

2009

# Pepiniini

Minerals Limited

ABN 55 101 714 989

A diversified near term production  
Australian mineral exploration company

annual report

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## Corporate Directory

### Directors

Norman Kennedy  
Rebecca Holland-Kennedy  
Albert Harris  
Christopher Lambert

### Company Secretary

Rebecca Holland-Kennedy

### Registered Office

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### Share Registry

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Brisbane QLD 4000

### Legal Advisors

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### Auditor

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550 Bourke Street,  
Melbourne VIC 3000

### Accountant

Price Waterhouse Coopers  
91 King William Street,  
Adelaide SA 5000





# Chairman's Letter To Shareholders

Dear Shareholder,

I am happy to report that despite the past year being a very difficult year for most Companies involved in the exploration industry PepinNini has been able to continue exploring and advancing each of its primary projects whilst maintaining a healthy cash balance. We have also been able to retain our highly competent and loyal staff to ensure on going efficient administration of the Company and operation of our drilling rigs, field accommodation and associated equipment. As a result we are very well placed to maximize the exploration potential of our current tenements and are well positioned to take advantage of any exploration or development opportunities that may arise.

## 1. Curnamona Province Project

The development of the Crocker Well Uranium Deposit and the exploration of the Curnamona Province tenements for commodities other than uranium is progressing under our Joint Venture Alliance with Sinosteel Corporation. A Bankable Feasibility Study for the development of a mine at Crocker Well is well advanced and near completion. Drilling operations to verify and upgrade sufficient of the currently defined JORC compliant uranium resource from an Inferred category to an Indicated or Measured category have been recently completed. Hydrogeological and geotechnical investigations have been undertaken in conjunction with the drilling program. Metallurgical tests conducted by Amdel Laboratories and ANSTO Minerals have produced a new processing circuit for the Crocker Well ore that greatly enhances the overall recovery of  $U_3O_8$  producing significant benefits to the operating and capital costs of the project. Consultations with pastoralists, indigenous groups and the local community regarding the proposed mine development at Crocker Well are progressing well.

The recently acquired high resolution radiometric, magnetic and gravity data has already highlighted several new potential targets for additional uranium resources in the vicinity of Crocker Well. These potential new uranium prospects as well as previously identified prospects will be investigated by drilling as a matter of priority over the coming months.

## 2. Musgrave Province Project

The signing of a Farm-in and Joint Venture Agreement with Rio Tinto Exploration Pty Limited to explore three tenement areas covering approximately 1,382 km<sup>2</sup> considered prospective for Nickel Copper Sulphide mineralisation and other commodities was a major achievement during the year. A regional airborne geophysical survey commissioned by Rio Tinto over the tenement areas has identified several conductive bodies that may represent sulphide mineralization which warrant immediate investigation by detailed ground geophysical surveys and drilling.

During the year our drilling rig and crew have been busy completing 12 fully cored boreholes for 4,665 metres within EL 4048 Mt Caroline. Sulphides were intersected in all boreholes confirming sulphur saturation occurred within the primary melt. An additional five diamond boreholes were drilled for 1007.98m within EL 3536 Pine Ridge where lithologies favourable for nickel-copper-chromium-PGE mineralisation and lead-zinc-silver mineralisation were intersected. Our drilling division were also very active with the vacuum rig during the year completing more than 8,500m in 1,003 boreholes. The assay values from the regional vacuum drilling program are notably higher than results previously reported for regional geochemical samples collected in the Musgrave Province of South Australia. A number of distinct priority targets have been generated for further investigation.

## 3. North Queensland Project

It is difficult not to get excited about the gold grades we have been consistently reporting throughout the year from surface sampling programs conducted on EPM 15547 The Return. We look forward to being able to commence drilling operations on this tenement in the near future. With base metal and gold targets also being identified in EPM 15440 Percyville we can look forward to a busy year of proposed drilling activity in Queensland.

## 4. Robinson Range Iron Ore Project

During the year we continued to maintain our obligations under the Robinson Range Iron Ore Farm-In and Joint Venture. The seven tenements subject to the Farm-In Agreement are located in the fast developing Midwest Region of Western Australia and contain a significant portion of the area within the Bryah-Padbury Basin deemed prospective for Iron Ore. The potential Iron Ore deposits have grades of up to 65% Fe with low phosphorous content suitable for exploitation as Direct Shipping Ore (DSO). PepinNini Minerals has identified approximately 40 kms strike length of the prospective Robinson Range Formation within the JV tenements and has completed a detailed 250m grid gravity survey to assist in identifying priority drill targets.

It has again been a pleasure to be involved in the direction and development of PepinNini Minerals and I thank my fellow Directors, management and all of the PepinNini staff for their support, dedication and assistance during the year.

It is with very great sadness that I report the passing away of Mr George Holland. George was one of the original seed capital contributors that facilitated the listing of PepinNini on the ASX in 2005. He was also instrumental in the success of our IPO and remained a very loyal and supportive shareholder. He played a very significant role in the development of our Company and will be sadly missed for his ambassadorial support and testing questions at the AGM which will be the first he has not attended.

On behalf of the Board of PepinNini and its management I thank all our shareholders for their support during a very difficult year for financial markets and investors. I look forward to rewarding you for your continued loyalty to the Company.



**Norman Kennedy**  
Chairman and Managing Director  
PepinNini Minerals Limited





# Project Locations





## 2009 Highlights

### » Advancement of the Crocker Well Uranium Project – South Australia

- » Submission of an application for a Mining Lease at Crocker Well for the development of a uranium mine.
- » Completion of 17 cored boreholes and 267 RC boreholes as part of a resource validation program to verify and upgrade the JORC compliant uranium resource from Inferred to Indicated or Measured Categories.
- » Metallurgical testwork undertaken by Amdel Laboratories and ANSTO Minerals indicates Crocker Well uranium ore can be beneficiated leading to potentially significant advantages to processing and plant costs. A new revised processing circuit incorporating beneficiation by flotation, solid liquid separation by pressure filtration and a Carbonate strip followed by Sodium Diuranate (SDU) and Uranium Peroxide precipitation has been designed for treating the Crocker Well ore. Overall uranium recovery for processing the Crocker Well ore using the new circuit is 80% representing a significant improvement on the 63% previously used for the 2006 Scoping Study.
- » Detailed magnetic, radiometric and gravity surveys were undertaken to better define geological boundaries and to locate possible additional resources of  $U_3O_8$  in the vicinity of Crocker Well.
- » Progression of a Bankable Feasibility Study together with Environmental Baseline, Hydrogeological, Geotechnical and Mining studies for the Crocker Well Development.
- » Commencement of consultations with pastoralists, indigenous groups and the local community regarding the proposed mine development at Crocker Well.

### » Musgrave Project – South Australia

- » Completion of a Farm-in and Joint Venture Agreement with Rio Tinto Exploration Pty Limited to explore three tenement areas covering approximately 1,382 km<sup>2</sup> of ground considered prospective for Nickel Copper Sulphide mineralisation and other commodities.
- » Completion of 12 fully cored boreholes for 4,665 metres within EL 4048 Mt Caroline. Sulphides were intersected in all boreholes confirming sulphur saturation occurred within the primary melt.
- » A total of five diamond boreholes were drilled for 1007.98m within EL 3536 Pine Ridge. Lithologies favourable for nickel-copper-chromium-PGE mineralisation and lead-zinc-silver mineralisation were intersected in all diamond boreholes.

### » North Queensland Project

- » Potentially significant vein systems identified and mapped across EPM 15547 The Return. Gold grades at surface of up to 1,710 g/t (55 oz/t) and silver grades of up to 20 oz/t. 80% of samples collected returned greater than 1 g/t Au.
- » Widespread copper (max. 32.8%), gold (max. 335g/t), silver (max. 1,360g/t) and lead (max. 64.7%) mineralisation identified in rock chip samples collected from EPM 15440 Percyville.
- » Confirmation of high-grade uranium (up to 3,513ppm  $U_3O_8$ ), phosphate (up to 22.9%) and potash (up to 5.8%) mineralization within EPM 14834 Plain Creek.

### » Corporate

- » At the end of the financial year the Company held \$12.4million in cash.



# Tenement Schedule

Tenement	Tenement Name	Area Km <sup>2</sup>	PepinNini Interest	Grant Date
<b>South Australia</b>				
EL 3278	Bimbowrie	843	40%	04.11.04
EL 3368	Mt Marcus	1,607	100%	27.06.05
EL 3472	Outalpa	199	40%	05.12.05
EL 3536	Pine Ridge	1,382	100%	30.03.06
EL 3587	Scott Hill	521	40%	21.06.06
EL 3931	Woodroffe	764	Earning 51%	24.09.07
EL 4048	Mt Caroline	1,916	100%	25.02.08
EL 4239	Kalabity	822	40%	12.03.09
ELA 278/82	Jalukana	537	Earning 51%	application
ELA 491/94	Aparatjara	77	Earning 51%	application
ELA 118/96	Anerinna Hills	2,415	100%	application
ELA 185/96	Willugudinna	823	100%	application
ELA 928/04	Mt Victor	1,393	40%	application
<b>Queensland</b>				
ML 2720	Gooligoomba	83ha	100%	01.10.84
EPM 14454	Blue Doe	10	100%	12.11.04
EPM 14834	Plain Creek	224	100%	03.05.06
EPM 15170	Deep Creek	37	100%	14.12.07
EPM 15200	The Bluff	17	100%	24.04.06
EPM 15419	East Woolgar	170	100%	17.04.07
EPM 15440	Percyville	212	100%	31.10.07
EPM 15469	The Gilbert	85	100%	07.03.07
EPM 15523	Fletcher Ck	102	100%	17.04.07
EPM 15547	The Return	17	100%	07.03.07
EPM 15571	Oak Swamp	105	100%	17.04.08
EPM 15801	Fletcher Ck West	99	100%	31.10.07
EPM 15990	The Rush	309	100%	14.01.08
EPM 16289	Sandy Creek	31	100%	10.02.09
EPM 16537	Loyo	337	100%	27.10.08
EPM 16917	Lower Percy	48	100%	10.02.09
EPM 17846	Boomerang Creek	120	100%	application
EPM 17879	Ironhurst	59	100%	application
EPM 17918	Spring Creek	78	100%	application
EPM 17953	Robin Hood	68	100%	application
EPM 18020	Clarke River	187	100%	application
EPM 18047	Oak Park	340	100%	application
EPM 18048	Keppel Creek	81	100%	application
EPM 18168	Log Creek	37	100%	application
<b>TOTAL</b>		<b>16,072</b>		



# Review of operations



## 1.1 Introduction

PepinNini Minerals Limited is a diversified near term production 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.

PepinNini currently has an interest in thirty six exploration tenements covering approximately 16,072km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia and the Georgetown Inlier, Woolgar Goldfield and Drummond Basin areas of North Queensland. It also holds a 100% interest in an 83 hectare mining lease in the Woolgar Goldfield.

During the year the Company continued to fulfil its obligations under a Farm-in and Joint Venture Agreement to earn a 50% interest in seven tenements covering approximately 828km<sup>2</sup> prospective for iron ore deposits in the Midwest region of Western Australia.

The Musgrave tenements have the potential for the discovery of a major world class nickel copper sulphide deposit similar to the Voisey's Bay deposit in Canada. The Curnamona tenements have potential for the discovery of base metal deposits similar to those of Broken Hill and

Olympic Dam. Uranium deposits have been defined within the Curnamona tenements including the Crocker Well Deposit which is currently being developed in joint venture with Sinosteel Corporation. The Queensland tenements are prospective for the discovery of high grade gold, base metal, uranium and phosphate deposits and in Western Australia iron ore and manganese are the principal targets.

The Company's primary business objectives are to:

- » reward investors;
- » discover major new Australian 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 Company has focused exploration activities on four main projects designated as the:

- » Musgrave Province Project;
- » Curnamona Province Project;
- » North Queensland Project and
- » Robinson Range Project.



# Review of operations

## 1.2 Musgrave Province Project

### Introduction

The project consists of four granted exploration licences, EL 3368, EL 3536, EL 3931 and EL 4048, and four exploration licence applications, ELAs 278/82, 491/94, 118/96 and 185/96 which are considered prospective for nickel, base metals, gold, platinum group metals, ferrous metals and precious stones. The tenements comprise fourteen separate areas covering approximately 9,525 km<sup>2</sup>.

The Company has established an on-going relationship with the traditional owners of our Musgrave tenements and supports local communities through active sponsorship of cultural and sporting events as well as sponsoring art shows produced by various communities within the APY Lands.

### 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 deposits 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, silver), precious stones (diamonds, 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)

The Directors believe the Musgrave Province may host Australia's next significant Proterozoic orebody discovery and have focussed attention initially on investigating the nickel copper sulphide potential.

A regional interpretation of geophysical data currently available for the South Australian portion of the Musgrave Block commissioned by Rio Tinto and PIRSA in 2002 considers the Caroline Intrusive *"to have the highest potential for hosting significant NiS mineralisation (nickel sulphide)"*. This is supported by the identification of pentlandite (Ni sulphide) and chalcopentlandite (Cu-Ni sulphide) in a surface sample collected from outcrop by PIRSA in November, 2004.

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. 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.

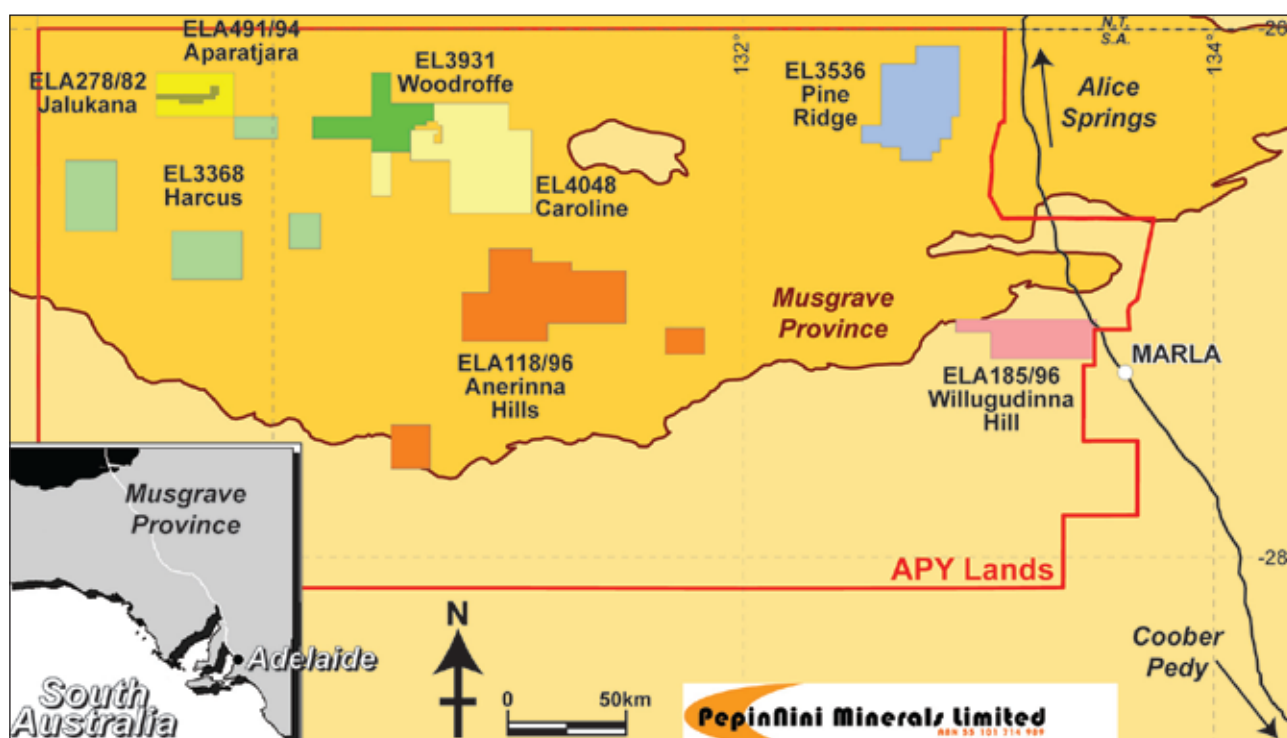
### Current Exploration

PepinNini Minerals is exploring the tenements primarily for nickel-copper sulphides contained within the layered mafic-ultramafic Giles Complex rocks yet is mindful in its exploration activities to examine the base metal and other commodity potential of the crustal basement terrain being investigated.

On 11<sup>th</sup> June, 2009 PepinNini Minerals announced it had entered into a Farm-in and Joint Venture Agreement with Rio Tinto Exploration Pty Limited to explore three tenement areas covering approximately 1,382 km<sup>2</sup>. The agreement relates to one granted exploration licence (EL3931 "Woodroffe") and two licence applications (ELA 278/82 "Jalukana" and ELA 491/94 "Aparatjara"). These tenements are adjacent to granted exploration licences currently being explored by PepinNini.

A regional airborne geophysical survey commissioned by Rio Tinto over the tenement areas has identified several conductive bodies that may represent sulphide mineralisation. PepinNini and Rio Tinto consider the targets identified from the aerial EM surveys warrant immediate investigation by detailed ground geophysical surveys and drilling. Subject to obtaining statutory and traditional owner approvals it is the intention of PepinNini to prioritise the investigation of these targets. The Company has reviewed





the geophysical datasets and submitted a work program for approval by the traditional owners.

During the past year the Company undertook exploration activities within EL 4048 Mt Caroline and EL 3536 Pine Ridge using the Company owned and operated drilling rigs.

### Exploration Licence EL4048 - Mt Caroline

EL4048 covering approximately 1,916 km<sup>2</sup> was granted to PepinNini Minerals on 25<sup>th</sup> February, 2008.

To 30<sup>th</sup> June, 2009 twelve cored boreholes comprising 4,665 metres of core drilling have been completed by the Company diamond drilling rig within the tenement. Drilling intersected layered anorthosite, leuco-gabbro-norite and minor gabbro-norite and troctolite lithologies within the Giles Complex. Country rocks are typically felsic and granitic gneisses of the Birksgate Complex. Sulphides have been intersected in all boreholes to date confirming sulphur saturation occurred within the primary melt.

The diamond drill program within EL 4048 has been augmented by a regional geochemical survey utilising the

company owned vacuum drill rig. Relatively shallow soil and rock chip samples are being taken from across the tenement, primarily along established tracks and roads. To 30<sup>th</sup> June, 469 vacuum boreholes were drilled for a total of 5,142m.

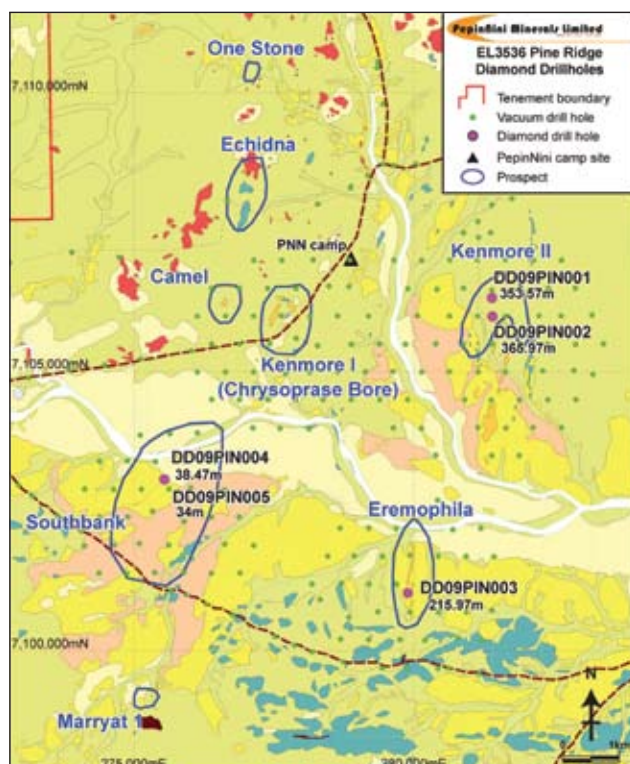
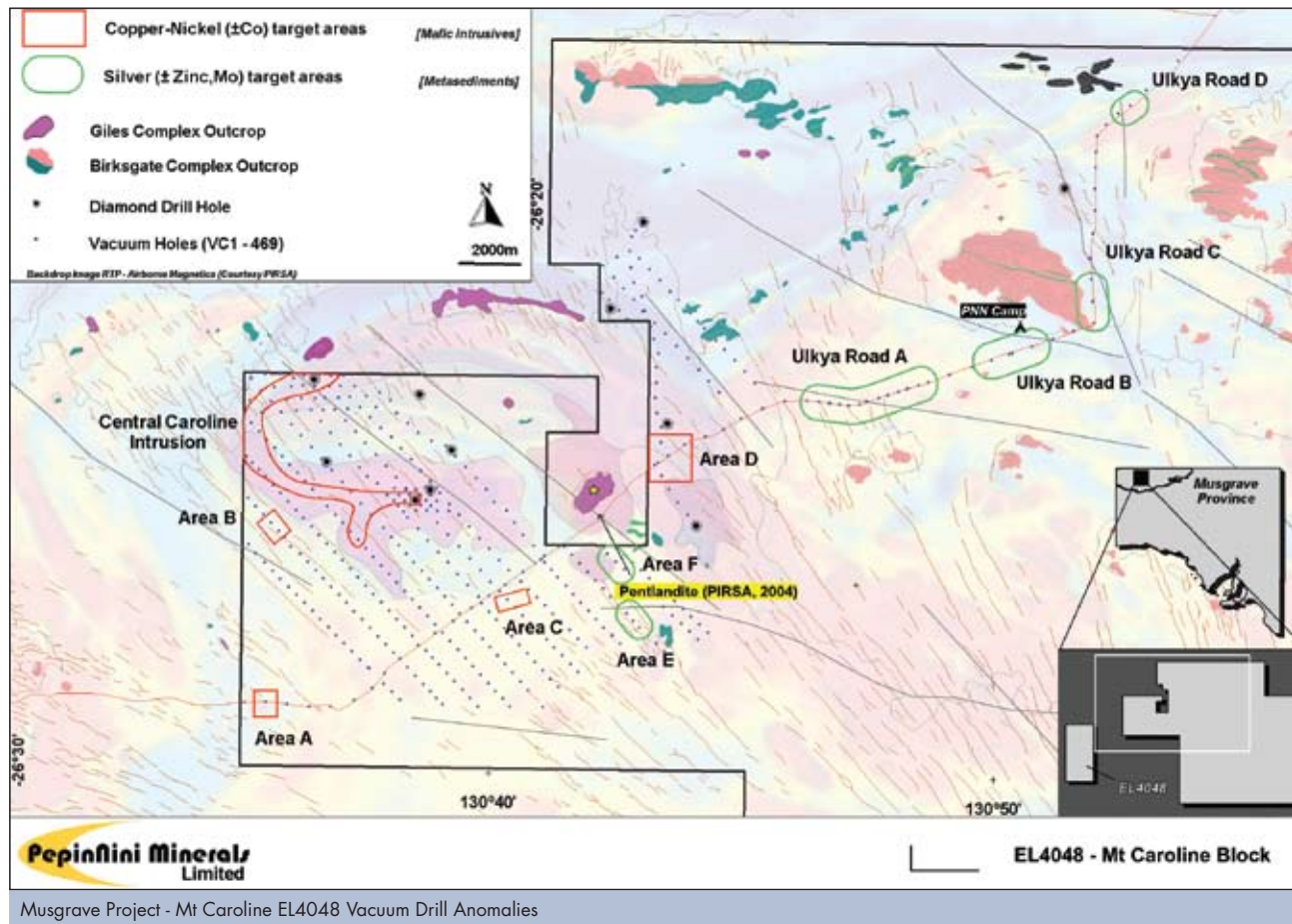
Analytical results received to date from geochemical samples drilled by the vacuum rig within EL 4048 have returned anomalous values of silver (up to 25.5 g/t), lead (up to 43.5ppm), zinc (up to 1,240ppm), nickel (up to 1,880ppm), copper (up to 360ppm), cobalt (up to 1,660ppm), molybdenum (up to 14ppm) and strontium (up to 1,040ppm). The assay values are notably higher than results previously reported for regional geochemical samples collected in the Musgrave Province of South Australia.

