTE 19 KEY MANAGEMENT PERSONNEL COMPENSATION

### a) Directors

The following persons were directors of PepinNini Minerals Limited during the financial year:

- Rebecca Holland-Kennedy – Managing director
- Robert (Wei) Sun – Director
- Phil Clifford – Director
- Murray Bailey (commenced 1 January 2014)

### b) Other key management personnel

There are no employees directing and controlling the activities of the Group, directly or indirectly, during the financial year that would be considered key management personnel.

### c) Key management personnel compensation

	CONSOLIDATED	
	2014	2013
	\$	\$
Short-term employee benefits	352,809	524,217
Post-employment benefits	37,478	47,050
Other Long-term benefits	-	-
Termination benefits	-	91,765
Share-based payments	45,329	30,733
	<b>435,616</b>	<b>693,765</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 37 to 46.

### d) Other transactions with key management personnel

The following table details the balances with related parties as at 30 June 2014 and June 2013:

		Amounts owed by related parties	Amounts owed to related parties
		\$	\$
Key management personnel of the Group:			
Directors' interests (Rebecca Holland-Kennedy)			
	30 June 2014	-	200,000
	30 June 2013	-	-

There is no interest charged on the related party loan noted above. There have been no sales and purchases between related parties during the year ended 30 June 2014 and 2013.

## NOTE 20 REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2014	2013
	\$	\$
<i>Auditor of the parent entity</i>		
Ernst & Young audit and review of the financial reports	55,500	57,500
Ernst & Young other assurance services	-	-
	<b>55,500</b>	<b>57,500</b>

## NOTE 21 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	1,696,275	1,204,600
Longer than 1 year and not longer than 5 years	799,167	2,481,000
Longer than 5 years	-	-
	<b>2,495,442</b>	<b>3,685,600</b>
<b>Operating lease commitments:</b>		
Not longer than 1 year	160,000	167,000
Longer than 1 year and not longer than 5 years	-	160,000
Longer than 5 years	-	-
	<b>160,000</b>	<b>327,000</b>

## NOTE 22 RELATED PARTY TRANSACTIONS

### a) Subsidiaries

Interests in subsidiaries are set out in note 12.

### b) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

### c) Transactions with related parties

As at 30 June 2014, George Holland Pty Ltd, a company of which Rebecca Holland-Kennedy is a director held 5,321,890 shares.

### d) Terms and conditions

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The terms and conditions of the tax funding agreement are set out in note 7(e). All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable in cash.

## NOTE 23 INTERESTS IN JOINT OPERATIONS

The Group is a venturer in the following joint operations:

Name of venture	Resident	Principal activity	OUTPUT INTEREST	
			2014	2013
			%	%
Uranium Resources and Mineral Resources Joint venture (JV01)	Australia	Management and operation of development of Crocker Well And Mt Victoria(SA) uranium deposits and exploration for other commodities	40%	40%
Robinson Range Iron Ore Joint Venture (JV03)*	Australia	Management and operation of development of iron ore in three tenements in the Robinson Range region(WA)	50%	50%
Jackson Iron Ore Joint Venture (JV04)*	Australia	Management and operation of development of iron ore in four tenements in the Robinson Range region(WA)	40%	40%

During the year the Group was subject to cash calls of \$1,381 (2013: \$106,825) in accordance with the joint operation agreements.

### Uranium Resource and Mineral Resources Joint Venture

PepinNini Minerals Limited completed the sale of 60% of certain tenements to Sinosteel Corporation in June 2007. In conjunction with the sale, the Company has agreed to conduct joint operations through Sinosteel PepinNini Curnamona Management Pty Ltd, an operation in which it has a 40% interest.

During the year the Group was subject to cash calls of \$140,000 (2013: \$nil) in accordance with the joint operation agreement.

