



FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017



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Directors' report

The Directors of PepinNini Lithium Limited (PNN, the Company) submit herewith the financial report of the Company and its subsidiaries (the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report

Ms Rebecca Holland-Kennedy

Mr Robert Wei Sun

Mr Phil Clifford

Ms Sarah Clifton-Brown

Review of operations

During the reporting period, the Company continued to focus on the exploration for battery minerals; lithium in Argentina and Nickel- Cobalt in Australia. The Company name change and division to PepinNini Lithium Ltd for the lithium brine project in Argentina and NiCul Minerals Ltd in Australia reflect this focus. In Argentina at 31 December the Company held seventeen mining leases (mina) totalling 42,312 hectares (ha) or 423km² in the western part of Salta Province, NW Argentina. The properties are all considered prospective for lithium brine aquifers associated with dry salt lakes (Salares).

In Australia PNN holds three granted exploration tenement (ELs) and 8 exploration licence applications (ELAs) covering 14,393km² located in the Musgrave Province and the southern Gawler Craton, of South Australia. In addition PNN through a Farm-in Joint Venture Agreement with Rio Tinto Exploration Pty Ltd has the right to earn up to 51% interest in four (4) Exploration Licence Applications in the Musgrave Province.

1. Argentina Salta Project

PNN under its wholly owned subsidiary and Argentine registered PepinNini SA (PNN SA) continued active exploration during the period. PNN has established an exploration team in Salta who have undertaken exploration on the Pocitos, Centenario, Rincon and Pular Projects during the reporting period. The exploration undertaken was geophysical vertical electric soundings (VES) over the salar surfaces which were then interpreted and analysed for potential lithium brine aquifers. Core drilling over prospective salares, Pocitos and Rincon followed. Packer sampling of brines (see Figure 1 below) using a double packer tool followed the drilling. Samples were sent to certified laboratories under chain of custody protocols with competent person oversight and sign off on results released. Results from Pocitos Salar were not considered worthy of further exploration at this time. Results on Rincon Salar were very promising and further exploration is planned for Q 3- 2018.



Figure 1 – Packer Testing Lithium Project

Results from surface samples taken in 2016 indicated good potential for lithium brines on Salar de Pular. Access to the salar for drilling was limited so during the period a roadway and field camp were established to allow for drilling which commenced January 2018.

Community meetings were undertaken before all field activities and where possible local community members are employed in field positions. PNN participate in regular community round table meetings to ensure all exploration issues are discussed and community members informed.



Figure 2 - Community Meeting

PNN SA also retains its existing copper-gold projects in the Salta province including two separate areas located on the eastern side of the Andean mountains, the Santa Ines and the Chivinar projects. During the reporting period Directors decided to relinquish four Chivinar project tenements which were assessed as having limited potential for discovery. The area relinquished covered 13,060 ha in four minas and the surrender will reduce tenement maintenance costs. The Santa Ines project of four minas and 6,840 ha was retained and is situated approximately 80km to the southeast along the same lineament as BHP's giant Escondida Copper(Cu)-Gold(Au) porphyry (containing 5 billion tonnes at 1% Cu and 0.25 g/t Au) which formed contemporaneously with the Santa Ines Formation event during the Late Eocene-Oligocene.

2. Musgrave Province Nickel-Copper-Cobalt Project

During the period PNN maintained its exploration program targeting nickel-copper-cobalt sulphide, platinum group elements, and base metal mineralisation within the Musgrave Province of central Australia.

The Company has refined its focus to concentrate on the Central Musgrave Project (SA) which incorporates two granted exploration licences (EL5220, EL5735) and eight exploration licence applications (ELA118/96, ELA185/96, ELA367-368/09, ELA189-191/15 and ELA197/15) covering 14,003 km² which are held 100% by PNN wholly owned subsidiary NiCul Minerals Limited (NCL). During the period exploration activities focused on negotiations with the APY Executive Board to progress tenement granting of ELA197/15– Ironwood Bore.

Also during the period PNN in collaboration with CSIRO processed and interpreted regional AEM information acquired in late 2016 by the regional Geological Survey of South Australia through SA government program PACE and the Goyder Institute for Water Research (GI). Thick and complex regolith cover across the Musgrave Province is an impediment to effective and efficient mineral exploration. This masks buried mineralization so in order to understand the character, in particular the thickness and variability of the regolith cover sequence in the Musgrave Province, maps of regolith cover thickness across the areas covered by the regional AEM Survey were generated, providing a framework for continued exploration in the Province on NCL tenure.