A number of distinct priority targets have been defined from the initial results and each will be systematically investigated by more detailed grid drilling to ascertain if a coherent anomaly exists, the size of which may represent an economically viable target.



Vacuum drilling rig EL4048 Mt Caroline – November, 2008

# Review of operations



## Exploration Licence EL3536 – Pine Ridge

During the year exploration activities were focused on targeting nickel-copper sulphide mineralisation within the Giles Complex and base metal mineralisation within the Birksgate Complex. Drilling operations utilised the Company owned and operated diamond drill rig and vacuum drill rig. A total of five diamond boreholes were drilled for 1007.98m. All diamond boreholes targeted nickel-copper sulphide mineralisation within prospects previously identified within the tenement.

Lithologies favourable for nickel-copper-chromium-PGE mineralisation and lead-zinc-silver mineralisation were intersected. Of particular significance was the intersection of metasedimentary rocks, calcisilicate rocks, garnet quartzite and bimodal intrusive rocks as similar rocks are associated with Pb-Zn-Ag mineralisation at Broken Hill. Ultramafic lithologies were not associated with significant sulphide mineralisation but have relatively higher concentrations of chromium and nickel. Maximum assay results from two diamond boreholes (DD09PIN001 & DD09PIN002) drilled within the Kenmore II copper-nickel prospect included:



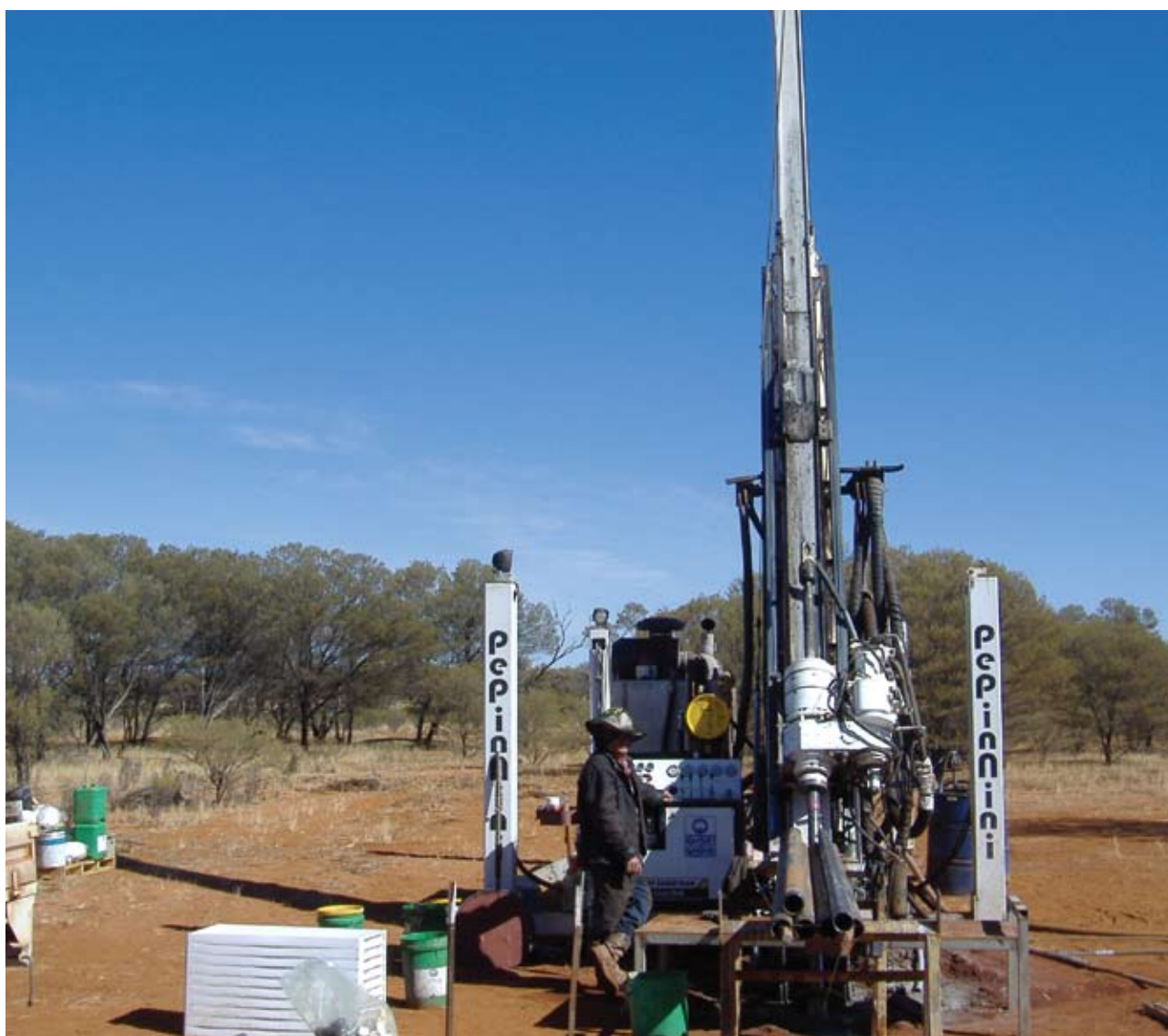
<b>Borehole DD09PIN001</b>
» 0.74m @ 0.21% Cu from 220.23m
» 2.8m @ 0.20% Cu from 221.89m
» 3m @ 0.27% Cr & 0.17% Ni from 340.7m
<b>Borehole DD09PIN002</b>
» 0.3m @ 0.48% Cu from 124.68m
» 3.0m @ 0.2% Cr & 0.21% Ni from 273.3m
» 1.65m @ 0.4% Cr from 310.5m

A regional vacuum drilling program conducted during the year within EL3536 completed 534 boreholes totaling 3445.5m. Hole depths varied between 0.6m and 19.2m with a median depth of 4.8m. A total of 790 samples were collected. Maximum results from the vacuum drilling program include:

» Cu 500ppm	» Zn 380ppm
» Co 650ppm	» Ag 47ppm
» Ni 800ppm	» La+Ce+Y 1160ppm
» Pb 95ppm	» Th 205ppm

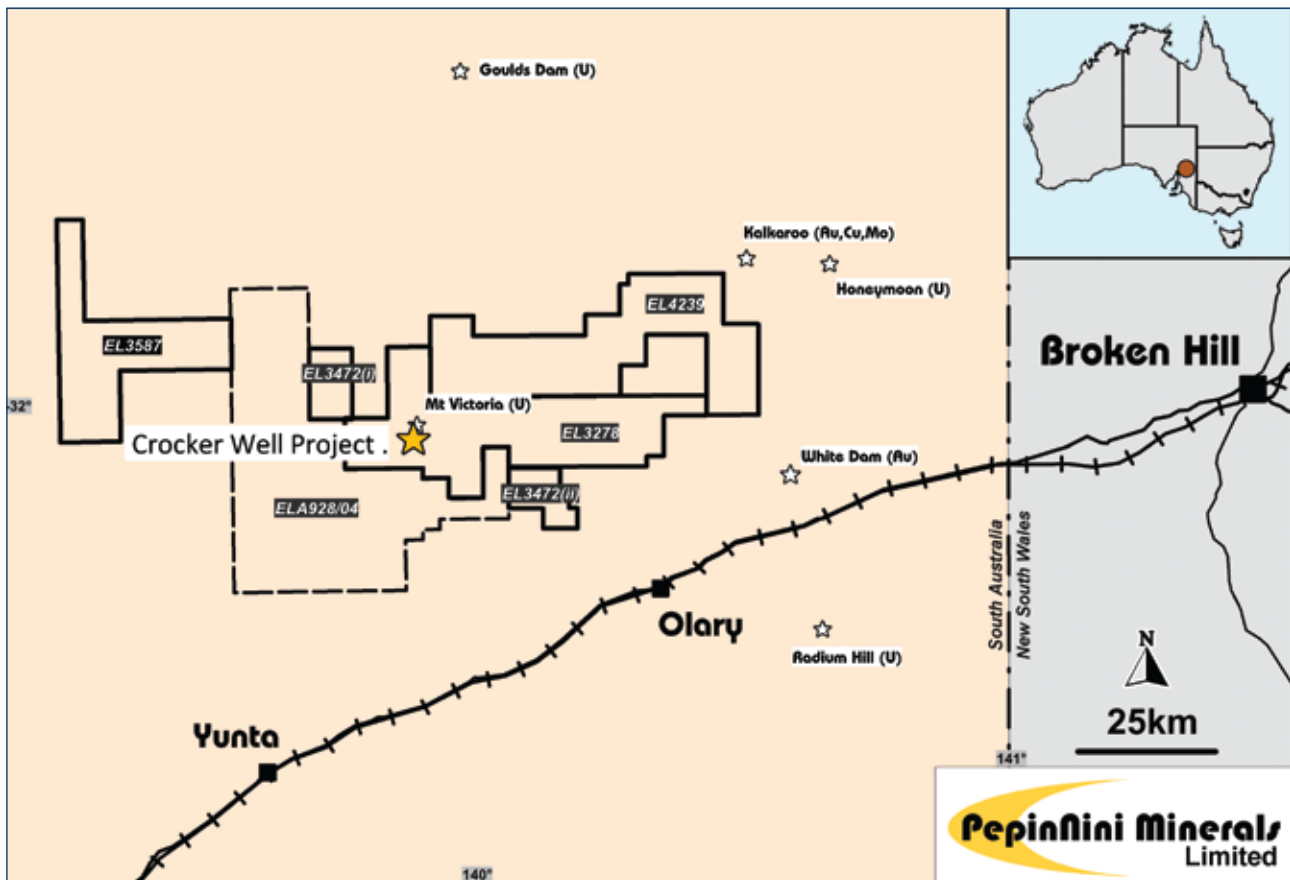
Nickel and copper anomalies were recorded over the known prospect areas (up to 415ppm Cu at Kenmore II; 650ppm Ni at Southbank; and 435ppm Ni at Kenmore I). Coincident base metal anomalies have been identified in areas not previously explored and warrant further investigation. Several regions of anomalous rare earth element concentrations have been identified proximal to known granite occurrences.

Anomalous La, Ce, Y and Th indicate enriched felsic rocks or hydrothermal fluid systems. This has implications for the potential of mineralising systems within the region.



Diamond Drilling – Pine Ridge, May 2009

# Review of operations



Curnamona Project – Tenement Location Plan

## 1.3 Curnamona Province Project

### Introduction

PepinNini Minerals Limited has a 40% interest in four granted exploration licences and one exploration licence application covering approximately 3,778 km<sup>2</sup> of the Curnamona Province of South Australia. A Joint Venture Alliance has been established 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. The development of the Crocker Well Uranium Deposit is being managed by Sinosteel PepinNini Curnamona Management Pty Limited (SPCM) on behalf of the Joint Venture partners.

### Geology and Exploration Potential

The Curnamona Project covers a large area of Palaeoproterozoic Willyama Supergroup rocks consisting of multiply deformed meta-sedimentary and meta-igneous rocks. In South Australia the Willyama Inliers occur along the southern margin of the Curnamona Province within a major tectonic domain known as the Olary Domain (or Olary Block). The Olary Block sequence is largely composed of meta-sedimentary and minor meta-volcanic

(and meta-intrusive) rocks interpreted to have been deposited in a failed intracontinental rift and rift-platform basin between ~1720-1640 Ma. The sequence has subsequently been subject to intense multiphase deformation and medium to high-grade regional metamorphism during the Olarian Orogeny and to a lesser extent during the Palaeozoic Delamerian Orogeny. The Olary Domain has been correlated with the geology in the adjacent Broken Hill Block, together they form the Willyama Inlier.

Transported cover sediments conceal some portions of the Proterozoic basement in the project area. Often the contacts between the Palaeoproterozoic, Neoproterozoic and Palaeozoic sequences are not well exposed. The southern margin of the Olary Domain is unconformably overlain by Neoproterozoic sequences, but the northern boundary is ill-defined due to poor basement exposures caused by increasing Cainozoic cover. The cover sequence generally thickens towards the north.



The Curnamona Province of South Australia is widely regarded for its potential Broken Hill style mineralisation, strata bound sediment-hosted Mt Isa/Century style of mineralisation, and the potential for iron oxide copper gold (IOCG) styles of mineralisation. Recent exploration activities and discovery of prospects such as Portia, Shylock, Kalkaroo and White Dam confirm this potential.

### Prospectivity and Exploration Models

The Curnamona Province tenements are prospective for gold, copper, lead, zinc and uranium and include numerous prospects and old workings identified by a variety of previous explorers.

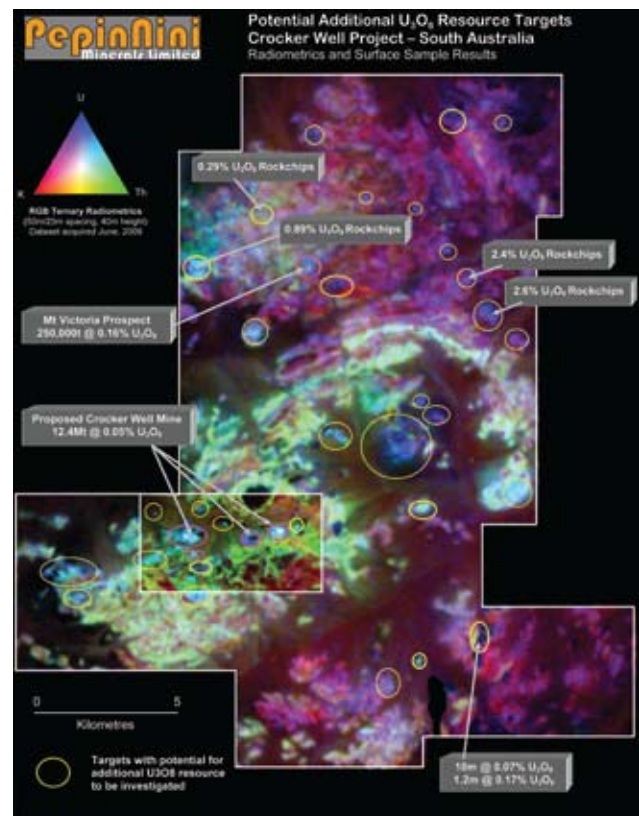
Potential exploration targets include:

- » Epigenetic iron oxide copper-gold mineralisation similar in style to Olympic Dam/Prominent Hill and the replacement (Starra, Osborne) and breccia (Ernest Henry) deposits of the Mt Isa Eastern Fold Belt. These can occur as both strata bound replacements of iron rich beds or as structurally focused iron-rich alteration/breccia systems in the contact aureoles of certain granites
- » Large disseminated/strata bound copper and/or gold deposits
- » Supergene (enriched) copper-gold mineralisation in areas of deep weathering over large areas of low-grade sulphide copper-gold mineralised basement. (Kalkaroo, Portia)
- » Broken Hill type silver-lead-zinc deposits
- » Strata bound/sediment-hosted base metal mineralisation (similar to Mt. Isa and Century Zinc (Ag-Pb) deposits in the Mt. Isa Inlier) within the moderate-low grade metamorphic rocks in the upper parts of the Olary Block stratigraphy
- » Hardrock pegmatite – granite hosted uranium, Tertiary roll-front uranium
- » Manganese

### Current Exploration Program

Current exploration activities are focused on the Crocker Well Uranium Deposit and investigating base metal targets and other uranium prospects. More than 30 priority copper/gold and lead/zinc targets have been identified within ELs 3278, 3472, 3587 and 4239. Apart from the Crocker Well Uranium Field and the Mt Victoria Uranium Deposit there are 26 additional known uranium prospects located within the granted tenements yet to be investigated.

Independent resource consultants Hellman & Schofield have been commissioned to upgrade sufficient current JORC compliant uranium resource at Crocker Well from an



Potential additional uranium resource targets - Crocker Well Project



Crocker Well Meteorological Station – January, 2009

# Review of operations

Inferred category to an Indicated and Measured category to allow for a Bankable Feasibility Study to be undertaken for the development of the Crocker Well Uranium Project.

Bateman Engineering have been appointed to undertake the Bankable Feasibility Study. Kellogg Brown and Root (KBR) have been appointed to undertake the Regulatory Approvals and Baseline Studies using URS Australia as sub consultants. Australian Mine Design and Development Pty Limited (AMDAD) have been selected as the Mining Consultants for the Crocker Well project.

Twelve months of environmental baseline data has been collected. This data includes flora, fauna, climate/meteorology, hydrology, hydrogeology, radiation and heritage surveys. Dedicated environmental monitoring equipment has been purchased for the baseline data acquisition and will remain at site and continue to collect baseline data for an additional 6 months.

The Sinosteel PepinNini Joint Venture lodged an application for a Mining Lease with the South Australian Government for the development of a uranium mine at Crocker Well on 2nd September, 2008.

## Uranium Project

The Crocker Well Uranium Field and Mt Victoria Uranium deposit were discovered by the South Australian Mines Department in 1951. Between 1951 and 1978 approximately 1,000 boreholes were drilled by the Mines Department and other exploration companies to assess the uranium deposits. At least seven shafts were sunk to obtain bulk samples for metallurgical tests. The Crocker Well area remains the most prospective 'hard-rock' uranium prospect in the Olary district of the Curnamona Province with areas of extensive shallow cover over prospective zones yet to be investigated. Numerous outcropping prospects identified from radiometric data require investigation by drilling to determine the extent of mineralisation already recognised.

Considerable potential for secondary palaeochannel style deposits as well as unconformity related uranium mineralisation has also been identified within the Curnamona Province tenements.

In the Crocker Well area uranium occurs primarily as thorian brannerite mineralisation as a disseminated accessory mineral or in fractures, breccias or quartz veins in sodic plagioclase rich granitoids and gneisses. Uranium in the form of davidite occurs in the east of the deposit and at the Mt Victoria Deposit. Notable amounts of coffinite and uraninite have also been identified in recent samples from Crocker Well.

Four additional prospects with extensive radiometric anomalies associated with surface uranium mineralisation have been prioritised for further investigation by drilling. Very high grade uranium assays have been obtained from surface samples collected from three of the prospect areas including:

- » Three samples from the Becaroo Prospect:
  - 26.2 kg/t  $U_3O_8$  (2.62%)
  - 1.30 kg/t  $U_3O_8$  (0.13%)
  - 1.26 kg/t  $U_3O_8$  (0.13%)
- » Two samples from Anomaly A:
  - 24.1 kg/t  $U_3O_8$  (2.41%)
  - 14.8 kg/t  $U_3O_8$  (1.48%)
- » Two samples from Anomaly H:
  - 8.9 kg/t  $U_3O_8$  (0.89%)
  - 5.6 kg/t  $U_3O_8$  (0.56%).

These results are very encouraging and endorse the potential for significant new resources of uranium to be discovered in the area.

Drilling operations to verify and upgrade the JORC compliant uranium resource from Inferred to Indicated or Measured, to allow for a Bankable Feasibility Study (BFS) to be prepared, continued during 2008/2009. The Joint Venture management company have reported the completion of 267 Reverse Circulation (RC) boreholes and 17 cored boreholes.

Significant uranium intercepts from the drilling program at Crocker Well include:

- » 98.5m @ 541ppm  $U_3O_8$  from surface(DD08CWE006) including 12.0m @ 996ppm  $U_3O_8$  from 68.0m and 8.0m @ 1063ppm  $U_3O_8$  from 24.5m
- » 41.0m @ 848ppm  $U_3O_8$  from 15.5m(DD08CWE002) including 9.5m @ 2012ppm  $U_3O_8$  from 37.0m
- » 84.0m @ 857ppm  $U_3O_8$  from 5.0m(RC08CWJ017) including 8.0m @ 1757ppm  $U_3O_8$  from 72.0m
- » 120.0m @ 411ppm  $U_3O_8$  from 20.0m(RC08CWJ007) including 28.0m @ 586ppm  $U_3O_8$  from 20.0m
- » 131.0m @ 360ppm  $U_3O_8$  from 1.0m(RC08CWJ013) including 14.0m @ 810ppm  $U_3O_8$  from 16.5m

(e  $U_3O_8$  refers to the  $U_3O_8$  grade as estimated from spectral gamma logging)



Following metallurgical testwork completed by ANSTO and Amdel Laboratories during the year a new revised processing circuit incorporating beneficiation by flotation, solid liquid separation by pressure filtration and a Carbonate strip followed by Sodium Diuranate (SDU) and Uranium Peroxide precipitation has been designed for treating the Crocker Well ore. Overall uranium recovery for processing the Crocker Well ore using the new circuit is 80% representing a significant improvement on the 63% previously used for the 2006 Scoping Study.

A detailed magnetic and radiometric survey was flown during June 2009 to better define geological boundaries and to locate possible additional resources of  $U_3O_8$  in the vicinity of Crocker Well. Detailed ground gravity surveying was also completed across the project area.