Uranium Resource and Mineral Resources Joint Venture assets recognised in the consolidated financial statements	Year ended 30 Jun 2014	Year ended 30 Jun 2013
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	-	-
Trade and other receivables	-	-
<b>Total current assets</b>	-	-
<b>Non-current assets</b>		
Other receivables	-	-
Exploration expenditure	4,848,251	4,848,251
Exploration bonds	10,255	10,255
Plant and equipment	191	218
<b>Total non-current assets</b>	<b>4,858,697</b>	<b>4,858,724</b>
<b>Total assets</b>	<b>4,858,697</b>	<b>4,858,724</b>
<b>Current liabilities</b>		
Trade and other payables	-	-
Provisions	-	-
<b>Total current liabilities</b>	-	-
<b>Total Liabilities</b>	-	-
<b>Net assets</b>	<b>4,858,697</b>	<b>4,858,724</b>

### Robinson Range Iron Ore Joint Ventures

During the year PepinNini was subject to cash calls of \$(1,381) for the Robinson Range Iron Ore (JV03) and Jackson Iron Ore (JV04) joint ventures in accordance with the joint venture agreements. Robinson Range Iron Ore (JV03) and Jackson Iron Ore (JV04) joint venture net assets recognised in the consolidated financial statements are summarised in the table following:

Robinson Range Iron Ore(JV03) and Jackson Iron Ore(JV04) joint venture assets recognised in the consolidated financial statements	Year ended 30 Jun 2014	Year ended 30 Jun 2013
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	23,986	101,432
Trade and other receivables	115	283
<b>Total current assets</b>	<b>24,101</b>	<b>101,715</b>
<b>Non-current assets</b>		
Exploration expenditure	300,254	300,254
<b>Total non-current assets</b>	<b>300,254</b>	<b>300,254</b>
<b>Total assets</b>	<b>324,355</b>	<b>401,969</b>
<b>Current liabilities</b>		
Trade and other payables	(967)	(639)
<b>Total current liabilities</b>	<b>(967)</b>	<b>(639)</b>
<b>Total Liabilities</b>	<b>(967)</b>	<b>(639)</b>
<b>Net assets</b>	<b>323,388</b>	<b>401,330</b>

## NOTE 23 INTERESTS IN JOINT OPERATIONS *(continued)*

### Contingent liabilities and capital commitments

There were no contingent liabilities arising from the Group's interests in joint ventures. The following capital expenditure commitments relate to the Joint Ventures, which are included within the consolidated figures.

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	Year ended 30 Jun 2014	Year ended 30 Jun 2013
	\$	\$
<b>(a) Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	133,358	229,600
Longer than 1 year and not longer than 5 years	-	86,000
Longer than 5 years	-	-
	<b>133,358</b>	<b>315,600</b>

Refer to note 29 for information on subsequent events regarding this joint operation.

## NOTE 24 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES AND NON-CASH ACTIVITIES

	CONSOLIDATED	
	2014	2013
	\$	\$
Loss for the year before tax	(3,634,301)	(1,181,018)
<b>Non-cash items</b>		
Depreciation expensed	15,662	38,559
Gain on disposal of PPE	(71,317)	(8,828)
Impairment of exploration assets	3,365,772	904,565
Employee options expense	45,329	30,734
Movement in deferred tax asset	-	41,702
<b>Items not classified as operating</b>		
Interest income	(18,619)	(56,398)
<b>Changes in net assets and liabilities</b>		
<b>(Increase) / decrease in assets:</b>		
Trade and other receivables	189,745	(183,739)
<b>Increase / (decrease) in liabilities:</b>		
Trade and other payables	33,220	(97,345)
Deferred tax liability	(6,619)	-
Provisions	44,766	(110,252)
<b>Net cash outflow from operating activities</b>	<b>(36,362)</b>	<b>(622,020)</b>



## NOTE 25 EARNINGS PER SHARE

	CONSOLIDATED	
	2014	2013
	Cents	Cents
<b>a) Basic earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company	(2.9)	(1.0)
Loss from discontinued operation		
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>	<b>(2.9)</b>	<b>(1.0)</b>
<b>b) Diluted earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company	(2.9)	(1.0)
Loss from discontinued operation	-	-
<b>Total diluted earnings per share attributable to the ordinary equity holders of the company</b>	<b>(2.9)</b>	<b>(1.0)</b>
	2014	2013
<b>c) Reconciliations of earnings used in calculating earnings per share</b>		
<b>Basic earnings per share</b>		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
from continuing operations	(3,641,111)	(1,181,018)
	<b>(3,641,111)</b>	<b>(1,181,018)</b>
<b>Diluted earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(3,641,111)	(1,181,018)
adjustments made to earnings	-	-
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>(3,641,111)</b>	<b>(1,181,018)</b>
	2014	2013
	Number	Number
<b>d) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>124,287,381</b>	112,243,617
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>124,287,381</b>	<b>112,243,617</b>

(1) Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the 2014 and 2013 financial year. The weighted average number of options that were not included in the calculation was 31,252,825.