These regolith maps in conjunction with mineral targets and anomalies identified by the regional and infill AEM Survey are now being reviewed and ranked in order of priority. NCL is currently seeking to progress land access and tenement grant (ELA197/15) with the aim of gaining approval for on-ground exploration activities to commence at an appropriate time.

Rio Tinto Joint Venture (Musgrave Province, SA)

In November 2017 the Farm-in and Joint Venture Agreement between Rio Tinto Exploration Pty Ltd (RTX) and NiCul (NCL) was amended and restated.

The restated Farm-In and Joint venture Agreement is in relation to the right of NCL to farm-in to:

1. Exploration Licence Application 2015/00211
2. Exploration Licence Application 2015/00212
3. Exploration Licence Application 2015/00213
4. Exploration Licence Application 2015/00214 –Pink Slipper target

In addition the Restated Agreement now includes the grant by NiCul to Rio Tinto of the option of first right of refusal to purchase any or all of the following NiCul tenements (option is for a two year period):

1. Exploration Licence EL5220 – subsequent Licence ELA
2. Exploration Licence EL5735

3. Exploration Licence Application 1996/00118

The Agreement will continue to focus on the granting of tenure with the exploration of targets considered highly prospective for magmatic nickel-copper-cobalt-PGE sulphide mineralisation.

3. Mozart Project - western Amadeus Basin (WA)

To ensure Company focus remains on battery minerals it was decided by the Directors that the Mozart Project be surrendered, which was done in November 2017.

4. Toondulya Bluff Gold Project - Gawler Craton - SA

The Toondulya Bluff (EL5897) exploration licence is located approximately 100km north east of Streaky Bay, on the Eyre Peninsula, South Australia. It lies within the Proterozoic gold province of the central Gawler Craton along the margin of the Gawler Range Volcanics (GRV) where Hiltaba Suite granitoids intrude older basement rocks. The province contains several gold and silver deposits including Tarcoola, Glenloth, Tunkillia, Paris and Barns. The tenure covers the southern extension of the highly prospective Yalbrinda Shear Zone which to the north is known to host a number of mineral occurrences including the Tunkillia Deposit reported to contain a resource estimate of 558,000 ounces of gold and 1.48 million ounces of silver (ASX:WPG 28/10/16).

Historic gold exploration over the EL5897 tenement area has included dispersed calcrete sampling, shallow aircore drilling, airborne magnetic surveying, and gravity surveying. PepinNini has reviewed this data and has identified three poorly tested gold-in-calcrete zones from this data warranting further investigation.

5. Project Generation

During the period, the Company continued to pursue additional tenure for the lithium brine project in Argentina. In Australia opportunities to improve, prioritise, and expand, the Company's project base focused on battery minerals Nickel- Copper and Cobalt.

6. Company Focus

The commodity target for PNN is battery minerals firstly lithium in Argentina and then nickel-copper-cobalt in Australia.

The Company focus is the lithium brine project in Argentina. Firstly definition of a lithium carbonate equivalent (LCE) resource, secondly a scoping study for LCE production with the target of production before 2021. The Company plan is to focus on the project with the best potential for a resource and ultimately lithium production.

The Company has continued to focus on cost reduction by minimising overheads where possible and after testing projects divesting those with limited or low potential. The management and staff have remained committed to the company on reduced salaries to ensure the maximum funds possible are directed towards exploration.

We explore, we persist, we find aggressively remains the focus for PepinNini Lithium Ltd and shareholder value our mission.

The section on Salta Lithium project has been reviewed by Marcela Casini, MAusIMM. Marcela Casini is the Exploration Manager-Argentina of PepinNini Lithium Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Marcela Casini consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

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

Further information relating to the Company's projects and future directions has been made publicly available on PepinNini's web site at www.pepinnini.com.au

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 5 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink that reads "R. A. Holland-Kennedy". The signature is written in a cursive, flowing style.

Rebecca Holland-Kennedy
Managing Director

1 March 2018



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**DECLARATION OF INDEPENDENCE BY MICHAEL HAYDON
TO THE DIRECTORS OF PEPINNINI LITHIUM LIMITED**

As lead auditor for the review of PepinNini Lithium Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of PepinNini Lithium Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'm haydon', followed by a long horizontal line extending to the right.