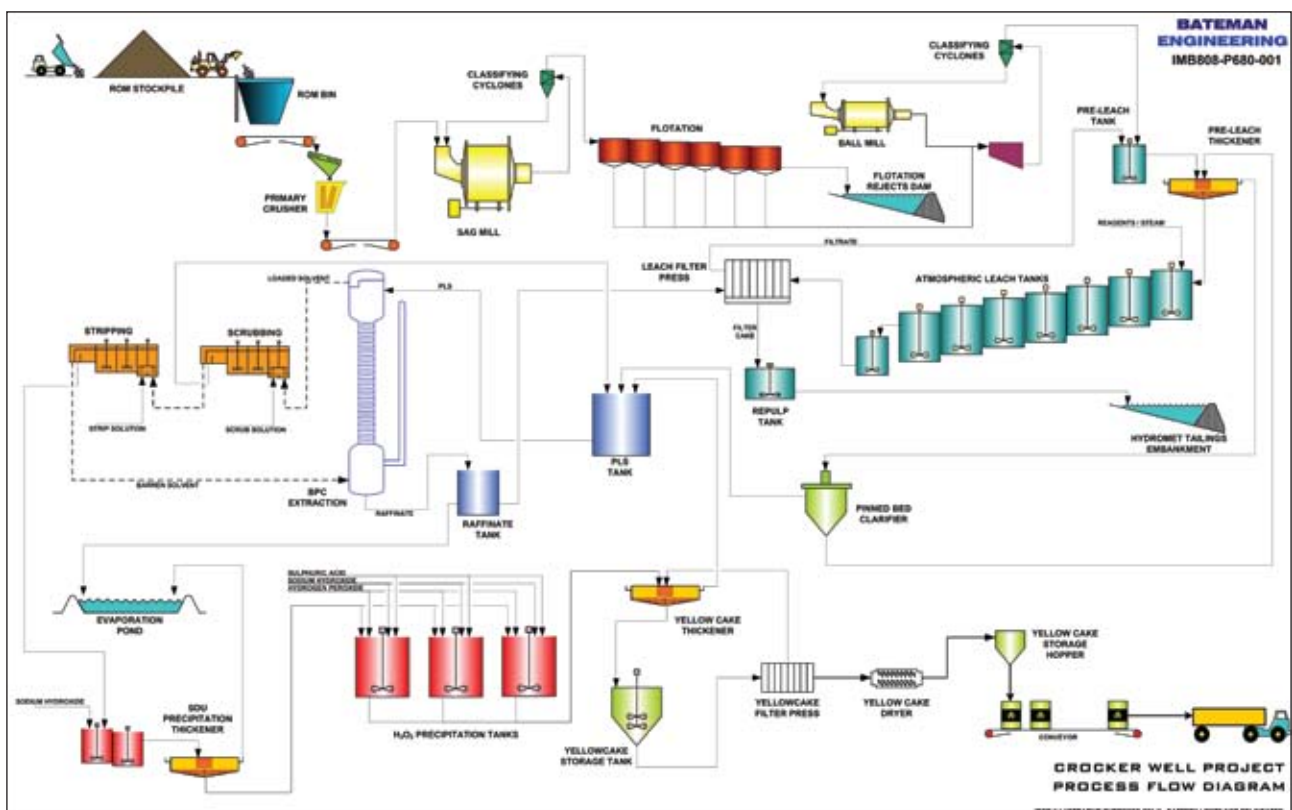
Consultation with the Government, pastoralists, indigenous groups and the local community regarding the proposed mine development is on-going and a dedicated website [www.crockerwell.com.au](http://www.crockerwell.com.au) has been designed to ensure members of the public have access to the latest information and reports relating to the proposal.



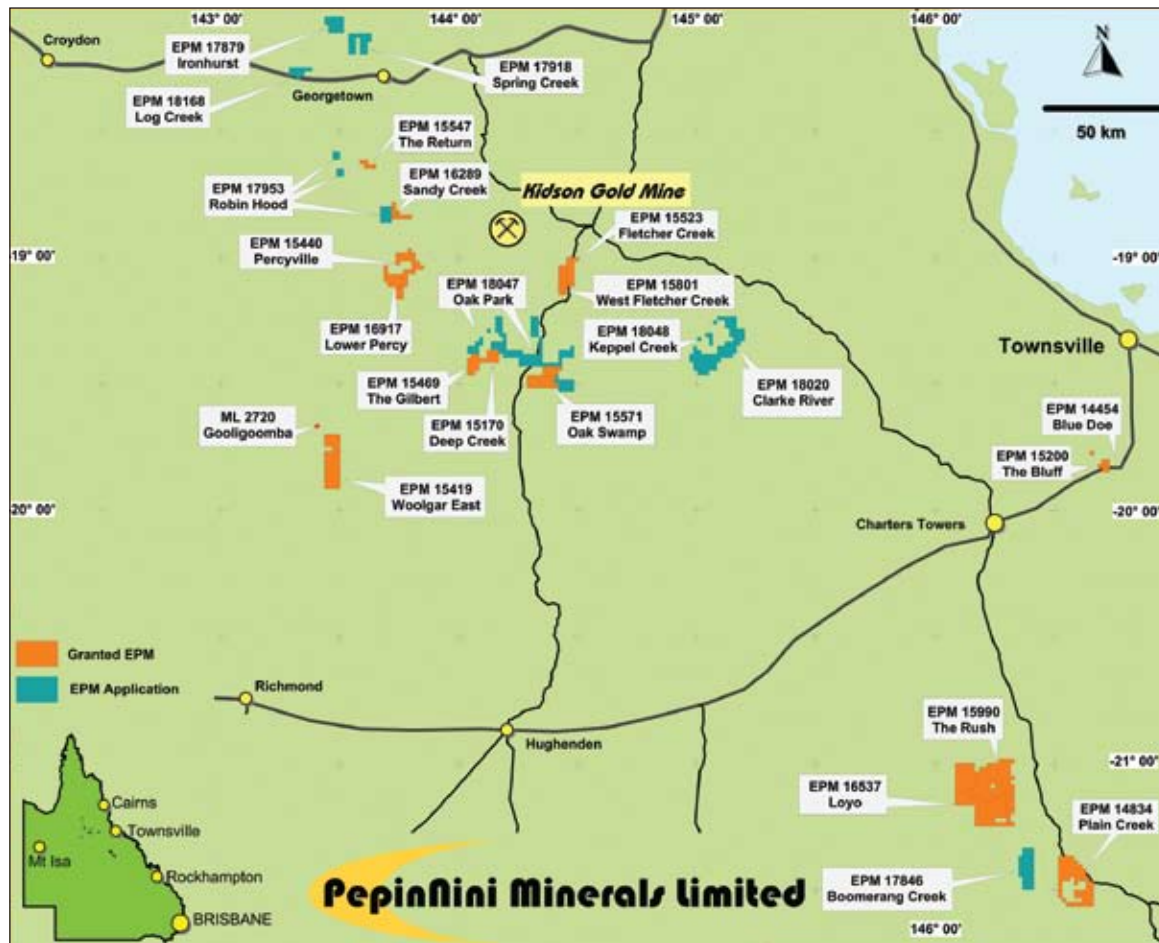
Drilling at Crocker Well Uranium Deposit – June, 2009



Helicopter Geophysical Survey at Crocker Well – June, 2009



# Review of operations



Tenement location plan north Queensland - October, 2009

## 1.4 North Queensland Project

PepinNini Minerals has established a significant presence in North Queensland with 23 exploration tenements and 1 mining lease covering approximately 2,773 kms<sup>2</sup>.

Priority gold and base metal exploration targets have been identified in EPM 15440 Percyville and EPM 15547 The Return whilst uranium and phosphate targets are identified in EPM 14834 Plain Creek.

### Gold and base Metals

Surface sampling programs completed during 2008 and 2009 within EPM 15440 Percyville have identified four priority prospects that require further investigation and drilling. Some of the more significant assays at each of the prospects include:

#### Spring Valley Prospect

- » 335g/t gold, 85.4g/t silver, 0.2% copper, 2.8% lead
- » 53.8g/t gold, 870g/t silver, 32.8% copper
- » 166g/t gold, 563g/t silver, 4.9% copper, 4.7% lead,

0.4% zinc

- » 3.3g/t gold, 542g/t silver, 5.8% copper, 3.7% lead
- » 10.7g/t gold, 242g/t silver, 8.8% copper, 0.2% lead
- » 90.1g/t gold, 63.8g/t silver, 2.8% copper

#### Union Prospect

- » 65.1g/t gold, 435g/t silver, 9.9% copper
- » 3.6g/t gold, 653g/t silver, 20.3% copper
- » 42.3g/t gold, 124g/t silver, 1.4% copper
- » 4.7g/t gold, 13.7g/t silver, 3.0% copper

#### Dividend Gully

- » 40.5g/t gold, 1,360g/t silver, 0.1% copper, 0.4% lead
- » 38.1g/t gold, 184g/t silver, 0.2% copper, 2.3% lead
- » 18% lead

#### Freedom Prospect

- » 3.2g/t gold, 732g/t silver, 13.8% copper, 1.0% lead
- » 15.1g/t gold, 28.6g/t silver, 3.1% copper, 0.6% lead, 0.2% zinc



Rock chip sampling conducted in late 2008 reported gold grades of up to 32.7 g/t on EPM 15547 - The Return. In April 2009, an additional 90 samples were collected to further assess the potential of this tenement and define the extent of the outcropping reefs and prospective zones for drilling.

Several new vein systems were identified. Rock chip samples have returned gold values ranging from 0.1 g/t (country rock) to 1,710 g/t (55 ounces). Significant silver grades of up to 20 oz/t were also assayed.

Of the 115 rockchip samples collected approximately 80% reported economic gold grades (or higher) with 12% of sample reporting a grade in excess of 1 ounce per tonne.

### Uranium, Phosphate Rock and Potash

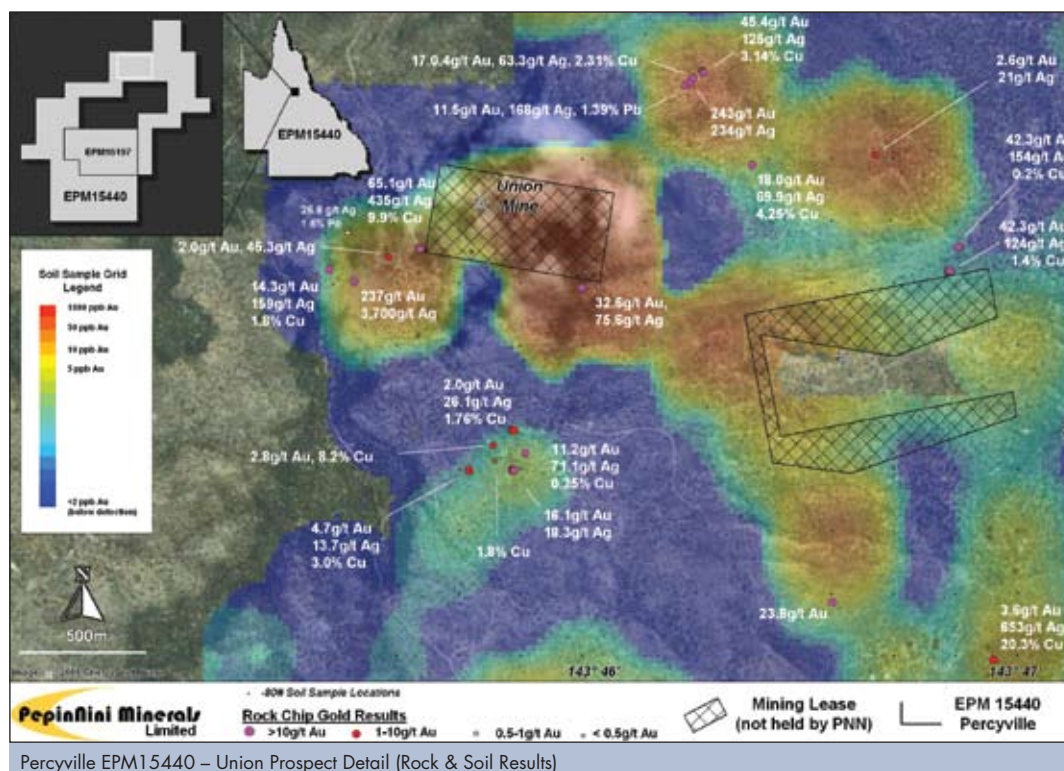
On 8th December 2008, PepinNini announced that results from a reconnaissance and surface sampling program confirmed high-grade uranium (up to 2,288ppm  $U_3O_8$ ) and phosphate (up to 22.9%) mineralisation within EPM 14834 Plain Creek. A total of 48 samples were collected during a reconnaissance survey conducted during October 2008. Some of the more significant assay results included:

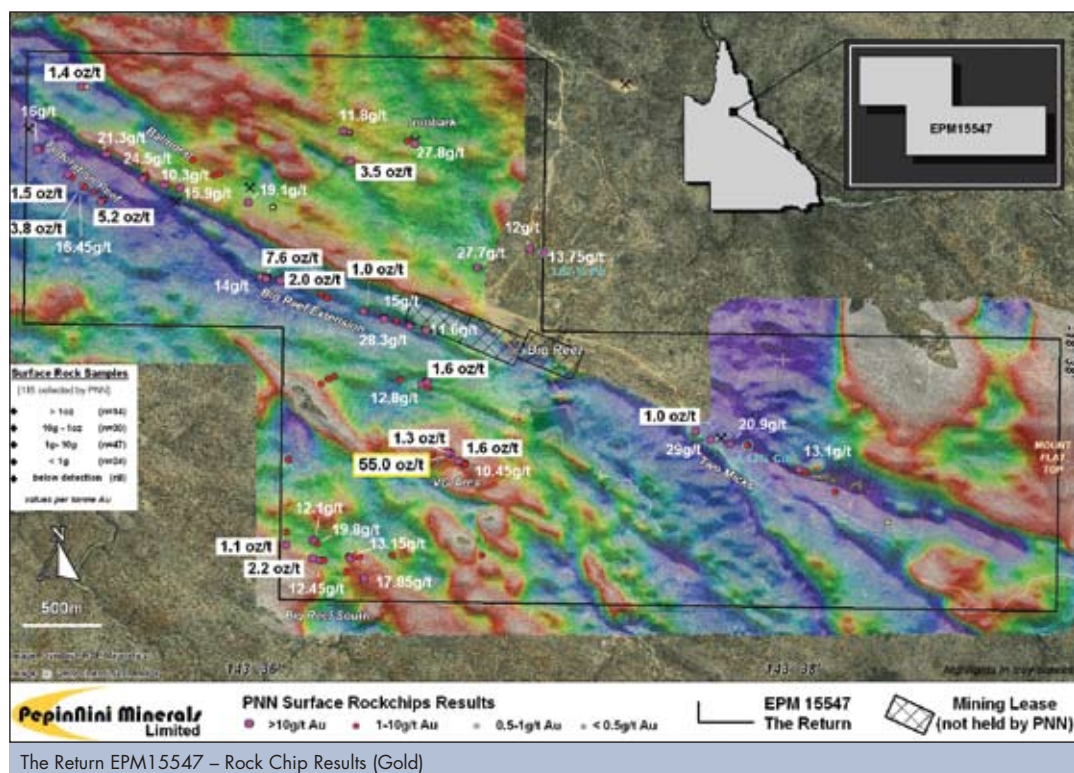
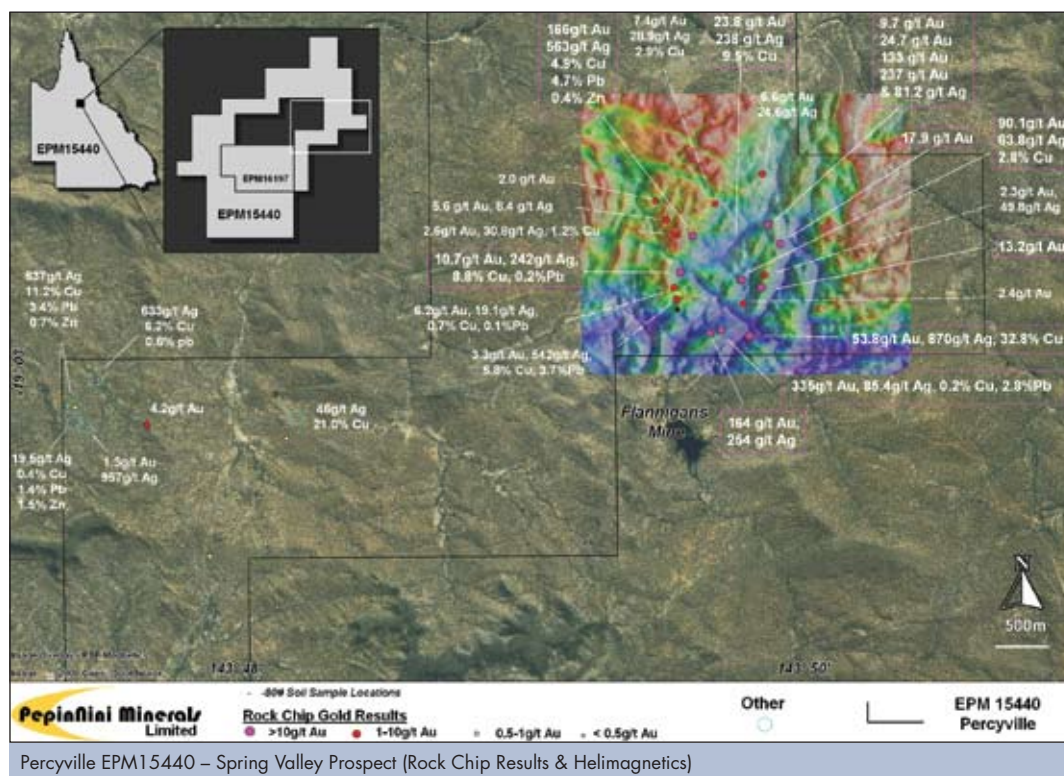
- » 22.9%  $P_2O_5$ , 1,450ppm  $U_3O_8$
- » 16.3%  $P_2O_5$ , 2,288ppm  $U_3O_8$
- » 15.9%  $P_2O_5$ , 1,828ppm  $U_3O_8$
- » 14.4%  $P_2O_5$ , 1,108ppm  $U_3O_8$
- » 12.7%  $P_2O_5$ , 1,014ppm  $U_3O_8$
- » 11.2%  $P_2O_5$ , 2,170ppm  $U_3O_8$

A follow up helicopter assisted reconnaissance sampling survey of EPM14834 Plain Creek, EPM15990 Rush and EPM16537 Loyo was undertaken between 19th and 29th January 2009. A total of 127 sites were inspected during the sampling program and a total of 90 rock samples collected. Assay results confirm high uranium, phosphate, potash and strontium grades occur in all 3 tenements at a number of prospects. Highest grades reported from the samples submitted were:

- » Highest Uranium  
3,513 ppm  $U_3O_8$  from Sassafras Creek Prospect
- » Highest Phosphate  
21.4%  $P_2O_5$  from Robyn Lorraine West Prospect
- » Highest Potash  
5.8% from Sassafras Creek & Homestead Prospects
- » Highest Strontium  
5,630 ppm from Robyn Lorraine West Prospect.

EPM 14834 (Plain Creek) is located approximately 190km south of Charters Towers within the Devonian to Carboniferous Drummond Basin. It is connected by sealed road to the port of Townsville approximately 300kms to the north.









Helicopter reconnaissance survey EPM 15990 – January, 2009

## 1.5 Robinson Range Project

The Robinson Range Project is located in the Mid West Region which is rapidly emerging as Western Australia's second major iron ore province behind the Pilbara. Midwest Corporation Limited, Murchison Metals Limited and Mt Gibson Iron Limited have all recently started mining iron ore in the region.

In December, 2007 PepinNini Minerals entered into a Farm-In and Joint Venture Agreement with Eagle Gold Mines Pty Limited whereby it can earn 50% of the Robinson Range Iron Ore Project through the expenditure of \$500,000 on exploration over a two year period. On 9th July 2008, PepinNini Minerals announced it had been notified that Receivers and Managers had been appointed to Eagle Gold Mines Pty Limited. The Receivers and Managers have subsequently advised that the secured creditor Bluecrest Mercantile III BV (BlueCrest) has exercised its rights under a Mortgage over Shares Agreement and acquired the sole share in Eagle Gold Mines Pty Limited which has subsequently changed its name to Grosvenor Gold Pty Limited.

During the year PepinNini continued to maintain the status of the Robinson Range Iron Ore Farm-In and Joint Venture notwithstanding disagreement between PepinNini and the Receivers and Managers of Grosvenor Gold Pty Limited on that issue.

The seven tenements subject to the Farm-In Agreement contain a significant portion of the area within the Bryah-Padbury Basin deemed prospective for Iron Ore. The potential Iron Ore deposits have grades of up to 65% Fe with low phosphorous content suitable for exploitation as Direct Shipping Ore (DSO). The prospects have never been drilled, and exploration for iron ore has not been conducted over this ground since 1974.

PepinNini Minerals has identified approximately 40 kms strike length of the prospective Robinson Range Formation within the JV tenements and has completed a detailed 250m grid gravity survey to assist in identifying priority drill targets.

The information in this report that relates to Exploration Results and Resources is based on information compiled by Norman Kennedy BSc MAusIMM. Norman Kennedy is the Managing 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Norman Kennedy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# Annual Financial Report for the year ended 30 June 2009

Pepiniini  
minerals limited  
ABN 55 101 714 989





# 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 2 independent and 2 non-independent directors.

## Responsibilities

Responsibility for the Company's proper 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 Company, 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.

# Corporate governance statement

## 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 2009, and the number of meetings attended by each director is disclosed on page 35.

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 2009.

The commitments of non executive directors are considered by the board prior to the directors' appointment to the board of the company 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 conflict of interests, 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 2009 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 Executive Director – Administration have made the following certifications to the board:

- » that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- » that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.



# Corporate governance statement

## Board committees

The Company's size is not sufficient to warrant the establishment of separate committees for the nomination of directors, and risk management. As an alternative the Company 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 Board meetings, the Directors discuss 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 one non-executive director. 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 and
- » review the existing external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence.
- » 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.

# Corporate governance statement

## 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 35. 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 Company's auditors will always attend the annual general meeting and are available to answer Shareholders' questions. The Company'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 as 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 receive a copy of the company's annual report. In addition, the company seeks to provide opportunities for shareholders in electronic format available for download from the website, annual and quarterly reports or via direct email.

## 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. Deloitte Touche Tohmatsu was appointed as the external auditor in 2007.

An analysis of fees paid to the external auditors, including a break down of fees for non audit services, is provided in the directors' report and in note 23 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.

# Corporate governance statement

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 (see below) 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 executive director - administration. 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 occupational health and safety (OH&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 OH&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 OH&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.

## **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' ('Guidelines') applying to listed entities as published in August 2007 by the ASX Corporate Governance Council. Below is a listing of the Best Practice Recommendations that PepinNini Minerals Limited does not comply with.



# Corporate governance statement

Best Practice Recommendation	Notification of Departure	Explanation of Departure
Principle 2.1	A majority of Directors are not independent	<p>Currently, only 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 judgements 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>
Principles 2.2 and 2.3	The Chairman is the Managing Director of the Company	<p>The Board considers the position of Mr Norman Kennedy as Chairman and Managing Director to be appropriate as he founded the Company, is the largest shareholder, has been instrumental in the development of the Company, has a comprehensive knowledge of its operations and has successfully built value for shareholders since the Company listed on the ASX. Mr Kennedy's industry experience and his involvement with the Company since its inception are well recognised and viewed positively by shareholders. Clear protocols are in place to deal with conflicts of interest. Mr Albert Harris acts as an independent Chairman when the board is discussing items in which a conflict of interest may arise.</p> <p>The Board does however recognise that as the Company expands its operations the ability of the Chairman to provide an independent view of management may require the appointment of an independent Chairperson in the future.</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	A majority of members of the Audit Committee are not independent	<p>An Audit Committee of one-executive and one non-executive Director has been established and has a formal charter. The Audit Committee is not in compliance with the Guidelines in that the majority of members are not independent. To safeguard the integrity of financial reporting, the Chairman of the Audit Committee 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>

# Corporate governance statement

## 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.	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No
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:	Yes
	» the practices necessary to maintain confidence in the Company' integrity	Yes
	» the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders	Yes
	» the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Yes
3.3	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:	
	» consists only of non-executive directors	No
	» consists of a majority of independent directors	No
	» is chaired by an independent chair, who is not chair of the board	Yes
	» has at least three members	No
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 statement

		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	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes



# Directors' report

The directors of PepinNini Minerals Limited (the Company) submit herewith the annual financial report of the Company and consolidated entity consisting of PepinNini Minerals Limited and the entities it controlled (the Group) at the end of, or during, the year ended 30 June 2009. 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:

- » Norman Kennedy
- » Albert Harris
- » Rebecca Holland-Kennedy
- » Christopher Lambert

The above persons have been directors for the whole financial year and since the end of the financial year.