## NOTE 26 SHARE-BASED PAYMENTS

PepinNini Minerals Limited has an employee share option scheme. At the discretion of management options are granted over the ordinary shares of PepinNini Minerals Limited to directors and executives as part of a remuneration package offered for employment. The options so issued are for nil consideration and have variable exercise prices and maturity dates, i.e. last date to exercise the options.

Each employee share option converts into one ordinary share of PepinNini Minerals Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited/ Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
		cents	Number	Number	Number	Number	Number	Number
<b>Consolidated and company – 2014</b>								
8 Apr 13	1 Jun 16	4.0	2,500,000	-	-	-	2,500,000	2,500,000
8 Apr 13	1 Jun 16	6.0	2,500,000	-	-	-	2,500,000	2,500,000
8 Apr 13	1 Jun 16	12.5	1,600,000	-	-	-	1,600,000	1,600,000
1 Jan 14	1 Jan 16	5.0	-	2,500,000	-	-	2,500,000	2,500,000
1 Jan 14	1 Jul 16	6.0	-	2,500,000	-	-	2,500,000	-
1 Jan 14	1 Jan 17	7.0	-	2,500,000	-	-	2,500,000	-
Weighted average exercise price of vested options at end of the year			6.3c					

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited/ Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
		cents	Number	Number	Number	Number	Number	Number
<b>Consolidated and company – 2013</b>								
3 Sep 12	31 Dec 14	5.5	-	250,000	-	250,000	-	-
8 Apr 13	1 Jun 16	4.0	-	2,500,000	-	-	2,500,000	2,500,000
8 Apr 13	1 Jun 16	6.0	-	2,500,000	-	-	2,500,000	-
8 Apr 13	1 Jun 16	12.5	-	1,600,000	-	-	1,600,000	-
Weighted average exercise price of vested options at end of the year			4.0c					

No options were exercised during the year ended 30 June 2014.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2 years (2013: 2 years).

### Fair value of options granted

7,500,000 options were granted in the 2014 financial year (6,850,000– 2013).

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

In this calculation the risk free interest rate used was 2.74%, the underlying share price at the time of option grant was \$0.02 and the volatility used was 257.28%

### Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED	
	2014	2013
	\$	\$
Options issued under employee share option plan	45,329	30,733

All of the above expenses are in respect of equity-settled transactions.

## NOTE 27 BUSINESS AND GEOGRAPHICAL SEGMENTS

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. The chief operating decision-makers have been identified as the board of directors consisting of executive and non-executive directors.

The operating segments are identified by management based on the nature of the commodity to be sold. Discrete financial information about operating businesses is reported to the executive management (executive directors) on at least a monthly basis. The Group operates in one segment, being mineral exploration and development.

## NOTE 28 PARENT ENTITY INFORMATION

### a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	PARENT	
	2014	2013
	\$	\$
<b>Balance sheet</b>		
Current assets	3,124,144	2,091,351
<b>Total assets</b>	<b>20,214,596</b>	<b>22,423,458</b>
Current liabilities	(360,447)	(291,733)
<b>Total liabilities</b>	<b>(360,447)</b>	<b>(298,176)</b>
<b>Shareholders equity</b>		
Issued capital	20,900,621	19,931,989
Reserves	438,097	383,548
Retained earnings	1,687,104	1,809,744
<b>Total equity</b>	<b>19,651,614</b>	<b>22,125,281</b>
<b>Profit or loss for the year</b>	<b>(3,487,629)</b>	<b>(1,080,400)</b>
<b>Total comprehensive income</b>	<b>(3,487,629)</b>	<b>(1,080,400)</b>

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

### c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2014, the parent entity had nil contractual commitments for the acquisition of property, plant or equipment (30 June 2013: nil).