Michael Haydon
Director

BDO Audit (SA) Pty Ltd
Adelaide, 28 February 2018



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PEPINNINI LITHIUM LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of PepinNini Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in black ink, appearing to read 'M Haydon', with a long horizontal line extending to the right.

Michael Haydon
Director

Adelaide, 1 March 2018

Directors' declaration

In accordance with a resolution of the directors of PepinNini Lithium Limited and its Controlled Entities, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
 - (ii) complying with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - (c) signed in accordance with a resolution of Directors pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Rebecca Holland-Kennedy
Managing Director
1 March 2018

**Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2017**

	Consolidated Half-year ended 31 Dec 2017 \$	Consolidated Half-year ended 31 Dec 2016 \$
Continuing operations		
Revenue	18,314	39,610
Currency Gain	41,265	-
Total continuing operations	59,579	39,610
Expenses		
Depreciation expense	1,842	6,271
Salary and employment costs	309,282	180,391
Operating expenses	258,713	185,626
Professional fees	54,118	55,616
Impairment of exploration asset	49,957	-
Impairment of interest in Joint Venture	-	-
Legal fees	7,709	23,652
Administration expenses	-	5,653
Total expenses	681,621	457,209
Loss before tax	(622,042)	(417,599)
Income tax benefit	-	-
Loss for the period from continuing operations	(622,042)	(417,599)
Loss for the period	(622,042)	(417,599)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>	-	-
<i>Items that will not be reclassified to profit or loss</i>	-	-
Total comprehensive loss for the half-year	(622,042)	(417,599)
Earnings per share for loss attributable to members of PepinNini Lithium Limited		
Basic (cents per share)	(0.13)	(0.13)
Diluted (cents per share)	3 (0.13)	(0.13)

Notes to the consolidated financial statements are included on pages 13 to 14.

Consolidated statement of financial position as at 31 December 2017

		Consolidated	
		31 December 2017	30 June 2017
		\$	\$
Current assets			
Cash and cash equivalents		1,107,605	3,011,200
Trade and other receivables		221,311	288,403
Other assets		49,659	16,064
Total current assets		1,378,575	3,315,667
Non-current assets			
Exploration expenditure	5	14,947,132	13,920,017
Exploration bonds	5	3,990	3,990
Property, plant and equipment		4,801	6,982
Total non-current assets		14,955,923	13,930,989
Total assets		16,334,498	17,246,656
Current liabilities			
Trade and other payables		191,482	581,752
Annual and Long Service Leave		157,546	217,568
Total current liabilities		349,028	799,320
Non-current liabilities			
Provisions		1,829	-
Total non-current liabilities		1,829	-
Total liabilities		350,857	799,320
Net assets		15,983,641	16,447,336
Equity			
Issued capital	3	26,695,248	26,695,248
Reserves		562,497	404,150
Retained earnings		(11,274,104)	(10,652,062)
Total equity attributable to equity holders of the parent		15,983,641	16,447,336

Notes to the consolidated financial statements are included on pages 13 to 14.

Consolidated statement of changes in equity for the half-year ended 31 December 2017

	Attributable to members of PepinNini Lithium Limited				Total
	Issued and paid up capital	Prepaid share reserve	Reserves (Equity settled employee benefits reserve)	Retained earnings	
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2017	26,695,248	-	404,150	(10,652,062)	16,447,336
Loss for the period				(622,042)	(622,042)
Other comprehensive Income					-
Total comprehensive loss for the half year ended 31 December 2017	-		-	(622,042)	(622,402)
Issue of shares, net of transactions costs and tax (note 3)	-	-	-	-	-
Employee share options			158,347		158,347
Balance at 31 December 2017	26,695,248	-	562,497	(11,274,104)	15,983,641

Consolidated statement of changes in equity for the half-year ended 31 December 2016

	Attributable to members of PepinNini Lithium Limited				Total
	Issued and paid up capital	Prepaid share reserve	Reserves (Equity settled employee benefits reserve)	Retained earnings	
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2016	22,278,263	52,035	405,184	(9,697,941)	13,037,541
Loss for the period				(417,599)	(417,599)
Other comprehensive Income					-
Total comprehensive loss for the half year ended 31 December 2016	-		-	(417,599)	(417,599)
Issue of shares, net of transactions costs and tax (note 3)	998,693	(52,035)	-	-	946,658
Employee share options			327		327
Balance at 31 December 2016	23,276,956	-	404,511	(10,115,540)	13,566,927