## Principal activities

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

- » Nickel;
- » Copper;
- » Gold;
- » Lead;
- » Zinc;
- » Uranium; and
- » Other mineral commodities.

The Group also continues to advance its joint venture alliance with Sinosteel Corporation for the development and operation of the Crocker Well and Mt Victoria Uranium Deposits in the Curnamona Province of South Australia.

## Dividends

### Dividends paid to members during the financial year were as follows:

	2009 \$	2008 \$
No dividends have been paid for the year ended 30 June 2009 (2008 – 5 cents per fully paid share on 17 December 2007)	-	3,460,375

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

## Review of operations

The Group currently has an interest in 38 exploration tenements covering approximately 16,278 km<sup>2</sup> in the Curnamona and Musgrave Provinces of SA and the Georgetown Inlier and Woolgar Goldfield of North Queensland. It also holds an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland.

Exploration has progressed in all current project areas.

# Directors' report

## 1. Musgrave Province Nickel/Copper Project

On 11th June, 2009 the Company announced it had entered into a Farm-in and Joint Venture Agreement with Rio Tinto Exploration Pty Limited to explore three tenement areas covering approximately 1,382 km<sup>2</sup> of ground considered prospective for Nickel Copper Sulphide mineralisation and other commodities within the Musgrave Province of South Australia. The agreement which is subject to consent from the Minister of Mineral Resources and Development (SA) and traditional owners of the Anangu Pitjantjatjara Yankunytjatjara Lands relates to one granted exploration licence (EL3931 "Woodroffe") and two licence applications (ELA 278/82 "Jalakana" and ELA 491/94 "Aparatjara"). These tenements are adjacent to granted exploration licences currently being explored by PepinNini.

Subject to obtaining statutory and traditional owner approvals it is the intention of PepinNini to prioritise the investigation of the targets already identified within the tenements.

With the addition of the three new joint venture tenements the Musgrave Province Project now consists of four granted exploration licences, EL 3368, EL 3536, EL 3931 and EL 4048, and four exploration licence applications, ELAs 278/82, 491/94, 118/96 and 185/96. The tenements comprise fourteen separate areas covering approximately 9,525 km<sup>2</sup>.

During the reporting period the Company undertook exploration activities within two of the granted tenements primarily focused on targeting nickel-copper sulphides contained within the layered mafic-ultramafic Giles Complex rocks. The base metal potential of felsic and mafic gneisses of the Birksgate Complex was also investigated.

Within EL 4048 Mt Caroline, the Company owned diamond rig completed twelve diamond boreholes and a thirteenth is currently being drilled for a total of 4,665m. Six of the drill holes were completed as part of a collaborative PACE funding program with the South Australian Government. Drilling intersected layered anorthosite, leuco-gabbro and minor gabbro and troctolite lithologies within the Giles Complex. Country rocks are typically felsic and granitic gneisses of the Birksgate Complex. Sulphides have been intersected in all boreholes to date confirming sulphur saturation occurred within the primary melt.

The diamond drill program within EL 4048 was augmented by a regional geochemical survey utilising the company owned vacuum drill rig. Relatively shallow soil and rock chip samples are being taken from across the tenement, primarily along established tracks and roads. During the reporting period, 469 vacuum boreholes were drilled for a total of 5,142m.

Analytical results received to date from geochemical samples drilled by the vacuum rig within EL 4048 have returned anomalous values of silver (up to 25.5 g/t), lead (up to 43.5ppm), zinc (up to 1,240ppm), nickel (up to 1,880ppm), copper (up to 360ppm), cobalt (up to 1,660ppm), molybdenum (up to 14ppm) and strontium (up to 1,040ppm). The assay values are notably higher than results previously reported for regional geochemical samples collected in the Musgrave Province of South Australia.

A number of distinct priority targets have been defined from the initial results and each will be systematically investigated by more detailed grid drilling to ascertain if a coherent anomaly exists, the size of which may represent an economically viable target.

Exploration activities were also undertaken within EL 3536 Pine Ridge during the reporting period. Drilling operations utilised the Company owned and operated diamond drill rig and vacuum drill rig. A total of five diamond boreholes were drilled for 1008m. Lithologies favourable for nickel-copper-chromium-PGE mineralisation and lead-zinc-silver mineralisation were intersected in all diamond boreholes. Of particular significance was the intersection of metasedimentary rocks, calcisilicate rocks, garnet quartzite and bimodal intrusive rocks as similar rocks are associated with Pb-Zn-Ag mineralisation at Broken Hill. Ultramafic lithologies were not associated with significant sulphide mineralisation but have relatively higher concentrations of chromium and nickel.

A regional vacuum drilling program conducted within EL 3536 completed 534 boreholes totaling 3445m. Nickel and copper anomalies were recorded over known prospect areas (up to 415ppm Cu at Kenmore II; 650ppm Ni at Southbank; and 435ppm Ni at Kenmore I). Coincident base metal anomalies have been identified within the tenement in areas not previously explored and warrant further investigation. Several regions of anomalous rare earth element concentrations have been identified proximal to known granite occurrences. Anomalous La, Ce, Y and Th indicate enriched felsic rocks or hydrothermal fluid systems. This has implications for the potential of mineralising systems within the region.

# Directors' report

## 2. Curnamona Province Uranium and Base Metals Project

PepinNini Minerals Limited has a 40% interest in four granted exploration licences and one exploration licence application covering approximately 3,778 km<sup>2</sup> of the Curnamona Province of South Australia. A Joint Venture Alliance has been established with Sinosteel Corporation to manage and operate the development of the Crocker Well and Mt Victoria Uranium Deposits and explore for other commodities within the Joint Venture tenements. The development of the Crocker Well Uranium Deposit is being managed by Sinosteel PepinNini Curnamona Management Pty Limited (SPCM) on behalf of the Joint Venture partners.

Drilling operations to verify and upgrade the JORC compliant uranium resource from Inferred to Indicated or Measured, to allow for a Bankable Feasibility Study (BFS) to be prepared, was undertaken during the reporting period. SPCM have reported the completion of 267 Reverse Circulation (RC) boreholes and 17 cored boreholes.

Significant uranium intercepts from the drilling program at Crocker Well include:

- » 98.5m @ 541ppm U<sub>3</sub>O<sub>8</sub> from surface(DD08CWE006) including 12.0m @ 996ppm U<sub>3</sub>O<sub>8</sub> from 68.0m and 8.0m @ 1063ppm U<sub>3</sub>O<sub>8</sub> from 24.5m
- » 41.0m @ 848ppm U<sub>3</sub>O<sub>8</sub> from 15.5m(DD08CWE002) including 9.5m @ 2012ppm e U<sub>3</sub>O<sub>8</sub> from 37.0m
- » 84.0m @ 857ppm e U<sub>3</sub>O<sub>8</sub> from 5.0m(RC08CWJ017) including 8.0m @ 1757ppm e U<sub>3</sub>O<sub>8</sub> from 72.0m
- » 120.0m @ 411ppm e U<sub>3</sub>O<sub>8</sub> from 20.0m(RC08CWJ007) including 28.0m @ 586ppm e U<sub>3</sub>O<sub>8</sub> from 20.0m
- » 131.0m @ 360ppm e U<sub>3</sub>O<sub>8</sub> from 1.0m(RC08CWJ013) including 14.0m @ 810ppm e U<sub>3</sub>O<sub>8</sub> from 16.5m

(e U<sub>3</sub>O<sub>8</sub> refers to the U<sub>3</sub>O<sub>8</sub> grade as estimated from spectral gamma)

On 8th August 2008, the Sinosteel PepinNini Joint Venture lodged a Referral under the Commonwealth Government Environment Protection and Biodiversity Conservation Act for the development of a uranium mine at Crocker Well in South Australia.

On 2nd September 2008, the Sinosteel PepinNini Joint Venture lodged an application for a Mining Lease with the South Australian Government for the development of a uranium mine at Crocker Well.

Following metallurgical testwork completed by ANSTO and Amdel Laboratories during the reporting period a new revised processing circuit incorporating beneficiation by flotation, solid liquid separation by pressure filtration and a Carbonate strip followed by Sodium Diuranate (SDU) and Uranium Peroxide precipitation has been designed for treating the Crocker Well ore. Overall uranium recovery for processing the Crocker Well ore using the new circuit is 80% representing a significant improvement on the 63% previously used for the 2006 Scoping Study.

To better define geological boundaries and to locate possible additional resources of U<sub>3</sub>O<sub>8</sub> in the vicinity of Crocker Well detailed magnetic and radiometric surveys were flown during June 2009 using a helicopter based system. A detailed ground gravity survey was also completed with the assistance of the helicopter

Consultation with pastoralists, indigenous groups and the local community regarding the proposed mine development has commenced and a dedicated website <http://www.crockerwell.com.au> has been designed to ensure members of the public have access to the latest information and reports relating to the proposal. A presentation describing the project was given to the Adnyamathanha Governing Committee on 3rd December, 2008 and Part 9B Mining Agreement negotiations with Adnyamathanha commenced on 17th December, 2008.



# Directors' report

## 3. North Queensland Project

PepinNini Minerals have established a significant presence in North Queensland with 25 exploration tenements and 1 mining lease covering approximately 2,975 km<sup>2</sup>.

Initial priority exploration targets have been identified as gold and base metals in EPM 15440 Percyville and EPM 15547 The Return and uranium and phosphate in EPM 14834 Plain Creek.

Several surface sampling programs completed during the reporting period within EPM 15440 Percyville have identified four priority target prospects for detailed geochemical and surface geophysical surveys prior to investigation by drilling. Some of the more significant assays at each of the prospects include:

### Spring Valley Prospect

- » 335g/t gold, 85.4g/t silver, 0.2% copper, 2.8% lead
- » 53.8g/t gold, 870g/t silver, 32.8% copper
- » 166g/t gold, 563g/t silver, 4.9% copper, 4.7% lead, 0.4% zinc
- » 3.3g/t gold, 542g/t silver, 5.8% copper, 3.7% lead
- » 10.7g/t gold, 242g/t silver, 8.8% copper, 0.2% lead
- » 90.1g/t gold, 63.8g/t silver, 2.8% copper

### Union Prospect

- » 65.1g/t gold, 435g/t silver, 9.9% copper
- » 3.6g/t gold, 653g/t silver, 20.3% copper
- » 42.3g/t gold, 124g/t silver, 1.4% copper
- » 4.7g/t gold, 13.7g/t silver, 3.0% copper

### Dividend Gully

- » 40.5g/t gold, 1,360g/t silver, 0.1% copper, 0.4% lead
- » 38.1g/t gold, 184g/t silver, 0.2% copper, 2.3% lead
- » 18% lead

### Freedom Prospect

- » 3.2g/t gold, 732g/t silver, 13.8% copper, 1.0% lead
- » 15.1g/t gold, 28.6g/t silver, 3.1% copper, 0.6% lead, 0.2% zinc

Rock chip sampling conducted in late 2008 reported gold grades of up to 32.7 g/t on EPM 15547 The Return. In April 2009, an additional 90 samples were collected to further assess the potential of this tenement and define the extent of the outcropping reefs and prospective zones for drilling.

Several new vein systems have been identified. Rock chip samples have returned gold values ranging from 0.1 g/t (country rock) to 1710 g/t (55 ounces). Significant silver grades of up to 20 oz/t were also assayed.

On 8th December 2008, PepinNini announced that results from a recently completed reconnaissance and surface sampling program confirmed high-grade uranium (up to 2,288ppm U<sub>3</sub>O<sub>8</sub>) and phosphate (up to 22.9%) mineralization within EPM 14834 Plain Creek. A total of 48 samples were collected during a reconnaissance survey conducted during October 2008. Some of the more significant assay results include:

- » 22.9% P<sub>2</sub>O<sub>5</sub>, 1,450ppm U<sub>3</sub>O<sub>8</sub>
- » 16.3% P<sub>2</sub>O<sub>5</sub>, 2,288ppm U<sub>3</sub>O<sub>8</sub>
- » 15.9% P<sub>2</sub>O<sub>5</sub>, 1,828ppm U<sub>3</sub>O<sub>8</sub>
- » 14.4% P<sub>2</sub>O<sub>5</sub>, 1,108ppm U<sub>3</sub>O<sub>8</sub>
- » 12.7% P<sub>2</sub>O<sub>5</sub>, 1,014ppm U<sub>3</sub>O<sub>8</sub>
- » 11.2% P<sub>2</sub>O<sub>5</sub>, 2,170ppm U<sub>3</sub>O<sub>8</sub>

# Directors' report

A follow up helicopter assisted reconnaissance sampling survey of EPM14834 Plain Creek, EPM15990 Rush and EPM16537 Loyo was undertaken between 19th and 29th January 2009. A total of 127 sites were inspected during the sampling program and a total of 90 rock samples collected. Assay results have been received and confirm high uranium, phosphate, potash and strontium grades occur in all 3 tenements at a number of prospects. Highest grades reported from the samples submitted were:

- » Highest Uranium      3,513 ppm  $U_3O_8$  from Sassafras Creek Prospect
- » Highest Phosphate    21.4%  $P_2O_5$  from Robyn Lorraine West Prospect
- » Highest Potash        5.8% from Sassafras Creek & Homestead Prospects
- » Highest Strontium     5,630 ppm from Robyn Lorraine West Prospect.

## 4. Peak Hill Gold Project and Robinson Range Iron Ore Project

On 9th July 2008, PepinNini Minerals announced it had been notified that a Receiver and Manager had been appointed to Eagle Gold Mines Pty Limited (EGMPL) which owns the mineral tenements and processing plant and infrastructure referred to as the Peak Hill Gold Project and Robinson Range Iron Ore Project. EGMPL was a wholly owned subsidiary of Eagle Gold Mines Limited a public unlisted United Kingdom company in which PepinNini Minerals holds a 49% equity interest.

The Receivers and Managers of EGMPL have subsequently advised that the secured creditor Bluecrest Mercantile III BV (BlueCrest) has exercised its rights under a Mortgage over Shares Agreement between itself and Eagle Gold Mines Limited (EGMPL's parent company) and acquired the sole share in EGMPL which has subsequently changed its name to Grosvenor Gold Pty Limited.

PepinNini Minerals remains a major shareholder (49%) of Eagle Gold Mines Limited and an unsecured creditor of Grosvenor Gold Pty Limited (formerly EGMPL) (Receiver Manager Appointed).

With respect to the realisation of the assets of Grosvenor Gold Pty Limited the Receivers and Managers have advised they are awaiting instruction from the secured creditor BlueCrest regarding their options.

PepinNini Minerals Limited has a Farm-In Agreement with Grosvenor Gold Pty Limited whereby it can earn 50% of the Robinson Range Iron Ore Project through the expenditure of \$500,000 on exploration over a two year period commencing from December, 2007. PepinNini continued to maintain the status of the Robinson Range Iron Ore Farm-In and Joint Venture notwithstanding disagreement between PepinNini and the Receiver and Manager of Grosvenor Gold Pty Limited on that issue.

At the request of BlueCrest, PepinNini has submitted a proposal to acquire all of the rights held by Grosvenor Gold Pty Limited in the tenements subject of the Farm-In Agreement and are currently negotiating terms of that proposal with BlueCrest.

# Directors' report

## 5. Corporate

On 9 June 2009 the Company announced a placement of 10 million ordinary fully paid shares in the Company, at 35 cents per share, raising a total of \$3.5 million before costs. The placement was managed by Helmsec Global Capital Limited. Proceeds from the capital raised are intended to fund the Company's share of the Bankable Feasibility Study (BFS) currently being undertaken for the Crocker Well Uranium Deposit being developed in Joint Venture with Sinosteel Corporation and for other working capital requirements.

Market reaction to global financial conditions during 2007/08 produced a share price for PepinNini Minerals Limited that the Directors believed did not reflect the value or potential of the Company. It highlighted an opportunity to maximise benefits to shareholders through effective management of share capital given the surplus cash position of the Company at the time. To take advantage of the situation the Directors decided to instigate an on market share buy back scheme for a period of 1 year commencing on the 20th August 2007 aimed at acquiring up to 4.9 million shares in the Company. As at the expiry of the share buy back scheme on 19th August, 2008 the Company had acquired and cancelled 1,905,000 shares through implementation of the on market share buy back scheme.

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

No matter or circumstance has arisen since 30 June 2009 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 and drilling programs are planned for the Musgrave Province, the Curnamona Province, and the North Queensland projects and are designed to investigate targets with potential for the discovery of a major new Australian mineral deposit.

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.



# Directors' report

## Information on Directors

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

Name	Particulars
<p>Norman Kennedy – Chairman and Managing Director</p> 	<p>Qualifications: Bachelor of Science UNSW, MAusIMM</p> <p>Experience: Norman Kennedy was a founding director of PepinNini Minerals Limited and has been a board member since 2002. He was appointed Managing Director in February 2004 and has more than 30 years' experience in exploration program design and management in Australia and overseas. At various times he has been retained as an exploration consultant for companies such as WMC Resources, Caltex, CRA, Meekatharra Minerals Limited, Aurion Energy, NRG Flinders, Shell, BP and ABB Energy Ventures. He has been actively involved in the minerals exploration industry in South Australia for more than 25 years. He is a member of the South Australian Chamber of Mines and Energy (SACOME) and served on the Gawler Craton Infrastructure Committee. He is also a member of the Corporate Governance Committee. He is a non-executive Director of Altona Resources plc, a Director of Arckaringa Energy Pty Ltd, a Director of PepinNini Resources Pty Ltd, a non-executive Director of Eagle Gold Mines Limited and a Director of Rank Geological Services Pty Ltd and Sinosteel PepinNini Curnamona Management Pty Ltd.</p>
<p>Albert Harris – Non-Executive Director</p> 	<p>Qualifications: M.Inst.M.C., F.Energy Institute</p> <p>Experience: Albert Harris joined the company as a director on January 31st, 2005. He has been involved in the international petroleum and resource industries for over 50 years. He has had senior management responsibility for exploration operations and development of major mineral and petroleum resource projects in Australia, West Africa, the Middle East and USA. He has been a director of Australian private and public companies for over 20 years. He is also a member of the Corporate Governance Committee, the Audit Committee and the Remuneration Committee. He is currently a director of Takoradi Ltd and Goldsearch Ltd which are both ASX listed public companies.</p>
<p>Rebecca Holland-Kennedy – Executive Director- Administration and Company Secretary</p> 	<p>Qualifications: Bachelor of Science UNSW, MAusIMM, Bachelor of Arts (Humanities) Macquarie University</p> <p>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 Robertson Research, Macquarie University, NSW Department of Mines and Energy as well as acting as exploration and data management consultant to AGL, Amax, BHP, AGIP, Shell, CRA, Caltex and Meekatharra Mineral Limited. She is a Director of Arckaringa Energy Pty Ltd and a Director of Rank Geological Services Pty Ltd and Sinosteel PepinNini Curnamona Management Pty Ltd.</p>

# Directors' report

Name	Particulars
Christopher Lambert – Non-Executive Director	Experience: Mr Lambert was appointed a director of the company on October 12th 2006. He brings to the company financial and capital raising expertise and a close association with major investment institutions based in London and Asia. His financial background is predominantly commodity based specialising in base and precious metals. Over a period of 17 years, Mr Lambert headed up the London and global precious and base metals trading for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA). During his time at these companies, he was responsible for the managing of global dealing operations in the world's major financial centres and structuring of corporate and project finance transactions for governments, central banks, industrial companies and mining houses. He currently holds the position of Chairman of Altona Resources Plc and holds directorships in, Eagle Gold Mines Limited, and Braemore Resources plc.



## 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
Albert Harris	Takoradi Limited Goldsearch Limited	Jan 1992 to present Oct 1995 to present
Christopher Lambert	Altona Resources Plc Braemore Resources Plc	Feb 2005 to present Feb 2005 to present
Norman Kennedy	Altona Resources Plc	Sep 2005 to present

## Directors' shareholdings

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

Directors	PepinNini Minerals Limited	
	Fully paid ordinary shares (Number)	Share options (Number)
Norman Kennedy	9,515,000	-
Rebecca Holland-Kennedy	9,515,000	-
Albert Harris	889,334	-
Christopher Lambert	-	500,000

Christopher Lambert's 500,000 options were vested as at 30 June 2009 but have not yet been exercised.

## Share options granted to directors and senior management

During and since the end of the financial year an aggregate 700,000 share options were granted to the following directors and to the five highest remunerated officers of the company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Gary Ferris	600,000	PepinNini Minerals Limited	600,000
Lachlan Rutherford	100,000	PepinNini Minerals Limited	100,000

# Directors' report

## 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	200,000	Ordinary	\$0.80	1 September 2011
PepinNini Minerals Limited	200,000	Ordinary	\$1.30	1 September 2011
PepinNini Minerals Limited	200,000	Ordinary	\$1.80	1 September 2011
PepinNini Minerals Limited	200,000	Ordinary	\$1.30	31 January 2011
PepinNini Minerals Limited	200,000	Ordinary	\$1.80	31 January 2011
PepinNini Minerals Limited	200,000	Ordinary	\$2.30	31 January 2011
PepinNini Minerals Limited	100,000	Ordinary	\$0.35	31 December 2011
PepinNini Minerals Limited	500,000	Ordinary	\$1.38	30 November 2010

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.

## 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 36 to 42.

## Company secretary

The company secretary is Rebecca Holland-Kennedy. Her qualifications and experience have been detailed above.

## 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).

	Board of directors		Corporate governance committee		Audit committee		Remuneration Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Norman Kennedy	12	12	1	1	N/A	N/A	N/A	N/A
Rebecca Holland-Kennedy	12	12	1	1	2	2	1	1
Albert Harris	12	12	N/A	N/A	2	2	1	1
Christopher Lambert	12	12	N/A	N/A	N/A	N/A	N/A	N/A



# Directors' report

## Remuneration report - audited

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Revenue	901	2,103	471	117	53
Net profit / (loss) before tax	(822)	(12,399)	25,702	(410)	(321)
Net (loss) / profit after tax	(348)	(10,718)	18,224	(518)	(321)
Attributable to members of PepinNini Minerals Limited	(348)	(5,487)	18,224	(518)	(321)

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year	\$0.67	\$1.73	\$0.36	\$0.20	\$0.16*
Share price at end of year	\$0.35	\$0.67	\$1.73	\$0.36	\$0.20
Interim dividend	-	-	-	-	-
Final dividend**	-	-	5 cps	-	-
Basic (loss)/earnings per share	(0.5) cps	(8.2) cps	32.6 cps	(0.84) cps	(1.01) cps
Diluted (loss)/earnings per share	(0.5) cps	(8.2) cps	30.7 cps	(0.84) cps	(1.01) cps
Short term incentive (% of maximum)	1.59%	2.22%	0.66%	0%	0%

The Performance Incentive Program for the 2008/09 year is based on the achievement of Corporate Objectives as well as Individual Objectives. The Corporate objectives include QHSE (quality, health and safety, 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.