## NOTE 29 SUBSEQUENT EVENTS

PepinNini Minerals Limited announced the signing of a sale and purchase agreement for its 40% interest in the Uranium and Mineral Resources Joint Venture between PepinNini Resources Curnamona Pty Ltd (a wholly owned subsidiary of PepinNini Minerals Ltd) and Sinosteel Uranium SA Pty Ltd. Under the Sale and Purchase Agreement Sinosteel Uranium SA Pty Ltd is the purchaser and the purchase consideration is \$2.3m.

In August 2014, PepinNini Minerals Limited successfully raised \$500,000 through the sale of part of the shortfall relating to an entitlements issue during the financial year.

PepinNini Minerals Limited announced a pro-rata non-renounceable entitlement issue of shares on 24 April 2014. The issue, under a prospectus, was two shares for every three shares held by eligible shareholders. The offer closed on 22 May 2014 and the shortfall was available for 3 months until 22 August 2014.

In September 2014 PepinNini Minerals Limited announced the signing of a purchase option deed with Phosphate Australia (ASX: POZ) for exploration of the Manchego project in the West Musgrave region of Western Australia. An initial consideration of \$100,000 has been paid to allow PepinNini to start exploration of this project.

There has been no other matter or circumstance that has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of PepinNini Minerals Limited, I state that:

## 1. In the opinion of the Directors:

- a) The financial statements and notes of PepinNini Minerals Limited for the financial year ended 30 June 2014 are 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 2014 and of its performance for the year ended on that date; and
  - ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*
- b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

2. 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 2014.

On behalf of the board



**Rebecca Holland-Kennedy**  
Managing Director  
Adelaide, 18 September 2014

# INDEPENDENT AUDITOR'S REPORT TO MEMBERS



Ernst & Young  
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## Independent auditor's report to the members of PepinNini Minerals Limited

### Report on the financial report

We have audited the accompanying financial report of PepinNini Minerals Limited, which comprises the consolidated balance sheet as at 30 June 2014, 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 of the consolidated entity comprising 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



### Opinion

In our opinion:

- a. the financial report of PepinNini 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 2014 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 2.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 37 to 46 of the directors' report for the year ended 30 June 2014. 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.

### Opinion

In our opinion, the Remuneration Report of PepinNini Minerals Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Nigel Stevenson  
Partner  
Adelaide  
18 September 2014

# ADDITIONAL SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 31 August 2014.

As at 31 August 2014 there were **170,047,389** fully paid ordinary shares **PNN** held by **1,636** individual shareholders.

All issued ordinary shares carry one vote per share.

## A. Distribution of equity securities

	Number of holders	Number of shares
1 – 1,000	224	126,624
1,001 – 5,000	520	1,545,011
5,001 – 10,000	251	2,077,105
10,001 – 100,000	503	18,720,844
100,001 and over	138	147,577,805
	<b>1,636</b>	<b>170,047,389</b>
Holding less than a marketable parcel	1,254	8,390,817

## B. Substantial shareholders

Ordinary shareholders	FULLY PAID ORDINARY SHARES	
	Percentage	Number
Kalinda Outlook Pty Ltd	29.42%	50,034,598
Dellta Pty Ltd	15.48%	26,315,789
<b>Total</b>	<b>44.90%</b>	<b>76,350,387</b>