Notes to the consolidated financial statements are included on pages 13 to 14

Consolidated cash flow statement for the half-year ended 31 December 2017

	Consolidated	Consolidated
	Half-year ended	
	31 Dec 2017	31 Dec 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,056,969)	(426,480)
Receipts in the course of business	2,129	26,021
Net cash used in operating activities	(1,054,840)	(400,459)
Cash flows from investing activities		
Payment for exploration activities	(1,064,276)	(514,760)
Research and Development concession received	197,204	220,743
Proceeds from disposal of/payment for property, plant and equipment	1,127	(1,211)
Proceeds on disposal of exploration asset	-	-
Interest received	18,314	7,796
Net cash provided/(used) in investing activities	(847,631)	(287,432)
Cash flows from financing activities		
Proceeds from issue of shares	-	946,658
Repayment of directors loan	-	-
Net cash provided by financing activities	-	946,658
Net decrease/ increase in cash and cash equivalents	(1,902,471)	258,767
Cash and cash equivalents at the beginning of the period	3,011,200	415,466
Net foreign exchange differences on foreign cash balances	(1,124)	
Cash and cash equivalents at the end of the period	1,107,605	674,233

Notes to the consolidated financial statements are included on pages 13 to 14.

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* (AASB 134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements by PepinNini during the interim reporting period in accordance with continuous disclosure requirements of the *ASX listing rules*.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for when required by accounting standards. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies adopted are consistent with those of the previous financial year end and corresponding interim reporting period.

The Group has considered new accounting standards applicable for the current period; none of the changes are likely to have an impact on the financial report.

2. Segment information

The Group applies AASB 8 Operating Segments which requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision-makers have been identified as the board of directors.

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

3. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, PepinNini Lithium Limited did not issue any new shares, Directors options were issued 10 November 2017 totaling 5,250,000 options. These options vested immediately and are exercisable at \$0.04 from 10 November 2017 to 9 November 2020, a non cash share-based payment expense was calculated as \$158,347 and has been recognised in the financials as Salary and Employment costs.

PepinNini Lithium Limited did not issue any shares on the exercise of share options issued under its executive share option plan (2016 – no share options exercised). As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital.

PepinNini Lithium Limited did not purchase or cancel any ordinary shares during the period (2016 – no ordinary shares purchased or cancelled).

Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the Half Year ended 31 December 2017 and 2016. The weighted average number of options that were not included in the calculation was 4,683,588. (2016 - The weighted average number of options that were not included in the calculation was 1,900,000).

4. Investments in subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		December 2017	June 2017
		%	%
PepinNini Resources Curnamona Pty Ltd	Australia	100%	100%
NiCul Minerals Limited	Australia	100%	100%
PepinNini Robinson Range Pty Ltd	Australia	100%	100%
PepinNini Minerals International Pty Ltd	Australia	100%	100%
PepinNini QLD Pty Ltd	Australia	100%	100%
PepinNini Sociedad Anonima	Argentine Republic	100%	100%

5. Exploration Expenditure

During the half year ended 31 December 2017 exploration expenditure of \$1,064,276 was capitalised (\$956,080 in the six months ended June 2017)

6. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2017.

7. Subsequent Events

Subsequent to 31 December 2017 PepinNini has raised funds through a Private Placement; \$1,508,000 was raised before costs in January 2018.

On 1st February 2018 PepinNini announced a controlled placement agreement with Acuity Capital. Under the agreement PepinNini can initiate funding events by setting a minimum share price for funding and a target amount, PepinNini has full control and has issued 17 Million collateral shares to be used as required.

On 22nd February 2018 PepinNini carried out two transactions with Canadian explorer Lithea Inc, the first transaction is an exploration purchase option for total consideration of US\$1.075 Million, under the terms of the option agreement PepinNini has the right to explore for a six month period for a payment of US\$300,000, if PepinNini choose to continue exploration there are three subsequent payments over a 12 month period to complete the purchase, PepinNini can withdraw at any time during this 12 month period. . The second transaction was a straight swap of a tenements that Lithea and PepinNini hold on Salar de Incahuasi and Salinas Grandes respectively, with no cash changing hands.

No other matters or circumstances have arisen since 31 December 2017 that have significantly affected, or may substantially affect:

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