\* PepinNini Minerals Limited listed on the Australian Stock Exchange on 15 April, 2005.

\*\* Franked at 100% at the 30% corporate income tax rate. This dividend was declared after the 2007 balance date and hence was not included in the 2007 accounts.

During the 2009 year the company repurchased and cancelled 405,000 shares for \$271,078 (2008 – 1,500,000 shares for \$1,373,371) inclusive of associated costs.

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

- » Principles used to determine the nature and amount of remuneration
- » Details of remuneration
- » Service agreements
- » Share-based compensation
- » Additional information.

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

# Directors' report

## (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 confirms 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 is remuneration 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. No share options were awarded to non-executive directors during 2009 to achieve shareholding and create incentive (2008: 500,000). 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 Company'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.

### *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 be 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) 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 pages 33 and 34 above) and those executives that report directly to the managing director being:

# Directors' report

- » Phil Clifford: Exploration Consultant, PepinNini Minerals Limited
- » Lachlan Rutherford: Exploration Manager, Musgrave Project, PepinNini Minerals Limited
- » Gary Ferris: Exploration Manager, Queensland Project, PepinNini Minerals Limited commenced employment 1 September 2008
- » Colin Skidmore: Exploration Manager, Uranium & New Projects, PepinNini Minerals Limited commenced employment 1 June 2009

*Key management personnel of the Group and other executives of the company and the Group*

2009	Short-term employee benefits				Post employment benefit	Long-term 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>									
Norman Kennedy	182,000	-	-	-	18,000	-	-	-	200,000
Rebecca Holland-Kennedy	165,138	-	-	-	14,862	-	-	-	180,000
Albert Harris	40,000	-	-	-	-	-	-	-	40,000
Christopher Lambert	40,000	-	-	-	-	-	-	-	40,000
<b>Sub-total directors</b>	<b>427,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460,000</b>
<b>Executives</b>									
Phil Clifford (i)	68,766	2,000	-	-	6,369	-	-	-	77,135
Lachlan Rutherford	111,529	-	-	-	10,038	-	-	28,328	149,895
Gary Ferris (commenced 1 September 2008) (ii)	133,333	2,000	-	-	12,180	-	-	46,678	194,191
Colin Skidmore (commenced 1 June 2009)	14,167	-	-	-	1,275	-	-	-	15,442
<b>Sub-total Executives</b>	<b>327,795</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>29,862</b>	<b>-</b>	<b>-</b>	<b>75,006</b>	<b>436,663</b>
<b>Total Key Management Personnel Compensation (Company)</b>	<b>754,933</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>62,724</b>	<b>-</b>	<b>-</b>	<b>75,006</b>	<b>896,663</b>
<b>2008</b>									
<b>Directors</b>									
Norman Kennedy	182,000	-	-	-	18,000	-	-	-	200,000
Rebecca Holland-Kennedy	99,864	-	-	-	14,862	-	-	-	114,726
Albert Harris	40,000	-	-	-	-	-	-	-	40,000
Christopher Lambert	40,000	-	-	-	-	-	-	231,809	271,809
<b>Sub-total directors</b>	<b>361,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,862</b>	<b>-</b>	<b>-</b>	<b>231,809</b>	<b>626,535</b>
<b>Executives</b>									
Phil Clifford (iii)	118,586	5,000	-	-	11,651	-	-	-	135,237
Phil Sutherland (resigned 31 July 2007)	13,750	-	-	-	1,250	-	45,000	-	60,000
Lachlan Rutherford (commenced 1 February 2008)	45,833	-	-	-	4,125	-	-	64,355	114,313
<b>Sub-total executives</b>	<b>178,169</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>17,026</b>	<b>-</b>	<b>45,000</b>	<b>64,355</b>	<b>309,550</b>
<b>Total key management personnel compensation (Group)</b>	<b>540,033</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>49,888</b>	<b>-</b>	<b>45,000</b>	<b>296,164</b>	<b>936,085</b>
Peter Davies (Chief Executive Officer – resigned 25 January 2008)	177,125				81,750				258,875
Bob Markovich – Executive Director	215,000								215,000
	<b>932,158</b>	<b>5,000</b>			<b>131,638</b>		<b>45,000</b>	<b>296,164</b>	<b>1,409,960</b>

(i) Phil Clifford's \$2,000 bonus was of a discretionary nature.

(ii) Gary Ferris' \$2,000 bonus was of a discretionary nature.

(iii) Phil Clifford's \$5,000 bonus was of a discretionary nature.

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



# Directors' report

## (C) Service agreements

Norman Kennedy (Managing Director & Chairman) has a contract for service, details of which are outlined as follows:

- » He is required to work four days a week;
- » His current salary inclusive of superannuation is \$200,000 per year;
- » The contract commenced on 1 February 2004;
- » Termination may be made by either party on providing six months' notice;
- » Termination benefits payable upon termination to Mr Kennedy are six months' pay.

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

- » She is required to work four days a week;
- » Her current salary inclusive of superannuation is \$180,000 per year;
- » Her contract commenced on 1 January 2008;
- » Termination may be made by either party on providing six months' notice;
- » Termination benefits payable upon termination to Mrs Holland-Kennedy are three months' pay.

## (D) Share-based compensation

### Options

An employee share 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) 30 November 2007	30 November 2007	30 November 2010	\$1.38	\$0.46
(2) 21 February 2008	1 July 2008	31 January 2011	\$1.30	\$0.29
(3) 21 February 2008	1 July 2009	31 January 2011	\$1.80	\$0.12
(4) 21 February 2008	1 July 2010	31 January 2011	\$2.30	\$0.01
(5) 1 October 2008	1 January 2009	1 September 2011	\$0.80	\$0.19
(6) 1 October 2008	1 January 2010	1 September 2011	\$1.30	\$0.07
(7) 1 October 2008	1 January 2011	1 September 2011	\$1.80	\$0.004
(8) 4 December 2008	4 December 2008	31 December 2011	\$0.35	\$0.10

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 company provided as remuneration to each director of PepinNini Minerals Limited and each of the key management personnel of the parent entity and the Group are set out below. Further information on the options is set out in note 31 to the financial statements.

# Directors' report

(1), (2), (5) and (8) For options in this series beneficial interest vests in the recipient only if the recipients continue to be employed by the company

(3)(4),(6) and (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.

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
<b>Directors of PepinNini Minerals Limited</b>				
Norman Kennedy	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-
Albert Harris	-	-	-	-
Christopher Lambert	-	500,000	-	500,000
<b>Other key management personnel of the Group</b>				
Phil Clifford	-	-	-	500,000
Phil Sutherland(resigned 31 July 2007)	-	-	-	-
Lachlan Rutherford	100,000	600,000	300,000	-
Peter Davies(resigned 25 Jan 2008)	-	-	-	-
Bob Markovich	-	-	-	-
Gary Ferris	600,000	-	200,000	-

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are 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, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 were within the ranges specified below.

- (a) options are granted for no consideration and either vest immediately or based on a required term of service (depending on the individual issuance terms). Vested options are exercisable for varying periods after vesting, the minimum being 2.5 years and the maximum being 3 years.
- (b) exercise price: \$0.35 to \$2.30 (2008: \$1.30 to \$2.30)
- (c) grant date: 1 October 2008 to 4 December 2008 (2008: 30 November 2007 to 21 February 2008)
- (d) expiry date: 1 September 2011 to 31 December 2011 (2008: 30 November 2010 to 31 January 2011)
- (e) share price at grant date: \$0.23 - \$0.47 (2008: \$0.88 - \$1.11)
- (f) expected price volatility of the company's shares: 79.04% (2008: 64.08%)
- (g) expected dividend yield: 0% (2008: 0%)
- (h) risk free interest rate: 3.67% to 5.24% (2008: 6.27% to 6.61%)

# Directors' report

## Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of PepinNini Minerals Limited and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2009	2008
Directors of PepinNini Minerals Limited			
Norman Kennedy	-	-	1,000,000
Rebecca Holland-Kennedy	-	-	1,000,000
Albert Harris	-	-	750,000
Other key management personnel of the Group			
Phil Clifford	-	-	500,000
Lachlan Rutherford	-	-	-
Bob Markovich	-	-	-
Gary Ferris	-	-	-

## (E) Additional information

### Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on page 38 the percentage of the available bonus or grant that was paid, or that vested or forfeited, in the financial year is set out below. No part of the bonuses is payable in future years. The only unvested options at 30 June 2009 are those granted to Lachlan Rutherford and Gary Ferris. Lachlan Rutherford has 400,000 options that are unvested, with one half each vesting on 1 July 2009 and 1 July 2010. Gary Ferris also has 400,000 options that are unvested, with one half each vesting 1 January 2010 and 1 January 2011. No options will vest if the conditions are not satisfied (being continued employment by PepinNini Minerals Limited up to and including the vesting date), hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Cash bonus		Options		
	% of remuneration paid	Financial year granted	Vested	Forfeited	Financial years in which options may vest
	%		%	%	
Norman Kennedy	0%	2005	100	-	-
Rebecca Holland-Kennedy	0%	2005	100	-	-
Albert Harris	0%	2005	100	-	-
Chris Lambert	0%	2008	100	-	-
Phil Clifford	3%	2005	100	-	-
Lachlan Rutherford	0%	2008	43	-	2010 2011
Gary Ferris	1%	2009	33	-	2010 2011 2012
Lachlan Rutherford	0%	2009	100	-	-



# Directors' report

## Share-based compensation: Options

Further details relating to options are set out below.

Name	A	B
	Remuneration consisting of options	Value at grant date
		\$
Norman Kennedy	0%	N/A
Rebecca Holland-Kennedy	0%	N/A
Albert Harris	0%	N/A
Christopher Lambert	0%	N/A
Phil Clifford	0%	N/A
Lachlan Rutherford	19%	28,328
Gary Ferris	24%	46,678

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share based Payment* of options granted during the year as part of remuneration.

Of the options granted during the current financial year, none were exercised.

## Shares under option

Unissued ordinary shares of PepinNini Minerals Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
30 November 2007	30 November 2010	\$1.38	500,000
21 February 2008	31 January 2011	\$1.30	200,000
21 February 2008	31 January 2011	\$1.80	200,000
21 February 2008	31 January 2011	\$2.30	200,000
1 October 2008	1 September 2011	\$0.80	200,000
1 October 2008	1 September 2011	\$1.30	200,000
1 October 2008	1 September 2011	\$1.80	200,000
4 December 2008	31 December 2011	\$0.35	100,000
			1,800,000

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

## Shares issued on the exercise of options

There were no ordinary shares of PepinNini Minerals Limited issued during the year ended 30 June 2009 on the exercise of options granted under the option plan.

# Directors' report

## 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 2008 to 13 October 2009 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.

The company has not otherwise, during or since the end of financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

## 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 Deloitte Touche Tohmatsu for non-audit services provided during the year by the auditor are outlined in note 23 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 23 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.

# Directors' report

## Auditor

Deloitte Touche Tohmatsu continues 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 45 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



**Norman Kennedy**

Director

Sydney, 29<sup>th</sup> September 2009



# Auditors' Independence Declaration

## Deloitte.

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

550 Bourke Street  
Melbourne VIC 3000  
GPO Box 78  
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Tel: +61 (0) 3 9671 7000  
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[www.deloitte.com.au](http://www.deloitte.com.au)

The Board of Directors  
PepinNini Minerals Limited  
96 Babbage Road  
ROSEVILLE CHASE NSW 2069

29 September 2009

Dear Board Members

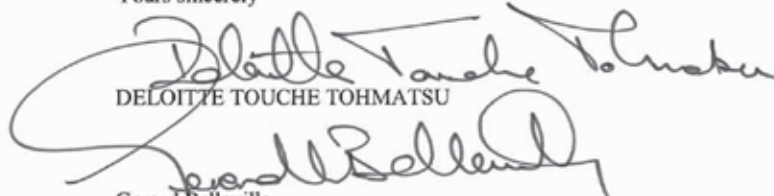
**PepinNini Minerals Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of PepinNini Minerals Limited.

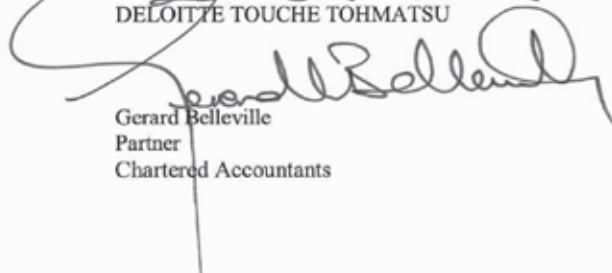
As lead audit partner for the audit of the financial statements of PepinNini Minerals Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Gerard Belleville  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu

# Financial Report

## Income statement for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Continuing operations					
<b>Revenue</b>	<b>5</b>	<b>900,879</b>	<b>2,103,250</b>	<b>13,664,770</b>	<b>6,940,120</b>
<b>Expenses</b>					
Depreciation expense	6	(8,346)	(19,755)	(7,972)	(19,755)
Salary & Employment costs	6	(523,996)	(951,612)	(480,823)	(709,164)
Operating expenses		(729,226)	(1,879,740)	(543,936)	(845,307)
Professional fees		(186,444)	(248,790)	(168,178)	(201,320)
Finance costs	6	-	(8,186,435)	-	(458)
Administration expenses		(276)	(39,103)	(179)	(16,805)
Legal fees		(36,772)	(171,674)	(22,834)	(171,674)
Impairment of investment		(139,449)	-	(4,084,578)	(1,425,687)
Impairment of exploration asset		(94,962)	-	(94,962)	-
Impairment of plant & equipment		-	(3,000,000)	-	-
Other expenses		(3,816)	(5,000)	(2,000)	(64,643)
<b>Total expenses</b>		<b>(1,723,286)</b>	<b>(14,502,109)</b>	<b>(5,405,463)</b>	<b>(3,454,813)</b>
<b>(Loss) / Profit before tax</b>		<b>(822,408)</b>	<b>(12,398,859)</b>	<b>8,259,307</b>	<b>(3,485,307)</b>
Income tax benefit / (expense)	7	474,311	1,680,790	413,229	(95,186)
(Loss) / Profit for the year from continuing operations		(348,097)	(42,044)	8,672,536	(3,390,121)
(Loss) / Profit for the year from discontinued operations		-	(10,676,025)	-	-
<b>(Loss) / Profit for the year</b>		<b>(348,097)</b>	<b>(10,718,069)</b>	<b>8,672,536</b>	<b>(3,390,121)</b>
Attributable to:					
Members of PepinNini Mineral Limited		(348,097)	(5,486,815)	8,672,536	(3,390,121)
Minority interest	20	-	(5,231,254)	-	-
		(348,097)	(10,718,069)	8,672,536	(3,390,121)
<b>Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company:</b>					
Basic earnings / (loss) (cents per share)	30	(0.5)	(0.1)		
Diluted earnings / (loss) (cents per share)	30	(0.5)	(0.1)		
<b>Earnings per share for Loss attributable to the ordinary equity holders of the company:</b>					
Basic earnings / (loss) (cents per share)	30	(0.5)	(8.2)		
Diluted earnings / (loss) (cents per share)	30	(0.5)	(8.2)		

**Balance sheet  
as at 30 June 2009**

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current assets</b>					
Cash and cash equivalents	8	12,379,847	15,445,538	11,385,149	15,412,871
Trade and other receivables	9	191,441	703,495	71,296	611,836
<b>Total current assets</b>		<b>12,571,288</b>	<b>16,149,033</b>	<b>11,456,445</b>	<b>16,024,707</b>
<b>Non-current assets</b>					
Other receivables	9	2,000	4,200	15,356,877	15,361,079
Exploration expenditure	10	13,024,586	7,197,778	8,440,544	5,300,035
Exploration bonds	10	43,254	1,623,000	32,999	29,000
Resource / exploration potential	10	-	8,776,532	-	-
Mining information, agreements and data	10	-	774,000	-	-
Property, plant and equipment	11	757,585	7,046,016	748,576	1,044,443
Investments in subsidiaries	12	-	-	200	4,084,778
<b>Total non-current assets</b>		<b>13,827,426</b>	<b>25,421,526</b>	<b>24,579,196</b>	<b>25,819,335</b>
<b>Total assets</b>		<b>26,398,713</b>	<b>41,570,559</b>	<b>36,035,641</b>	<b>41,844,042</b>
<b>Current liabilities</b>					
Trade and other payables	13	1,074,727	1,896,385	253,552	575,892
Current tax liability		52,868	-	52,868	-
Provisions	14	182,853	78,196	169,632	78,196
Borrowings	15	-	14,810,945	11,447,676	28,507,771
<b>Total current liabilities</b>		<b>1,310,448</b>	<b>16,785,526</b>	<b>11,923,728</b>	<b>29,161,859</b>
<b>Non-current liabilities</b>					
Rehabilitation provision	16	-	1,921,953	-	-
Deferred tax liabilities	17	436,172	1,073,386	303,799	809,419
Provisions	14	1,694	-	1,694	
<b>Total non-current liabilities</b>		<b>437,866</b>	<b>2,995,339</b>	<b>305,493</b>	<b>809,419</b>
<b>Total liabilities</b>		<b>1,748,314</b>	<b>19,780,865</b>	<b>12,229,220</b>	<b>29,971,278</b>
<b>Net assets</b>		<b>24,650,399</b>	<b>21,789,694</b>	<b>23,806,421</b>	<b>11,872,764</b>
<b>Equity</b>					
Issued capital	18	16,297,481	13,111,366	16,297,481	13,111,366
Reserves	19(a)	371,170	290,756	371,170	296,164
Retained earnings/(Accumulated losses)	19(b)	7,981,748	8,329,845	7,137,770	(1,534,766)
		24,650,399	21,731,967	23,806,421	11,872,764
Equity attributable to equity holders of the Company		24,650,399	21,731,967	23,806,421	11,872,764
Minority interest	20	-	57,727	-	-
<b>Total equity</b>		<b>24,650,399</b>	<b>21,789,694</b>	<b>23,806,421</b>	<b>11,872,764</b>

The above balance sheets should be read in conjunction with the accompanying notes.

## Statements of changes in equity for the financial year ended 30 June 2009

Consolidated	Fully paid ordinary shares \$	Reserves \$	Retained earnings \$	Attributable to equity holders of the Company \$	Minority interest \$	Total \$
<b>Balance at 1 July 2007</b>	<b>12,666,719</b>	<b>137,392</b>	<b>17,277,035</b>	<b>30,081,146</b>	<b>-</b>	<b>30,081,146</b>
Minority interests on acquisition of subsidiary	-	-	-	-	5,294,176	5,294,176
Loss for the period attributable to equity holders of the Company	-	-	(5,486,815)	(5,486,815)	-	(5,486,815)
Loss for the period attributable to minority interests	-	-	-	-	(5,231,254)	(5,231,254)
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>(5,486,815)</b>	<b>(5,486,815)</b>	<b>(5,231,254)</b>	<b>(10,718,069)</b>
Effect of translating foreign currency amounts of subsidiary	-	(5,408)	-	(5,408)	(5,195)	(10,603)
Recognition of share-based payments (note 31)	-	296,164	-	296,164	-	296,164
Transfer from equity-settled employee benefits reserve (note 19 (a))	137,392	(137,392)	-	-	-	-
Issue of shares under share option plan (note 18 (b))	1,265,155	-	-	1,265,155	-	1,265,155
Issue of shares on acquisition of tenements (note 18 (b))	522,522	-	-	522,522	-	522,522
Share buy-back and associated costs (note 18 (b))	(1,373,371)	-	-	(1,373,371)	-	(1,373,371)
Tax effect of share buyback costs	(2,051)	-	-	(2,051)	-	(2,051)
Share issue costs	(105,000)	-	-	(105,000)	-	(105,000)
Payment of dividends (note 21)	-	-	(3,460,375)	(3,460,375)	-	(3,460,375)
<b>Balance at 30 June 2008</b>	<b>13,111,366</b>	<b>290,756</b>	<b>8,329,845</b>	<b>21,731,967</b>	<b>57,727</b>	<b>21,789,694</b>
<b>Balance at 1 July 2008</b>	<b>13,111,366</b>	<b>290,756</b>	<b>8,329,845</b>	<b>21,731,967</b>	<b>57,727</b>	<b>21,789,694</b>
Loss for the period attributable to equity holders of the Company	-	-	(348,097)	(348,097)	-	(348,097)
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>(348,097)</b>	<b>(348,097)</b>	<b>-</b>	<b>(348,097)</b>
Issue of shares (note 18(b))	3,500,000	-	-	3,500,000	-	3,500,000
Share issue costs net of tax (note 18(b))	(195,690)	-	-	(195,690)	-	(195,690)
Share buy-back and associated costs net of tax (note 18 (d))	(270,673)	-	-	(270,673)	-	(270,673)
Recognition of share-based payments (note 19(a))	-	75,006	-	75,006	-	75,006
Issue of shares on acquisition of tenements (note 18(b))	152,478	-	-	152,478	-	152,478
Effect in foreign currency translation reserve on deconsolidation of subsidiary (note 19(a))	-	5,408	-	5,408	-	5,408
Minority interests on deconsolidation of subsidiary (note 20)	-	-	-	-	(57,727)	(57,727)
<b>Balance at 30 June 2009</b>	<b>16,297,481</b>	<b>371,170</b>	<b>7,981,748</b>	<b>24,650,399</b>	<b>-</b>	<b>24,650,399</b>

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



**Statements of changes in equity  
for the financial year ended 30 June 2009**

Company	Fully paid ordinary shares \$	Employee Benefits Reserve \$	Retained earnings (Accumulated Losses) \$	Total \$
<b>Balance at 1 July 2007</b>	<b>12,666,719</b>	<b>137,392</b>	<b>(1,464,512)</b>	<b>11,339,599</b>
Profit for the period	-	-	3,390,121	3,390,121
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>3,390,121</b>	<b>3,390,121</b>
Recognition of share-based payments (note 19)	-	296,164	-	296,164
Transfer from equity-settled employee benefits reserve (note 19 (a))	137,392	(137,392)	-	-
Issue of shares under share option plan	1,265,155	-	-	1,265,155
Issue of shares on acquisition of tenements	522,522	-	-	522,522
Share buy-back and associated costs (note 18 (b))	(1,373,371)	-	-	(1,373,371)
Tax effect of share buyback costs	(2,051)	-	-	(2,051)
Share issue costs	(105,000)	-	-	(105,000)
Payment of dividends (note 21)	-	-	(3,460,375)	(3,460,375)
<b>Balance at 30 June 2008</b>	<b>13,111,366</b>	<b>296,164</b>	<b>(1,534,766)</b>	<b>11,872,764</b>
<b>Balance at 1 July 2008</b>	<b>13,111,366</b>	<b>296,164</b>	<b>(1,534,766)</b>	<b>11,872,764</b>
Profit for the period	-	-	8,672,536	8,672,536
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>8,672,536</b>	<b>8,672,536</b>
Issue of shares (note 18(b))	3,500,000	-	-	3,500,000
Share issue costs net of tax (note 18(b))	(195,690)	-	-	(195,690)
Share buy-back and associated costs net of tax (note 18 (b))	(270,673)	-	-	(270,673)
Recognition of share-based payments (note 19 (a))	-	75,006	-	75,006
Issue of shares on acquisition of tenements (note 18(b))	152,478	-	-	152,478
<b>Balance at 30 June 2009</b>	<b>16,297,481</b>	<b>371,170</b>	<b>7,137,770</b>	<b>23,806,421</b>

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

**Cash flow statements  
for the financial year ended 30 June 2009**

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of GST)		(901,484)	(2,004,029)	(1,727,683)	(1,491,454)
Receipts in the course of business (inclusive of GST)		192,809	94,060	309,771	136,866
Interest and other costs of finance paid	6	-	(490)	-	(458)
Income taxes paid		-	(6,139,725)	-	(6,139,725)
Net cash used in operating activities	29	(708,676)	(8,050,184)	(1,417,912)	(7,494,771)
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired		-	(4,269,287)	-	(5,510,265)
Cash disposed on deconsolidation of subsidiary	26	(24,555)	-	-	-
Interest received		1,139,188	1,559,920	1,106,011	1,474,427
Payment for exploration activities		(6,588,299)	(3,749,937)	(2,922,576)	(2,892,040)
Payments for property, plant and equipment		(37,772)	(380,690)	(29,000)	(379,117)
Loans issued to subsidiary parties		-	-	(3,918,667)	(120,879)
Net cash (used in) investing activities		(5,511,438)	(6,839,994)	(5,764,232)	(7,427,874)
Cash flows from financing activities					
Proceeds from issues of equity securities		3,425,500	1,787,675	3,425,500	1,787,475
Payment for share buy-back and associated costs	18(d)	(271,078)	(1,373,371)	(271,078)	(1,373,371)
Dividends paid	21	-	(3,460,375)	-	(3,460,375)
Net cash provided by / (used in) financing activities		3,154,422	(3,046,071)	3,154,422	(3,046,271)
Net decrease in cash and cash equivalents		(3,065,691)	(17,936,249)	(4,027,722)	(17,968,916)
Cash and cash equivalents at the beginning of the financial year		15,445,538	33,381,787	15,412,871	33,381,787
Cash and cash equivalents at the end of the financial year	8	12,379,847	15,445,538	11,385,149	15,412,871

The above cash flow statements should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements (30 June 2009)

## Note 1. General information

This financial report covers both the separate financial statements of PepinNini Minerals Limited as an individual entity (the "company" or "parent entity") and the consolidated financial statements for the consolidated entity consisting of PepinNini Minerals Limited and its subsidiaries (the "Group" or the "consolidated entity"). The financial report is presented in the Australian currency.