## C. Twenty largest holders of quoted equity securities

Ordinary shareholders	FULLY PAID ORDINARY SHARES	
	Number	Percentage
Kalinda Outlook Pty Ltd	50,034,598	29.42%
Dellta Pty Ltd	26,315,789	15.48%
George Holland Pty Limited	5,321,890	3.13%
Sinosteel Australia Pty Ltd	3,300,000	1.94%
Mr Tony Russell Hutton & Mrs Gaylene Sandra Hutton	3,210,318	1.89%
Luis Fernando Norman Kennedy	2,777,779	1.63%
Robert Rehl	2,605,964	1.53%
JP Morgan Nominees Australia Limited <Cash Income A/C>	2,451,075	1.44%
Citicorp Nominees Pty Ltd	1,933,726	1.14%
Minsk Pty Ltd	1,621,010	0.95%
PSZ Nominees Pty Ltd <The PSZ A/C>	1,551,154	0.91%
Eshan Pty Ltd	1,500,000	0.88%
Ronald Edward Robertson	1,445,364	0.85%
National Energy Pty Ltd	1,416,279	0.83%
Mr Zachary Kalamboyas + Mrs Sophia Kalamboyas <Z & S Kalamboyas S/F A/C>	1,271,000	0.75%
National Nominees Limited	1,233,800	0.73%
Sarasa Schirmer	1,200,000	0.71%
Andrew Damon Schirmer	1,170,000	0.69%
Hayden Robert Aspinall	1,102,490	0.65%
Brian Ernest Zucal & Stephen Brian Zucal <Brian Zucal Super Fund a/c>	1,095,000	0.64%
<b>Total</b>	<b>112,557,236</b>	<b>66.19%</b>



The shareholder information set out below was applicable as at 31 August 2014.

As at 31 August 2014 there were **27,058,105** options PNNO held by **229** individual option holders.

All issued options are convertible at \$0.05 until 30 June 2015 to fully paid ordinary shares.

Option holders do not hold any voting rights.

#### A. Distribution of equity securities

	Number of holders	Number of options
1 – 1,000	24	13,228
1,001 – 5,000	58	154,628
5,001 – 10,000	37	295,200
10,001 – 100,000	97	3,715,720
100,001 and over	13	22,879,321
	<b>229</b>	<b>27,058,097</b>
Holding less than a marketable parcel	226	6,356,777

#### B. Twenty largest holders of quoted equity securities PNNO

Option Holders	OPTIONS	
	Number	Percentage
Rebecca Ann Holland-Kennedy	18,923,549	69.94%
Luis Fernando Norman Kennedy	1,111,112	4.11%
Alexander George William Kennedy	666,667	2.46%
Citicorp Nominees Pty Ltd	366,666	1.36%
Ahmed Mohamood Shah	350,000	1.29%
David Archibald McCallum	300,000	1.11%
David Gordon John Burch	233,334	0.86%
Brenton Roy Ward	200,000	0.74%
Community Medical Centres Pty Ltd <CMC Super Fund A/C>	200,000	0.74%
Amma-Tul Rashidan Shah	190,213	0.70%
Tindindi Cellars Pty Ltd	133,334	0.49%
Quentin Dudley Treasure & Toinette Coralie Treasure	102,223	0.38%

#### B. Twenty largest holders of quoted equity securities PNNO (continued)

Option Holders	OPTIONS	
	Number	Percentage
Kenneth Wayne Starkey & Nola Claire Starkey	102,223	0.38%
Jurgen Hummel	100,000	0.37%
Caigen Wang	100,000	0.37%
Jeremy Michael Mark Dobbin	100,000	0.37%
Philip Roger Clifford	100,000	0.37%
Mitchell Stuart O'Brien	100,000	0.37%
Nicola Terrigno	100,000	0.37%
Bruce Hambour & Penelope Hambour <Aussiewide Super Fund a/c>	100,000	0.37%
Susanne Annie Laurence	100,000	0.37%
Woolandra Pty Ltd	89,044	0.33%
National Nominees Limited	82,666	0.31%
Lawrence Crowe Consulting Pty Ltd	80,000	0.30%
Grandmex Pty Ltd	73,334	0.27%
Nguyen Muoi Ngo	71,112	0.26%
Van Minh Duong	66,667	0.25%
DB Super Investments Pty Ltd <Burling Super Fund A/C>	66,667	0.25%
Li Zhai	66,667	0.25%
HuuPhu Lam	66,667	0.25%
George Kwitko	66,667	0.25%
Joseph Oliver Carroll	66,667	0.25%
Keith Francis Sutton	66,667	0.25%
John Baillie Christie & Frances Glynis Christie	62,223	0.23%
Nils Knutzelius & Hans Knutzelius	60,000	0.22%
<b>Total</b>	<b>24,664,369</b>	<b>91.15%</b>

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