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  
T: +61 (0)2 9417 6212  
F: +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  
T: +61 (0)8 9246 4829  
F: +61 (0)8 9246 4829

### **Exploration office SA:**

22a and 22b Charlotte Street  
SMITHFIELD SA 5114  
T: +61 (0)8 8254 2044  
F: +61 (0)8 8254 2033

### **Operations office:**

Level 1, 117 King William Street  
ADELAIDE SA 5000  
T: +61 (0)8 8218 5000  
F: +61 (0)8 8212 5717  
Email : [admin@ppn-adelaide.com.au](mailto:admin@ppn-adelaide.com.au)

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 29<sup>th</sup> September 2009. The company 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, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

# Notes to the Financial Statements (30 June 2009)

## *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of PepinNini Minerals Limited and the group complies with International Financial Reporting Standards (IFRS).

## *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

## *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS 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 of 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 in the individual accounting policy notes set out below.

## **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 for the year presented.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 2(d)).

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.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of PepinNini Minerals Limited.



# Notes to the Financial Statements (30 June 2009)

## *(ii) Joint ventures*

Interests in jointly controlled assets 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 venture. Further details of the joint venture are set out in note 27.

## *(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 in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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.

## **Significant accounting policies**

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 on a time proportion basis that takes into account the effective yield on the financial asset.

#### *Dividend income*

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

# Notes to the Financial Statements (30 June 2009)

## (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.

PACE refunds 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.

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 substantially 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### *Tax consolidation legislation*

PepinNini Minerals Limited and its wholly-owned 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.

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.

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) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's shares of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiaries acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

## (e) 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.

## (f) Cash and cash equivalents

For cash flow presentation purposes, 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 balance sheet.

## (g) 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.

Collectibility 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 income statement 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 income statement.

## (h) 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 exploration of the area of interest, or alternatively, by its sale; or
  - b. exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits 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.

## (i) 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 with the item 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 income statement 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(e)). Additionally, if an asset's written down value reduces below \$500, it is written off through the income statement.

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



# Notes to the Financial Statements (30 June 2009)

## **(j) 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.

## **(k) Financial liabilities**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivatives and derivatives embedded in financial assets or liabilities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives which were held during the year did not qualify for hedge accounting. Changes in fair value were therefore recognised immediately in the income statement.

## **(l) 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.

# Notes to the Financial Statements (30 June 2009)

## **(m) Employee benefits**

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service 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 using the projected unit credit method. 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.

## **(n) 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.

## **(o) 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.

# Notes to the Financial Statements (30 June 2009)

## **(p) 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 the income statement with a corresponding adjustment to equity.

## **(q) 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.

## **(r) 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 income statement, 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;

# Notes to the Financial Statements (30 June 2009)

- » income and expenses for each income statement 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 as a separate component of equity.

## (s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

## (t) 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 income statement 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 income statement on a straight-line basis over the period of the lease.

## (u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

- » AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 effective 1 July 2009. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

- » Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*.

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements.



# Notes to the Financial Statements (30 June 2009)

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

- » Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138 and Interpretations 1 & 2]

- » AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*

- » Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

- » AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments*

Applicable to annual reporting periods commencing on or after 1 January 2009. This standard will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- » all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income;
- » all transaction costs will be expensed
- » any goodwill arising from future business combinations will be calculated based on the parent's share of net assets as well as that in relation to the non-controlling (minority) interest; and
- » when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

Amendments to AASB 7 *Financial Instruments: Disclosure* was issued in April 2009 to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

# Notes to the Financial Statements (30 June 2009)

- |   |  |
|---|--|
| <p>» AASB 2008-5 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i></p> <p>» AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> (effective for annual periods beginning on or after 1 January 2010)</p> | <p>The Group will apply the revised standards from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.</p> <p>In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2010. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.</p> |
|---|--|

## 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(e). 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.

As detailed in Note 26, Eagle Gold Mines Pty Ltd obtained financing by way of a gold loan for which a default notice had been issued by the financier with receivers appointed to this subsidiary. The receivers have indicated that they will conduct an asset realisation process in connection to Eagle Gold Mines Pty Ltd in order to satisfy the outstanding debt relating to the financing arrangement.

In the 2008 financial report, the Group made a significant judgement about the impairment of plant and equipment owned by Eagle Gold Mines Pty Ltd. Giving consideration to the financial position this subsidiary at 30 June 2008, the recoverable amount of the plant and equipment in question was assessed as fair value less costs required to sell the assets. It was determined that a difference between the recoverable amount and the amount recorded by the Group existed. As a result, the plant and equipment was impaired by \$3,000,000.

The parent entity also made a significant judgement about the impairment of its investment in Eagle Gold Mines Limited. As a result of the plant and equipment referred to above being impaired, the net assets of the subsidiary were reduced below the parent's recorded investment. As a result, an impairment of \$1,425,687 was recognised against the parent entity's investment in the subsidiary at 30 June 2008.

On 16 December 2008 the company's interest in Eagle Gold Mines Limited reduced to 49%. As a result the company no longer controls Eagle Gold Mines Limited and it has been deconsolidated from the group. Subsequent to deconsolidation, the investment in Eagle Gold Mines Limited was fully impaired resulting in an expense to the group of \$139,449 being recognized in the 30 June 2009 financial year.

The parent entity also fully impaired its investment in Eagle Gold Mines Limited at 16 December 2008 resulting in an impairment of \$4,084,578 being recognised in the 30 June 2009 financial year.

# Notes to the Financial Statements (30 June 2009)

The assets of Eagle Gold Mines Pty Ltd are predominately exploration and mining assets located in Western Australia. The ultimate recoverable amount of these assets is subject to significant uncertainty. Should these assets subsequently be recoverable the above impairments may be reversed in future periods.

## Note 4. Financial risk management

In prior years the Group's activities exposed it to financial risks such as market risk (including currency risk and commodity price risk). Currency and commodity price risk arose from financial liabilities that were exposed to commodities price variances (gold price) and the US dollar which was not the entity's functional currency. The risk was measured using sensitivity analysis and cash flow forecasting. The Group is not exposed to these risks as at 30 June 2009.

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 and the parent entity hold the following financial instruments:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Financial assets</b>				
Cash and cash equivalents	12,379,847	15,445,538	11,385,149	15,412,871
Trade and other receivables	193,441	707,695	15,428,173	15,972,915
Investments in subsidiaries	-	-	200	4,084,778
	<b>12,573,288</b>	<b>16,153,233</b>	<b>26,813,522</b>	<b>35,470,564</b>
<b>Financial liabilities</b>				
Trade and other payables	1,074,727	1,896,385	253,552	575,912
Borrowings	-	14,810,945	11,779,806	28,507,771
	<b>1,074,727</b>	<b>16,707,330</b>	<b>12,033,358</b>	<b>29,083,683</b>

### (a) Market risk

#### (i) Commodity Price risk

Prior to the deconsolidation of Eagle Gold Mines Ltd and Eagle Gold Mines Pty Ltd, the Group was exposed to commodity price risk, due to financial liabilities of the Group being exposed to gold price fluctuations. No such exposure exists as at 30 June 2009.

### Sensitivity analysis – gold price

#### Group sensitivity

At 30 June 2008, if the gold price was +/- \$10 from the year end spot rate with all other variables held constant, post tax profit for the year would have been \$158,968 higher/lower.

	Carrying amount \$	Gold price movements			
		- \$10		+ \$10	
30 June 2008		Profit \$	Equity \$	Profit \$	Equity \$
Borrowing	14,810,945	158,968	-	(158,968)	-

# Notes to the Financial Statements (30 June 2009)

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

As at 30 June 2009 and 30 June 2008, 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 2009:

Consolidated	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash	2.32%	1,068,626	4.06%	181,523
At call deposits	3.00%	3,259,568	7.15%	5,264,015
Term deposits	4.08%	8,051,653	7.52%	10,000,000
Trade and other receivables	N/A	193,441	N/A	707,695
<b>Total financial assets</b>		<b>12,573,288</b>		<b>16,153,233</b>
Trade creditors	N/A	1,074,727	N/A	1,896,385
Borrowings	N/A	-	N/A	14,810,945
<b>Total financial liabilities</b>		<b>1,074,727</b>		<b>16,707,330</b>

Company	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash	0.05%	101,005	4.06%	148,856
At call deposits	3.00%	3,259,568	7.15%	5,264,015
Term deposits	4.09%	8,024,576	7.52%	10,000,000
Trade and other receivables	N/A	15,428,173	N/A	15,972,915
Investments in subsidiaries	N/A	200	N/A	4,084,778
<b>Total financial assets</b>		<b>26,813,522</b>		<b>35,470,564</b>
Trade and other payables	N/A	253,552	N/A	575,912
Borrowings	N/A	11,779,806	N/A	28,507,771
<b>Total financial liabilities</b>		<b>12,033,358</b>		<b>29,083,683</b>

An analysis by maturities is provided in (c) on page 68.

## Sensitivity analysis – interest rates

The Group analyses its interest rate exposure on a dynamic basis only for liabilities that represent the major interest bearing positions.

# Notes to the Financial Statements (30 June 2009)

## Group and Company sensitivity

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

Consolidated 30 June 2009	Carrying amount \$	Interest rate risk			
		- 1.0%		+ 1.0%	
		Profit \$	Other Equity \$	Profit \$	Other Equity \$
Financial assets					
Cash	1,068,626	(10,686)	-	10,686	-
At call deposits	3,259,568	(32,596)	-	32,596	-
Term deposits	8,051,653	-	-	-	-
Trade and other receivables	193,441	-	-	-	-
Financial liabilities					
Trade payables and other payables	1,074,727	-	-	-	-
Borrowings	-	-	-	-	-
Total increase/(decrease)		-	-	-	

Consolidated 30 June 2008	Carrying amount \$	Interest rate risk			
		- 1.0%		+ 1.0%	
		Profit \$	Other Equity \$	Profit \$	Other Equity \$
Financial assets					
Cash	181,523	(1,815)	-	1,815	-
At call deposits	5,264,015	(52,640)	-	52,640	-
Term deposits	10,000,000	-	-	-	-
Trade and other receivables	707,695	-	-	-	-
Financial liabilities					
Trade payables and other payables	1,896,385	-	-	-	-
Borrowings	14,810,945	-	-	-	-
Total increase/(decrease)		(154,455)	-	154,455	



# Notes to the Financial Statements (30 June 2009)

Company 30 June 2009	Carrying amount \$	Interest rate risk			
		- 1.0%		+ 1.0%	
		Profit \$	Other Equity \$	Profit \$	Other Equity \$
Financial assets					
Cash	101,005	(1,010)	-	1,010	
At call deposits	3,259,568	(32,596)	-	32,596	-
Term deposits	8,024,576	-	-	-	-
Trade and other receivables	15,428,173	-	-	-	-
Investments in subsidiaries	200	-	-	-	-
Financial liabilities					
Trade payables and other payables	253,552	-	-	-	-
Borrowings	11,779,806	-	-	-	-
Total increase/(decrease)		-	-	-	-

Company 30 June 2008	Carrying amount \$	Interest rate risk			
		- 1.0%		+ 1.0%	
		Profit \$	Other Equity \$	Profit \$	Other Equity \$
Financial assets					
Cash	148,856	(1,489)	-	1,489	-
At call deposits	5,264,015	(52,640)	-	52,640	-
Term deposits	10,000,000	-	-	-	-
Trade and other receivables	15,972,915	-	-	-	-
Investments in subsidiaries	4,084,778	-	-	-	-
Financial liabilities					
Trade payables and other payables	575,912	-	-	-	-
Borrowings	28,507,771	-	-	-	-
Total increase/(decrease)		(154,129)	-	154,129	

## (iii) Foreign exchange risk

As at 30 June 2009, the Company had no exposure to foreign currency.

In the period ending 30 June 2008, the Group acquired 51% of the share capital of Eagle Gold Mines Limited, which operates in Great Britain. The Group was therefore exposed to foreign exchange risk arising from transactions, assets and liabilities denominated in Great British Pounds. Additionally, another subsidiary of the Group held borrowings subject to gold price fluctuations denominated in US dollars. The Group's functional currency is Australian Dollars, and the risk of exposure to movements in the AUD/USD and AUD/GBP rates is measured using sensitivity analysis and cash flow forecasting. The carrying amount of the parent entity's financial assets and liabilities are all denominated in Australian dollars, and are therefore not exposed to any foreign exchange risk.

# Notes to the Financial Statements (30 June 2009)

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	GBP	GBP	USD	USD
Trade and other payables	-	53,538	-	-
Borrowings	-	-	-	14,810,945

## Sensitivity analysis – foreign exchange rates

### Group sensitivity

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

	Carrying amount \$	Foreign exchange rate			
		5%		+ 5%	
		Profit \$	Other Equity \$	Profit \$	Other Equity \$
<b>30 June 2009</b>					
<b>Financial assets</b>					
Cash and cash equivalents	12,379,847	-	-	-	-
Trade and other receivables	193,441	-	-	-	-
<b>Financial liabilities</b>					
Trade payables and other payables	1,074,727	-	-	-	-
Borrowings	-	-	-	-	-
<b>Total increase/(decrease)</b>		-	-	-	-

	Carrying amount \$	Foreign exchange rate			
		5%		+ 5%	
		Profit \$	Other Equity \$	Profit \$	Other Equity \$
<b>30 June 2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents	15,445,538	-	-	-	-
Trade and other receivables	707,695	-	-	-	-
<b>Financial liabilities</b>					
Trade payables and other payables	1,896,385	-	-	-	-
Borrowings	14,810,945	(778,315)	-	648,187	-
<b>Total increase/(decrease)</b>		(778,315)	-	648,187	-

# Notes to the Financial Statements (30 June 2009)

## (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		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash and cash equivalents</b>				
Minimum rating of "A"	12,379,847	15,445,538	11,385,149	15,412,871
	12,379,847	15,445,538	11,385,149	15,412,871
<b>Trade receivables</b>				
Counterparties without external credit rating*	12,650	204,108	3,674	204,108
	12,650	204,108	3,674	204,108
<b>Total trade receivables</b>	<b>12,650</b>	<b>204,108</b>	<b>3,674</b>	<b>204,108</b>

\* The trade receivables balance as at 30 June 2008 predominantly related to a new customer (i.e. less than 6 months old).

## (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.

### *Maturities of financial liabilities*

The tables below analyse the Group's and the parent entity'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 2009 \$	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 (assets)/ liabilities \$
Trade and other payables	1,074,727	-	-	-	-	1,074,727	1,074,727
Borrowings	-	-	-	-	-	-	-
<b>Total</b>	<b>1,074,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,074,727</b>	<b>1,074,727</b>

# Notes to the Financial Statements (30 June 2009)

Group – At 30 June 2008 \$	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 (assets)/ liabilities \$
Trade and other payables	1,896,385	-	-	-	-	1,896,386	1,896,386
Borrowings	14,810,945	-	-	-	-	14,810,945	14,810,945
<b>Total</b>	<b>16,707,330</b>	-	-	-	-	<b>16,707,331</b>	<b>16,707,331</b>

Company – At 30 June 2009 \$	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 (assets)/ liabilities \$
Trade and other payables	253,552	-	-	-	-	253,552	253,552
Borrowings	11,779,806	-	-	-	-	11,779,806	11,779,806
<b>Total</b>	<b>12,033,358</b>	-	-	-	-	<b>12,033,358</b>	<b>12,033,358</b>

Company – At 30 June 2008 \$	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 (assets)/ liabilities \$
Trade and other payables	575,912	-	-	-	-	575,912	575,912
Borrowings	28,507,771	-	-	-	-	28,507,771	28,507,771
<b>Total</b>	<b>29,083,683</b>	-	-	-	-	<b>29,083,683</b>	<b>29,083,683</b>

## (d) Fair value estimation

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

The carrying value less impairment provision of trade receivables and 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:

# Notes to the Financial Statements (30 June 2009)

## Note 5. Revenue

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

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Interest revenue</b>				
Bank deposits	891,238	1,873,114	845,831	1,787,621
	<b>891,238</b>	<b>1,873,114</b>	<b>845,831</b>	<b>1,787,621</b>
Other revenue:				
Drilling services (a)	-	220,374	-	220,374
Dividend revenue	-	-	12,809,298	4,924,887
Other revenue	9,641	9,762	9,641	7,238
	<b>9,641</b>	<b>230,136</b>	<b>12,818,939</b>	<b>5,152,499</b>
	<b>900,879</b>	<b>2,103,250</b>	<b>13,664,770</b>	<b>6,940,120</b>

### (a) Drilling services

During the period ended 30 June 2008 the Group provided drilling services to Mithril Resources Limited. The drilling was performed in the Musgrave area of north west South Australia.

During the period to 30 June 2009 no revenue was derived from drilling services.



# Notes to the Financial Statements (30 June 2009)

## Note 6. Expenses

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(Loss) / Profit before income tax includes the following specific expenses:</b>				
<i>Depreciation (a)</i>				
Exploration field equipment	-	-	-	-
Drilling equipment	-	-	-	-
Office computer equipment	204	14,820	-	14,820
Field vehicles	-	-	-	-
Office equipment	8,142	4,935	7,972	4,935
<b>Total depreciation expensed</b>	<b>8,346</b>	<b>19,755</b>	<b>7,972</b>	<b>19,755</b>
Depreciation capitalised	317,857	338,470	316,895	338,470
<b>Total depreciation</b>	<b>326,203</b>	<b>358,225</b>	<b>324,867</b>	<b>358,225</b>
<i>Salary &amp; Employment costs</i>				
Salaries & wages	356,321	587,204	318,113	364,565
On costs	92,669	68,244	87,704	48,435
Employee options expense	75,006	296,164	75,006	296,164
	<b>523,996</b>	<b>951,612</b>	<b>480,823</b>	<b>709,164</b>
<i>Finance Costs</i>				
Loss on default of financial liability 26	-	6,668,158	-	-
Interest on borrowings	-	890,989	-	-
Net loss on revaluation of financial liabilities at fair value through profit or loss	-	626,798	-	-
Other interest expense	-	490	-	458
<b>Total finance costs</b>	<b>-</b>	<b>8,186,435</b>	<b>-</b>	<b>458</b>
<i>Operating lease</i>				
Rental expense relating to operating lease	28,375	28,375	28,375	28,375

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

# Notes to the Financial Statements (30 June 2009)

## Note 7. Income tax expense

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Income tax expense/(benefit)</b>				
Current tax (benefit) / expense	395,320	(317,971)	324,809	(305,395)
Deferred tax (benefit) / expense	(566,789)	(1,362,819)	(435,196)	400,601
Adjustment of current tax of prior periods	(302,842)	-	(302,842)	-
	<b>(474,311)</b>	<b>(1,680,790)</b>	<b>(413,229)</b>	<b>95,186</b>
Income tax expense (benefit) is attributable to:				
Profit from continuing operations	(474,311)	(1,680,790)	(413,229)	95,186
Profit from discontinued operations	-	-	-	-
Aggregate income tax expense / (benefit)	<b>(474,311)</b>	<b>(1,680,790)</b>	<b>(413,229)</b>	<b>95,186</b>
Deferred income tax expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 17)	629,940	(1,291,062)	(1,195,830)	(920,925)
(Decrease) increase in deferred tax liabilities (note 17)	(1,196,729)	(71,217)	760,635	1,321,526
	<b>(566,789)</b>	<b>(1,362,819)</b>	<b>(435,196)</b>	<b>400,601</b>

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
(Loss) / Profit from continuing operations before income tax expense	<b>(822,408)</b>	<b>(12,398,859)</b>	<b>8,259,307</b>	<b>3,485,307</b>
Tax at the Australian tax rate of 30% (2007-30%)	(246,722)	(3,719,658)	2,477,792	1,045,592
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Dividend income	-	-	(3,842,789)	(1,477,466)
Employee options expense	22,501	88,849	25,502	88,849
Non deductible expense	11,032	-	6,850	-
Sundry items	-	(14,978)	-	10,508
Adjustment of current tax of prior periods	(302,842)	-	(302,842)	-
Deferred tax assets not recognised as not probable	41,720	1,964,997	1,225,259	427,703
Income tax (benefit) / expense	<b>(474,311)</b>	<b>(1,680,790)</b>	<b>(413,229)</b>	<b>95,186</b>

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(c) Amounts recognised directly in equity</b>				
Net deferred tax – debited directly to equity (note 17)	(70,424)	2,051	(70,424)	2,051
	<b>(70,424)</b>	<b>2,051</b>	<b>(70,424)</b>	<b>2,051</b>

# Notes to the Financial Statements (30 June 2009)

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(d) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	-	9,294,813	-	-
Potential tax benefit @ 30%	-	<b>2,788,444</b>	-	-

All unused tax losses were incurred by Australian entities that are not part of the tax consolidated group.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(e) Unrecognised temporary differences</b>				
Temporary differences relating to impairment of investments for which deferred tax assets have not been recognised	5,510,265	-	5,510,265	1,425,687
Potential tax benefit @ 30%	<b>1,653,194</b>	-	<b>1,653,194</b>	<b>427,703</b>

## (f) 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		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	12,369,934	15,441,775	11,376,421	15,409,110
Cash on hand	9,913	3,763	8,728	3,761
	<b>12,379,847</b>	<b>15,445,538</b>	<b>11,385,149</b>	<b>15,412,871</b>

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

Included in cash and cash equivalents is \$988,190 (2008: nil) of cash held by the PepinNini Sinosteel Curmanona joint venture which is only available for expenditure on the joint venture project.

# Notes to the Financial Statements (30 June 2009)

## Note 9. Trade and other receivables

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current</b>				
Trade receivables	12,650	204,108	3,674	204,108
Sundry debtors	135,426	313,194	132,426	313,194
Allowance for doubtful debts	(59,643)	-	(59,643)	-
	88,433	517,302	76,457	517,302
Goods and services tax recoverable	103,008	186,193	(5,161)	94,534
<b>Trade and other receivables</b>	<b>191,441</b>	<b>703,495</b>	<b>71,296</b>	<b>611,836</b>
<b>Non-Current</b>				
Refundable bond	2,000	4,200	-	4,200
Amounts receivable from subsidiaries	-	-	15,356,877	15,416,522
Provision for impairment of receivable from subsidiary	-	-	-	(59,643)
<b>Other receivables</b>	<b>2,000</b>	<b>4,200</b>	<b>15,356,877</b>	<b>15,361,079</b>
	<b>193,441</b>	<b>707,695</b>	<b>15,428,173</b>	<b>15,972,915</b>

### (a) Impaired trade receivables

As at 30 June 2009 sundry debtors with a nominal value of \$59,643 were impaired due to the debtor being placed into receivership. As at 30 June 2008 this sundry debtor was with an entity in the consolidated group, was classified as Amounts receivable from subsidiaries and was also impaired by \$59,643. For further details refer to (refer to note 26). There are no other receivables impaired at 30 June 2009 or 30 June 2008.

### (b) Past due but not impaired

As at 30 June 2009, no trade receivables were past due (2008 – 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 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.

# Notes to the Financial Statements (30 June 2009)

## Note 10. Capitalised Exploration expenditure, Resource / exploration potential, Environmental bonds and Mining information, agreements and data

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Exploration expenditure</b>				
Non-current:				
Balance at the beginning of the year	7,197,778	3,138,731	5,300,035	2,274,753
Exploration expenditure capitalised	6,891,901	4,059,047	3,235,471	3,025,282
Transfer of tenements to subsidiaries	-	-	-	-
Impairment of exploration assets (i)	(94,962)	-	(94,962)	-
Amounts derecognised due deconsolidation of subsidiary	(970,131)	-	-	-
<b>Balance at the end of the year</b>	<b>13,024,586</b>	<b>7,197,778</b>	<b>8,440,544</b>	<b>5,300,035</b>
<b>Environmental bonds</b>				
Non-current:				
Balance at the beginning of the year	1,623,000	21,500	29,000	21,500
Amounts capitalised	14,254	1,601,500	3,999	7,500
Amounts derecognised due deconsolidation of subsidiary	(1,594,000)	-	-	-
<b>Balance at the end of the year</b>	<b>43,254</b>	<b>1,623,000</b>	<b>32,999</b>	<b>29,000</b>
<b>Resource / exploration potential</b>				
Non-current:				
Balance at the beginning of the year	8,776,532	-	-	-
Amounts capitalised through acquisition of subsidiary	-	8,776,532	-	-
Amounts derecognised due deconsolidation of subsidiary	(8,776,532)	-	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>8,776,532</b>	<b>-</b>	<b>-</b>
<b>Mining information, agreements and data</b>				
Non-current:				
Balance at the beginning of the year	774,000	-	-	-
Amounts capitalised through acquisition of subsidiary	-	774,000	-	-
Amounts derecognised due deconsolidation of subsidiary	(774,000)	-	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>774,000</b>	<b>-</b>	<b>-</b>

(i) Impairment of exploration assets

The impairment loss relates to a QLD tenement, which was surrendered during the 30 June 2009 year.



# Notes to the Financial Statements (30 June 2009)

## Note 11. Property, plant and equipment

	Consolidated						
	Drilling Equipment \$	Field Vehicles \$	Field Equipment \$	Mine Equipment \$	Computer equipment \$	Office Equipment \$	Total \$
At 1 July 2007							
Cost	826,160	177,610	60,541	-	46,903	12,063	1,123,277
Accumulated depreciation	(35,101)	(39,899)	(13,730)	-	(10,227)	(769)	(99,726)
Net book amount	791,059	137,711	46,811	-	36,676	11,294	1,023,551
Year ended 30 June 2008							
Opening net book amount	791,059	137,711	46,811	-	36,676	11,294	1,023,551
Additions	36,092	116,182	187,989	-	23,490	16,937	380,690
Recognition of assets due to business combination	-	-	-	9,000,000	-	-	9,000,000
Impairment charge *	-	-	-	(3,000,000)	-	-	(3,000,000)
Depreciation charge	(244,887)	(55,747)	(37,836)	-	(14,820)	(4,935)	(358,225)
Closing net book amount	582,264	198,146	196,964	6,000,000	45,346	23,296	7,046,016
At 30 June 2008							
Cost	862,253	293,793	248,530	9,000,000	70,394	28,999	7,503,967
Accumulated depreciation/Impairment	(279,989)	(95,647)	(51,566)	(3,000,000)	(25,047)	(5,704)	(457,951)
Net book amount	582,264	198,146	196,964	6,000,000	45,347	23,295	7,046,016
Year ended 30 June 2009							
Opening net book amount	582,264	198,146	196,964	6,000,000	45,347	23,295	7,046,016
Additions	-	-	15,752	-	20,320	1,700	37,772
Amounts derecognised due deconsolidation of subsidiary	-	-	-	(6,000,000)	-	-	(6,000,000)
Depreciation charge	(177,914)	(60,545)	(62,628)	-	(16,974)	(8,142)	(326,203)
Closing net book amount	404,350	137,601	150,088	-	48,693	16,853	757,585
At 30 June 2009							
Cost	862,253	293,793	264,283	-	90,714	30,699	1,541,742
Accumulated depreciation	(457,903)	(156,192)	(114,195)	-	(42,021)	(13,846)	(784,157)
Net book amount	404,350	137,601	150,088	-	48,693	16,853	757,585

\* Impairment charge

The impairment charge in the 30 June 2008 year relates to assets owned by a subsidiary which was placed into receivership (refer to note 26). Giving consideration to the financial position of the subsidiary, the recoverable amount of the plant and equipment in question was assessed as fair value less costs required to sell the assets. As a result, the plant and equipment was impaired by \$3,000,000.

# Notes to the Financial Statements (30 June 2009)

	Company					Total \$
	Drilling Equipment \$	Field Vehicles \$	Field Equipment \$	Computer equipment \$	Office Equipment \$	
At 1 July 2007						
Cost	826,160	177,610	60,541	46,903	12,063	1,123,277
Accumulated depreciation	(35,101)	(39,899)	(13,730)	(10,227)	(769)	(99,726)
Net book amount	791,059	137,711	46,811	36,676	11,294	1,023,551
Year ended 30 June 2008						
Opening net book amount	791,059	137,711	46,811	36,676	11,294	1,023,551
Additions	36,092	116,182	186,417	23,490	16,936	379,117
Depreciation charge	(244,887)	(55,747)	(37,836)	(14,820)	(4,935)	(358,225)
Closing net book amount	582,265	198,146	195,392	45,346	23,295	1,044,443
At 30 June 2008						
Cost	862,253	293,793	246,958	70,393	28,999	1,502,396
Accumulated depreciation	(279,989)	(95,647)	(51,566)	(25,047)	(5,704)	(457,953)
Net book amount	582,264	198,146	195,392	45,346	23,295	1,044,443
Year ended 30 June 2009						
Opening net book amount	582,264	198,146	195,392	45,346	23,295	1,044,443
Additions	-	-	10,142	18,858	-	29,000
Depreciation charge	(177,914)	(60,545)	(61,703)	(16,733)	(7,972)	(324,867)
Closing net book amount	404,350	137,601	143,831	47,471	15,323	748,576
At 30 June 2009						
Cost	862,253	293,793	257,100	89,251	28,999	1,531,396
Accumulated depreciation	(457,903)	(156,192)	(113,269)	(41,780)	(13,676)	(782,820)
Net book amount	404,350	137,601	143,831	47,471	15,323	748,576

# Notes to the Financial Statements (30 June 2009)

## Note 12. Investments in Subsidiaries

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Investment in Eagle Gold Mines Ltd *	-	-	5,510,265	5,510,265
Accumulated Impairment of Eagle Gold Mines Ltd	-	-	(5,510,265)	(1,425,687)
Investment in PepinNini Resources Pty Ltd	-	-	100	100
Investment in PepinNini Resources Curnamona Pty Ltd	-	-	100	100
	-	-	200	4,084,778

Name of subsidiary	Country of incorporation	Ownership interest	
		2009 %	2008 %
PepinNini Resources Pty Ltd**	Australia	100	100
PepinNini Resources Curnamona Pty Ltd**	Australia	100	100
Eagle Gold Mines Limited	United Kingdom	49	51
Grosvenor Gold Pty Ltd (formerly Eagle Gold Mines Pty Ltd) *	Australia	-	51

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

\* Grosvenor Gold Pty Ltd (formerly Eagle Gold Mines Pty Ltd) was placed into receivership on 8 July 2008, For further details refer to Note 26.

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

PepinNini Minerals Limited also has a 40% interest in Sinosteel PepinNini Curnamona Management Pty Ltd, a company created so as to conduct jointly controlled operations with Sinosteel Corporation. Refer to note 27 for further information.

## Note 13. Trade and other payables

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade payables (i)	955,090	1,703,432	184,934	454,318
Sundry creditors and accruals	119,637	192,953	68,615	121,574
	1,074,727	1,896,385	253,552	575,892

(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.

# Notes to the Financial Statements (30 June 2009)

## Note 14. Current Provisions

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Current - Employee benefits	182,853	78,196	169,632	78,196
Non Current - Employee benefits	1,694	-	1,694	-
	<b>184,547</b>	<b>78,196</b>	<b>171,326</b>	<b>78,196</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. Borrowings

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Secured – at amortised cost</i>				
Loans from:				
External parties (b)	-	14,810,945	-	-
<i>Unsecured – at amortised cost</i>				
Loans from:				
Subsidiaries	-	-	11,447,676	28,507,771
	<b>-</b>	<b>14,810,945</b>	<b>11,447,676</b>	<b>28,507,771</b>

### (a) Risk exposures

Details of the Group's exposure to risks arising from current and non current borrowings are set out in note 4.

### (b) Breach of loan agreement

During the financial year ended 30 June 2008, a subsidiary experienced an unavoidable delay in finalising a business plan, which had been set as a requirement for one of its loans. The counterparty subsequently requested accelerated repayment of the loan in its entirety. As at 30 June 2008 the loan was therefore classified as a current liability. The cost associated with the accelerated repayment of the loan was \$6,668,158, which was recognised in the 30 June 2008 consolidated income statement. During the 30 June 2009 year the counterparty appointed a receiver and manager to recover funds. As a result the Group lost control of subsidiary and the loan obligation was deconsolidated. For further details refer to note 26.

## Note 16. Rehabilitation provision

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Provision for mine rehabilitation	-	1,921,953	-	-
	<b>-</b>	<b>1,921,953</b>	<b>-</b>	<b>-</b>

### (a) Provision for mine rehabilitation

The rehabilitation provision is to restore disturbed land around mine site areas to original condition. The provision is recognised as the present value of estimated expenditure required to rehabilitate affected areas.

# Notes to the Financial Statements (30 June 2009)

## (b) Movement in provision

Movements in the rehabilitation provision during the financial year are set out below:

	Rehabilitation provision \$
<b>Consolidated – 2009</b>	
<b>Non-current</b>	
Carrying amount at start of year	1,921,953
Amounts recognised due to acquisition of subsidiary	-
Deconsolidation of subsidiary	(1,921,953)
Charged/(credited) to the income statement	-
Carrying amount at end of year	-

## Note 17. Non current liabilities – Deferred tax liabilities / (assets)

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>The net deferred tax liability comprises temporary differences attributable to:</b>				
<i>Deferred tax assets:</i>				
Fundraising costs	(178,667)	(252,899)	(178,667)	(252,899)
Provisions and accruals	(89,150)	(51,192)	(60,758)	(44,909)
Unused tax losses	(3,443,638)	(3,702,007)	(2,223,412)	(898,774)
Impairment of investment in subsidiary	(1,653,194)	-	(1,653,194)	(427,703)
Borrowings	-	(1,653,284)	-	-
Rehabilitation provision	-	(576,586)	-	-
Timing differences for which no deferred tax assets have been recognised	1,653,194	1,964,997	1,653,194	427,703
Deferred tax assets:	(3,711,455)	(4,270,971)	(2,462,837)	(1,196,582)
<i>Deferred tax liabilities</i>		-	313,333	-
Interest revenue	-	93,958	-	93,958
Property, plant and equipment	227,276	1,219,805	224,573	313,333
Exploration expenditure, Resource exploration / potential, Mining information	3,907,375	3,543,694	2,532,163	1,590,010
Exploration bonds	12,976	486,900	9,900	8,700
	4,147,627	5,344,357	2,766,636	2,006,001
<b>Total net deferred tax liabilities</b>	<b>436,172</b>	<b>1,073,386</b>	<b>303,799</b>	<b>809,419</b>



# Notes to the Financial Statements (30 June 2009)

<b>Movements - Consolidated</b>	<b>Total</b>
<b>At 1 July 2007</b>	<b>665,852</b>
Charged/(credited) to the income statement	(1,362,819)
Acquisition of subsidiary	1,768,302
Charged directly to equity	2,051
<b>At 30 June 2008</b>	<b>1,073,386</b>
Charged/(credited) to the income statement	(566,789)
Charged directly to equity	(70,424)
<b>At 30 June 2009</b>	<b>436,172</b>

<b>Movements - Company</b>	<b>Total</b>
<b>1 July 2007</b>	<b>406,767</b>
Charged/(credited) to the income statement	400,601
Charged directly to equity	2,051
<b>At 30 June 2008</b>	<b>809,419</b>
Charged/(credited) to the income statement	(435,196)
Charged directly to equity	(70,424)
<b>At 30 June 2009</b>	<b>303,799</b>

## Note 18. Issued and paid up capital

### (a) Share capital:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
78,202,499 fully paid ordinary shares (2008: 68,404,195)	16,297,481	13,111,366	16,297,481	13,111,366
	16,297,481	13,111,366	16,297,481	13,111,366

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.

# Notes to the Financial Statements (30 June 2009)

## (b) Movements in share capital:

	2009		2008	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	68,404,195	13,111,366	63,382,499	12,666,719
Options converted to ordinary shares	-	-	5,825,000	1,402,547
Issue of shares	10,000,000	3,500,000	-	-
Share issue costs net of tax	-	(195,690)	-	(105,000)
Share buy-back and buy back costs net of tax	(405,000)	(270,673)	(1,500,000)	(1,366,538)
Shares issued on acquisition of tenements	203,304	152,478	696,696	522,522
<b>Balance at end of financial year</b>	<b>78,202,499</b>	<b>16,266,193</b>	<b>68,404,195</b>	<b>13,111,366</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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

During the year, there was no exercise of any share options 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. In 2008 5,825,000 ordinary shares were issued for \$1,265,155 on exercise of 5,825,000 share options issued to initial shareholders and under its executive share option plan. This resulted in \$137,392 being transferred from the equity-settled employee benefits reserve to issued capital in 2008. During the year, PepinNini Minerals Limited issued 700,000 share options (2008: 1,100,000) over ordinary shares under its executive share option plan. These share options had a fair value at grant date of \$59,893 (2008: \$315,129). For further details on share options issued under the executive share option plan, refer to note 31.

## (d) Share buy-back

During August 2008, the company purchased and cancelled 405,000 ordinary shares (2008: 1,500,000) on-market. The shares were acquired at an average price of \$0.67, (2008: \$0.91) with prices ranging from \$0.65 to \$0.67 (2008: \$0.80 to \$1.00). The total cost of \$271,078 (including \$1,349 of after-tax incidentals), (2008: \$1,373,371 including \$6,833 of after-tax incidentals) was deducted from shareholder equity.

## (e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their 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 and the parent entity monitor capital to ensure the company has appropriate cash and cash equivalents available to meet projected operational, investing and financing cash flow needs.

# Notes to the Financial Statements (30 June 2009)

## Note 19. Reserves and retained profits

### (a) Reserves

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Equity-settled employee benefits (a)	371,170	296,164	371,170	296,164
Foreign currency translation reserve (b)	-	(5,408)	-	-
	<b>371,170</b>	<b>290,756</b>	<b>371,170</b>	<b>296,164</b>

(a) 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. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

(b) The foreign currency translation reserve was used to record exchange movements relating to the translation of PepinNini Minerals Limited's foreign subsidiary, Eagle Gold Mines Limited, which operates in Great Britain. As indicated in Note 26 this entity was deconsolidated from the Group in the year ended 30 June 2009.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Equity-settled employee benefits</b>				
Balance at beginning of financial year	296,164	137,392	296,164	137,392
Employee options exercised	-	(137,392)	-	(137,392)
Employee options granted	75,006	296,164	75,006	296,164
<b>Balance at end of financial year</b>	<b>371,170</b>	<b>296,164</b>	<b>371,170</b>	<b>296,164</b>
<b>Foreign currency translation reserve</b>				
Balance at beginning of financial year	(5,408)	-	-	-
Deconsolidation of subsidiary	5,408	-	-	-
Effect of movements in foreign currency	-	(10,604)	-	-
Portion attributable to minority interest	-	5,196	-	-
<b>Balance at end of financial year</b>	<b>-</b>	<b>(5,408)</b>	<b>-</b>	<b>-</b>

### (b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at beginning of financial year	8,329,845	17,277,035	(1,534,766)	(1,464,512)
Net (loss) / profit attributable to members of the Company	(348,097)	(5,486,815)	8,672,536	3,390,121
Dividends provided for or paid (note 21)	-	(3,460,375)	-	(3,460,375)
<b>Balance at end of financial year</b>	<b>7,981,748</b>	<b>8,329,845</b>	<b>7,137,770</b>	<b>(1,534,766)</b>

# Notes to the Financial Statements (30 June 2009)

## Note 20. Minority interest

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest in:				
Share capital	-	5,294,176	-	-
Reserves	-	(5,195)	-	-
Retained profits	-	(5,231,254)	-	-
	-	<b>57,727</b>	-	-

As indicated in Note 26 the entity giving rise to minority interest in the prior year was deconsolidated from the Group in the year ended 30 June 2009.

## Note 21. Dividends

	Company	
	2009 \$	2008 \$
No dividends have been paid for the year ended 30 June 2009 (2008 – 5 cents per cents per fully paid ordinary share paid on 17 December 2007, fully franked based on tax paid @ 30%)	-	3,460,375
	-	<b>3,460,375</b>

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

### Franked dividends

	Company	
	2009 \$	2008 \$
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 - 30%)	5,472,450	5,419,581
	<b>5,472,450</b>	<b>5,419,581</b>

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

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

## Note 22. Key management personnel compensation

### (a) Directors

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

- » Norman Kennedy – Chairman & Managing Director
- » Rebecca Holland-Kennedy – Director & Company Secretary
- » Albert Harris – Director
- » Christopher Lambert – Director

# Notes to the Financial Statements (30 June 2009)

## (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Philip Clifford	Exploration Consultant	PepinNini Minerals Limited
Lachlan Rutherford	Exploration Manager – Musgrave Project	PepinNini Minerals Limited
Gary Ferris (commenced 1 September 2008)	Exploration Manager – QLD	PepinNini Minerals Limited
Colin Skidmore (commenced 1 June 2009)	Exploration Manager – Uranium and New Projects	PepinNini Minerals Limited

All of the above persons were also key management persons during the year ended 30 June 2008, except for Gary Ferris and Colin Skidmore who commenced employment with the Group on 1 September 2008 and 1 June 2009 respectively.

## (c) Key management personnel compensation

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Short term employee benefits	758,933	937,158	758,933	545,033
Post employment benefits	62,724	131,638	62,724	49,888
Long term benefits	-	-	-	-
Termination benefits	-	45,000	-	45,000
Share based payments	75,006	296,164	75,006	296,164
	<b>896,663</b>	<b>1,409,960</b>	<b>896,663</b>	<b>936,085</b>

## (d) Equity instrument disclosures relating to key management personnel

### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in note 31.

### (ii) Option holdings

The numbers of options over ordinary 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:

2009 Name	Balance at start of the year (#)	Granted as compen- sation (#)	Exercised (#)	Other changes (#)	Balance at end of the year (#)	Vested and exercisable (#)	Unvested (#)
<b>Directors of PepinNini Minerals Limited</b>							
Norman Kennedy	-	-	-	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Albert Harris	-	-	-	-	-	-	-
Christopher Lambert	500,000	-	-	-	500,000	500,000	-
<b>Other key management personnel of the Group</b>							
Philip Clifford	-	-	-	-	-	-	-
Lachlan Rutherford	600,000	100,000	-	-	700,000	300,000	400,000
Gary Ferris	-	600,000	-	-	600,000	200,000	400,000
Colin Skidmore	-	-	-	-	-	-	-



# Notes to the Financial Statements (30 June 2009)

All vested options are exercisable at the end of the year.

2008 Name	Balance at start of the year (#)	Granted as compen- sation (#)	Exercised (#)	Other changes (#)	Balance at end of the year (#)	Vested and exercisable (#)	Unvested (#)
<b>Directors of PepinNini Minerals Limited</b>							
Norman Kennedy	1,000,000	-	(1,000,000)	-	-	-	-
Rebecca Holland-Kennedy	1,000,000	-	(1,000,000)	-	-	-	-
Albert Harris	750,000	-	(750,000)	-	-	-	-
Christopher Lambert	-	500,000	-	-	500,000	500,000	-
<b>Other key management personnel of the Group</b>							
Philip Clifford	500,000	-	(500,000)	-	-	-	-
Philip Sutherland (resigned 31 July 2007)	-	-	-	-	-	-	-
Lachlan Rutherford	-	600,000	-	-	600,000	-	600,000
Peter Davies (resigned 25 Jan 2008)	-	-	-	-	-	-	-
Bob Markovich	-	-	-	-	-	-	-

## (iii) Share holdings

The numbers 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.

2009 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</b>				
<i>Ordinary shares</i>				
Norman Kennedy	9,515,000	-	-	9,515,000
Rebecca Holland-Kennedy	9,515,000	-	-	9,515,000
Albert Harris	1,000,000	-	(110,666)	889,334
Christopher Lambert	-	-	-	-
<b>Other key management personnel of the Group</b>				
<i>Ordinary shares</i>				
Philip Clifford	1,250,000	-	36,825	1,286,825
Lachlan Rutherford	-	-	-	-
Gary Ferris	-	-	-	-
Colin Skidmore	-	-	-	-

# Notes to the Financial Statements (30 June 2009)

2008 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</b>				
<i>Ordinary shares</i>				
Norman Kennedy	8,515,000	1,000,000	-	9,515,000
Rebecca Holland-Kennedy	8,515,000	1,000,000	-	9,515,000
Albert Harris	250,000	750,000	-	1,000,000
Christopher Lambert	-	-	-	-
<b>Other key management personnel of the Group</b>				
<i>Ordinary shares</i>				
Philip Clifford	750,000	500,000	-	1,250,000
Philip Sutherland (resigned 31 July 2007)	-	-	-	-
Lachlan Rutherford	-	-	-	-
Peter Davies(resigned 25 January 2008)	-	-	-	-
Bob Markovich	-	-	-	-

## (e) Other transactions with key management personnel

In the current reporting period, Rank Geological Services Pty Ltd received fees totalling \$nil (2008: \$111,988) for reimbursement of exploration costs and expenses and for the supply of office and computer facilities, financial administration, geological and technical plan generation, administration and Company secretarial services of Rebecca Holland-Kennedy. The services purchased are made under normal terms and conditions. At reporting date \$nil (2008: \$2,052) remained payable.

## Note 23. Remuneration of auditors

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Auditor of the parent entity</b>				
Audit and review of the financial reports	79,930	82,885	74,250	82,885
Preparation of the tax return	-	15,225	-	15,225
Other non-audit services	4,525	1,200	4,525	1,200
	<b>84,455</b>	<b>99,310</b>	<b>78,775</b>	<b>99,310</b>

The auditor of PepinNini Minerals Limited is Deloitte Touche Tohmatsu.

# Notes to the Financial Statements (30 June 2009)

## Note 24. Commitments for expenditure

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Capital expenditure commitments</b>				
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>				
Not longer than 1 year	3,590,500	3,388,737	1,643,500	935,000
Longer than 1 year and not longer than 5 years	5,368,500	4,163,678	1,443,500	1,645,000
Longer than 5 years	-	-	-	-
	<b>8,959,000</b>	<b>7,552,415</b>	<b>3,087,000</b>	<b>2,580,000</b>
<i>Definitive Feasibility Study – Contracted expenditure commitments, payable:</i>				
Not longer than 1 year	918,364	-	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	<b>918,364</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Plant and equipment, payable:</i>				
Not longer than 1 year	7,688	5,040	7,688	5,040
Longer than 1 year and not longer than 5 years	23,064	-	23,064	-
Longer than 5 years	-	-	-	-
	<b>30,752</b>	<b>5,040</b>	<b>30,752</b>	<b>5,040</b>
<i>Operating lease commitments:</i>				
Not longer than 1 year	99,828	28,375	62,126	28,375
Longer than 1 year and not longer than 5 years	52,575	44,625	14,873	44,625
Longer than 5 years	-	-	-	-
	<b>152,403</b>	<b>73,000</b>	<b>76,999</b>	<b>73,000</b>
<i>Other commitments, payable:</i>				
Not longer than 1 year	-	5,000	-	5,000
Longer than 1 year and not longer than 5 years	-	20,000	-	20,000
Longer than 5 years	-	-	-	-
	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>

# Notes to the Financial Statements (30 June 2009)

## Note 25. 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 22.

### (c) Transactions with related parties

Transactions with Rank Geological Services Pty Ltd have been disclosed in note 22(e). During the year, PepinNini Minerals Limited also received \$38,723 (2008: \$15,781) in rent and reimbursement of expenses from Arckaringa Energy Pty Ltd.

As at 30 June 2009, Alexander George William Kennedy and Luis Fernando Norman Kennedy, who are related to directors of PepinNini Minerals Limited, each owned 1,000,000 shares and George Holland Pty Ltd, a company of which Rebecca Holland-Kennedy is a director held 1,113,333 shares.

During the year ended 30 June 2009 PepinNini Minerals Limited received \$12,809,298 in dividends from PepinNini Resources Curnamona Pty Ltd (2008: \$4,924,887).

### (d) Loans to/from related parties

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Loans to subsidiaries</i>				
Loans to subsidiaries	-	-	15,356,877	15,356,879
<i>Loans from subsidiaries</i>				
Loans from subsidiaries	-	-	11,779,806	28,507,771

As at 30 June Amounts receivable from subsidiaries with a nominal value of \$59,643 were impaired. For further details refer to (refer to note 26).

### (e) 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 26. Deconsolidation of previously controlled entities

At 30 June 2008 the group held a 51% interest in Eagle Gold Mines Limited. During the 2008 financial year, Eagle Gold Mines Pty Limited, a wholly owned Australian subsidiary of Eagle Gold Mines Limited, obtained financing for its Peak Hill Gold Project and Fortnum Gold Mine by way of a gold loan. This gold loan was called by its counterparty on 30 June 2008 due to an alleged technical breach in the loan agreement.

On 8 July 2008, Eagle Gold Mines Pty Limited was placed into receivership by the counterparty. As a result, the effective control of Eagle Gold Mines Pty Limited passed to the appointed receivers, and as a result Eagle Gold Mines Pty Ltd was deconsolidated from the Group effective 8 July 2008.

# Notes to the Financial Statements (30 June 2009)

On 16 December 2008 the company's interest in Eagle Gold Mines Ltd reduced to 49%. As a result the company no longer controls Eagle Gold Mines Ltd and it has been deconsolidated from the group effective 16 December 2008. Subsequent to deconsolidation, the investment in Eagle Gold Mines Ltd was fully impaired resulting in an expense of \$139,449 being recognized. Financial information relating to the operation for the period to the date of disposal is set out below.

## (a) Financial performance and cash flow information

During the December half year, Eagle Gold Mines Ltd and Eagle Gold Mines Pty Limited contributed the following to the financial performance of the PepinNini Minerals Limited Group prior to their deconsolidation:

	30 June 2009 \$	30 June 2008 \$
Revenue	-	88,017
Expenses	-	(12,532,345)
Loss before income tax	-	(12,444,328)
Income tax benefit	-	1,768,202
Loss after income tax	-	(10,676,025)

## (b) Carrying amounts of assets and liabilities

The carrying amounts of Eagle Gold Mines Ltd and Eagle Gold Mines Pty Limited assets and liabilities as at 30 June 2008 were:

	30 June 2008 \$
Cash	24,555
Receivables	91,476
Exploration expenditure	970,131
Exploration bonds	1,594,000
Exploration potential	8,776,532
Mining information, agreements and data	774,000
Property, plant and equipment	6,000,000
<b>Total assets</b>	<b>18,230,694</b>
Trade and other creditors	(1,306,029)
Borrowings	(14,810,945)
Rehabilitation provision	(1,921,953)
<b>Total liabilities</b>	<b>(18,038,927)</b>
Reserves	5,408
Minority interest	(57,727)
<b>Equity</b>	<b>(52,319)</b>
<b>Value recognised as associate investment</b>	<b>139,448</b>
Subsequent impairment	(139,448)
<b>Carrying value as at 30 June 2009</b>	<b>-</b>

The carrying value of the investment recognised in the consolidated accounts for Eagle Gold Mines Ltd on deconsolidation was \$139,448.

As Eagle Gold Mines Pty Ltd assets have passed to the control of the receiver and with a period of significant global economic fluctuations, the ultimate recoverable value attributable to these assets are subject to significant uncertainty and

# Notes to the Financial Statements (30 June 2009)

there is a risk of a material adjustment to the carrying amounts of assets and liabilities attributable to Eagle Gold Mines Group within the next financial year which may impact upon the value of the investment in Eagle Gold Mines Ltd. As a result management has elected to fully impair the investment in Eagle Gold Mines Ltd with a charge recognised in the income statement for \$139,448. Should circumstances change this impairment may reverse in future periods.

## (c) Commitments for expenditure

Eagle Gold Mines Limited held an extensive package of mining and exploration tenements covering 2,500 km<sup>2</sup> At 30 June 2008 granted exploration tenement statutory expenditure commitments for Eagle Gold Mines Limited were:

Statutory expenditure commitments not later than one year	\$2,106,117
Statutory expenditure commitments later than one year but less than five years	\$4,353,573

At 30 June 2009 as Eagle Gold Mines Limited no longer forms part of the consolidated group. This entity holding these commitments has been placed into receivership effective 8 July 2008. For further details refer above.

## Note 27. Interests in joint ventures

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 jointly controlled 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 \$2,883,142 (2008: \$nil) in accordance with the joint venture agreement.

The Group is a venturer in the following jointly controlled operations and assets:

Name of venture	Principal activity	Output interest	
		2009 %	2008 %
Uranium Resource and Mineral Resources Joint Venture	Management and operation of development of Crocker Well and Mt Victoria uranium deposits and exploration for other commodities	40	40



# Notes to the Financial Statements (30 June 2009)

Uranium Resource and Mineral Resources Joint Venture assets recognised in the consolidated financial statements	Year ended 30 June 2009 \$	Year ended 30 June 2008 \$
<b>Current assets</b>		
Cash and cash equivalents	988,190	-
Trade and other receivables	120,049	-
<b>Total current assets</b>	<b>1,108,239</b>	<b>-</b>
<b>Non-current assets</b>		
Other receivables	2,000	-
Exploration expenditure	3,264,528	-
Exploration bonds	10,255	-
Plant and equipment	7,437	-
<b>Total non-current assets</b>	<b>3,284,220</b>	<b>-</b>
<b>Total assets</b>	<b>4,392,459</b>	<b>-</b>
<b>Current liabilities</b>		
Trade and other payables	676,499	-
Provisions	13,221	-
<b>Total current liabilities</b>	<b>689,720</b>	<b>-</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>689,720</b>	<b>-</b>
<b>Net assets</b>	<b>3,702,739</b>	<b>-</b>

## 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 Uranium Resource and Mineral Resources Joint Venture, which are included within the consolidated figures disclosed in note 24:

Uranium Resource and Mineral Resources Joint Venture assets recognised in the consolidated financial statements	Year ended 30 June 2009 \$	Year ended 30 June 2008 \$
<b>(a) Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	405,000	350,000
Longer than 1 year and not longer than 5 years	350,000	405,000
Longer than 5 years	-	-
	<b>755,000</b>	<b>755,000</b>
<i>Definitive Feasibility Study – Contracted expenditure commitments, payable:</i>		
Not longer than 1 year	2,295,911	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>2,295,911</b>	<b>-</b>

# Notes to the Financial Statements (30 June 2009)

## Note 28. Events occurring after the balance sheet date

No matters or circumstances has arisen since 30 June 2009 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.

## Note 29. Reconciliation of (loss) / profit after income tax to net cash outflow from operating activities and non-cash activities

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
(Loss) / Profit for the year	(348,097)	(10,718,069)	8,668,354	3,390,121
<i>Non-cash items</i>				
Depreciation expensed	8,346	19,755	7,972	19,755
Non cash employee benefits expense – share based payments	75,006	296,164	75,006	296,164
Accrued interest revenue on term deposit	-	(313,194)	-	(313,194)
Impairment of investment in subsidiary	139,449	-	4,084,578	1,425,687
Impairment of plant and equipment/exploration	94,962	3,000,000	94,962	-
Rehabilitation costs	-	190,761	-	-
Loss on extinguishment of financial liabilities	-	6,668,158	-	-
Revaluation of financial liabilities at fair value through profit and loss	-	626,798	-	-
Accrued interest on borrowings	-	890,989	-	-
Dividends received and receivable	-	-	(12,809,296)	(4,924,887)
Other non-cash items	-	69,396	-	151,787
<i>Items not classified as operating</i>				
Interest income	(879,008)	(1,559,920)	(845,831)	(1,474,427)
<i>Changes in net assets and liabilities</i>				
(Increase) / decrease in assets:				
Trade and other receivables	183,168	(205,474)	300,127	(170,612)
Other assets	-	-	-	-
<i>Increase / (decrease) in liabilities:</i>				
Trade and other payables	463,802	945,077	(670,057)	138,110
Deferred income	-	(176,225)	-	-
Deferred tax liability	(605,521)	(1,362,821)	(473,907)	402,652
Current tax liability	52,868	(6,457,694)	52,868	(6,457,694)
Provisions	106,350	36,115	93,130	21,767
<b>Net cash outflow from operating activities</b>	<b>(708,676)</b>	<b>(8,050,184)</b>	<b>(1,417,912)</b>	<b>(7,494,771)</b>

Included in cash and cash equivalents is \$988,190 (2008: nil) of cash held by the PepinNini Sinosteel Curmanona joint venture which is only available for expenditure on the joint venture project.

# Notes to the Financial Statements (30 June 2009)

## Note 30. Earnings per share

	Consolidated	
	2009 Cents	2008 Cents
<b>(a) Basic earnings per share</b>		
(Loss) / Profit from continuing operations attributable to the ordinary equity holders of the company	(0.5)	(0.1)
(Loss) / Profit from discontinued operation	-	(8.1)
Total basic earnings per share attributable to the ordinary equity holders of the company	(0.5)	(8.2)
<b>(b) Diluted earnings per share</b>		
(Loss) / Profit from continuing operations attributable to the ordinary equity holders of the company	(0.5)	(0.1)
(Loss) / Profit from discontinued operation	-	(8.1)
Total diluted earnings per share attributable to the ordinary equity holders of the company	(0.5)	(8.2)
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	Consolidated	
	2009 \$	2008 \$
<i>Basic earnings per share</i>		
(Loss) / Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share from continuing operations	(348,097)	(42,044)
from discontinued operations attributable to minority interests	-	(5,231,254)
from discontinued operation	-	(5,444,771)
	<b>(348,097)</b>	<b>(10,718,069)</b>
<i>Diluted earnings per share</i>		
(Loss) / Profit from continuing operations attributable to the ordinary equity holders of the company		
used in calculating basic earnings per share	(348,097)	(42,044)
adjustments made to earnings	-	-
used in calculating diluted earnings per share	(348,097)	(42,044)
(Loss) / Profit from discontinued operation	-	(10,676,025)
(Loss) / Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>(348,097)</b>	<b>(10,718,069)</b>
<b>(d) Weighted average number of shares used as the denominator</b>		
	Consolidated	
	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	68,558,469	66,852,239
Adjustments for calculation of diluted earnings per share:		
Options	1,606,027	507,104
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>70,164,496</b>	<b>67,359,343</b>

- (1) Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the 2009 and 2008 financial year

# Notes to the Financial Statements (30 June 2009)

## Note 31. Share-based payments

PepinNini Minerals Limited has an employee share 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 during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
<b>Consolidated and company – 2009</b>								
30/11/2007	30/11/2010	\$1.38	500,000	-	-	-	500,000	-
21/02/2008	31/01/2011	\$1.30	200,000	-	-	-	200,000	-
21/02/2008	31/01/2011	\$1.80	200,000	-	-	-	200,000	200,000
21/02/2008	31/01/2011	\$2.30	200,000	-	-	-	200,000	200,000
01/10/2008	01/09/2011	\$0.80	-	200,000	-	-	200,000	-
01/10/2008	01/09/2011	\$1.30	-	200,000	-	-	200,000	200,000
01/10/2008	01/09/2011	\$1.80	-	200,000	-	-	200,000	200,000
04/12/2008	31/12/2011	\$0.35	-	100,000	-	-	100,000	-
			1,100,000	700,000	-	-	1,800,000	800,000
Weighted average exercise price			\$1.61	\$1.16	-	-	\$1.44	\$1.80
<b>Consolidated and company – 2008</b>								
15/02/2005	09/12/2007	\$0.20	750,000	-	(750,000)	-	-	-
13/05/2005	31/12/2007	\$0.40	500,000	-	(500,000)	-	-	-
30/11/2007	30/11/2010	\$1.38	-	500,000	-	-	500,000	-
21/02/2008	31/01/2011	\$1.30	-	200,000	-	-	200,000	200,000
21/02/2008	31/01/2011	\$1.80	-	200,000	-	-	200,000	200,000
21/02/2008	31/01/2011	\$2.30	-	200,000	-	-	200,000	200,000
<b>Total</b>			<b>1,250,000</b>	<b>1,100,000</b>	<b>(1,250,000)</b>	<b>-</b>	<b>1,100,000</b>	<b>600,000</b>
Weighted average exercise price			\$0.28	\$1.61	\$0.28	-	\$1.61	\$1.80

No options expired during the periods covered by the above tables.

No options were exercised during the year ended 30 June 2009 and so the weighted average share price at the date of exercise of options was zero (2008 \$0.28).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.8 years (2008 – 2.5 years).

### *Fair value of options granted*

The assessed fair value at grant date of options granted during the year ended 30 June 2009 ranged from 0.4c to 19c (2008 – 1c to 46c):

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account

# Notes to the Financial Statements (30 June 2009)

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 model inputs for options granted during the year ended 30 June 2009 were within the ranges specified below.

- (a) options are granted for no consideration and either vest immediately or based on a required term of service (depending on the individual issuance terms). Vested options are exercisable for a period of 3 years (2008: varying periods with the minimum being 2.5 years and the maximum being 3 years)
- (b) exercise price: \$0.35 to \$1.80 (2008: \$1.30 to \$2.30)
- (c) grant date: 1 October 2008 to 4 December 2008 (2008: 30 November 2007 to 21 February 2008)
- (d) expiry date: 1 September 2011 to 31 December 2011 (2008: 30 November 2010 to 31 January 2011)
- (e) share price at grant date: \$0.23 to \$0.47 (2008: \$0.88 - \$1.11)
- (f) expected price volatility of the company's shares: 79.04% (2008: 64.08%)
- (g) expected dividend yield: 0% (2008: 0%)
- (h) risk free interest rate: 3.67% to 5.24% (2008: 6.27% to 6.61%)

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.

The company also entered into share-based payment transactions as part consideration to purchase 11 tenements located in Queensland. Details are as follows:

Grant date: 9 April 2008;

- » Number of shares issued as consideration: 696,696
- » The shares were measured at \$0.75, being the volume weighted average price of PepinNini Minerals Limited shares on the ASX at the time the transaction took place. Dividends and other features were not incorporated into the valuation.

Grant date: 21 January 2009;

- » Number of shares issued as consideration: 203,304
- » The shares were measured at \$0.75, being the volume weighted average price of PepinNini Minerals Limited shares on the ASX at the time the transaction took place. Dividends and other features were not incorporated into the valuation.

The fair value of the tenements purchases is considered to approximate the fair value of the share-based payment.

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		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Options issued under employee share option plan	55,750	296,164	55,750	296,164

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

## Note 32. Business and geographical segments

The company operates in the mineral exploration and development industry in Australia.

# Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors



**Norman Kennedy**

Director

Sydney, 29th September 2009





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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 balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 as set out on pages 46 to 97.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

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

### *Auditor's Independence Declaration*

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

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# Deloitte.

## *Basis for Qualified Auditor's Opinion*

The financial report of PepinNini Limited for the year ended 30 June 2008 was qualified in relation to the carrying value of an investment in a subsidiary, Eagle Gold Mines Limited, in the Company balance sheet. As detailed in our audit report dated 29 September 2008 on the 30 June 2008 financial report, we were unable to obtain sufficient appropriate audit evidence on the recoverable amount of the investment as at 30 June 2008 and, accordingly, we were unable to determine whether the recoverable amount of that asset was at least equal to its carrying value. In the event that the carrying value of the asset exceeded its recoverable amount, it would be necessary for the carrying value of that asset to be written down to its recoverable amount.

## *Qualified Auditor's Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the comparative amount of the Company's investment in subsidiary;

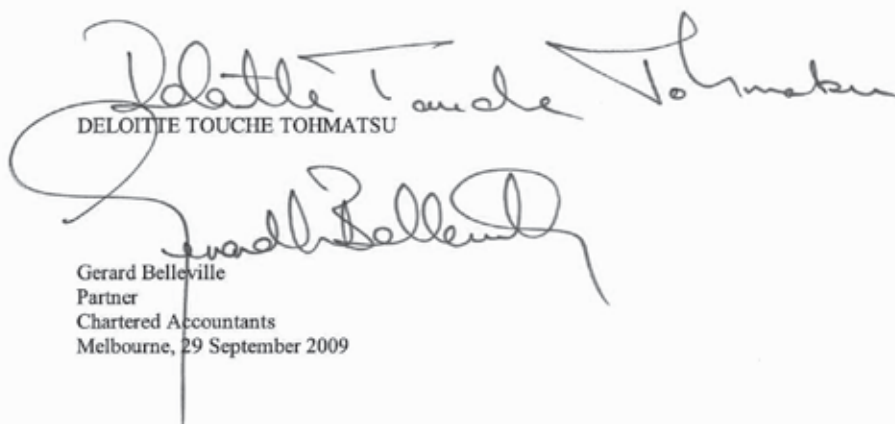
- a) the financial report of PepinNini Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial report 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 36 to 42 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of PepinNini Minerals Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU

Gerard Belleville  
Partner  
Chartered Accountants  
Melbourne, 29 September 2009

# Additional securities exchange information

The shareholder information set out below was applicable as at 31 August 2009.

As at 31 August 2009 there were 78,202,499 fully paid ordinary shares held by 2,015 individual shareholders.

All issued ordinary shares carry one vote per share.

## A. Distribution of equity securities

	Number of holders	Number of shares	% of Issued Capital
1 – 1,000	305	210,600	0.27
1,001 – 5,000	785	2,318,360	2.96
5,001 – 10,000	374	3,230,869	4.13
10,001 – 100,000	470	14,538,550	18.59
100,001 and over	81	57,904,120	74.04
Rounding			<b>0.01</b>
	<b>2,015</b>	<b>78,202,499</b>	<b>100.00</b>
Holding less than a marketable parcel	-	-	

## B. Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Percentage	Number
Norman Lee Kennedy	12.17%	9,515,000
Rebecca Ann Holland-Kennedy	12.17%	9,515,000
<b>Total</b>	<b>24.34%</b>	<b>19,030,000</b>

## C. Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Norman Lee Kennedy	9,515,000	12.17%
Rebecca Ann Holland-Kennedy	9,515,000	12.17%
Sinosteel Australia Pty Ltd	3,300,000	4.22%
LHW Resources Pty Ltd	2,969,215	3.80%
HSBC Custody Nominees (Australia) Limited	2,675,716	3.42%
Julian Leslie Reis	1,760,000	2.25%
ANZ Nominees Limited	1,435,243	1.84%
UBS Nominees Pty Ltd	1,309,186	1.65%
Philip Roger Clifford	1,286,825	1.65%
Citicorp Nominees Pty Ltd	1,199,607	1.53%
Bunya Parade Pty Ltd	1,143,899	1.46%
George Holland Pty Ltd	1,113,333	1.42%
Alexander George William Kennedy	1,000,000	1.28%
Luis Fernando Norman Kennedy	1,000,000	1.28%
Virginie Pepin-Demal	990,000	1.27%
Nicola Jane Khouri	982,000	1.26%
Albert Harris	889,334	1.14%
National Nominees Limited	776,185	0.99%
ND Birchmore Pty Ltd	731,929	0.94%
Sandhurst Trustees Ltd	620,823	0.79%
<b>Total</b>	<b>44,183,295</b>	<b>56.53%</b>





Drilling at Crocker Well Uranium Deposit, South Australia, July 2009



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