



Pepinini

Minerals Limited

ABN 55 101 714 989

**Financial report for the half year
ended 31 December 2012**

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Directors' report

The directors of PepinNini Minerals Limited (PepinNini) submit herewith the financial report of the company and its subsidiaries (the Group) for the half-year ended 31 December 2012. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The following persons were directors of PepinNini during the whole of the half-year and up to the date of this report:

- Mr Norman Kennedy
- Ms Rebecca Holland-Kennedy
- Mr Robert WeiSun

Mr Christopher Lambert was a director from the beginning of the financial period until his resignation as a director of the company 22nd November 2012

Review of operations

The principal activity of the Group during the reporting period has been exploration for base metals, uranium, iron ore and gold in South Australia, Queensland, Western Australia and Argentina.

1. Musgrave Province Nickel/Copper Project

PepinNini is currently undertaking exploration programs designed to target nickel-copper sulphide mineralisation and base metal mineralisation in the Musgrave Province, South Australia. PepinNini has four granted exploration licences (EL4780, EL3931, EL4048, EL4587) covering 5,669 km² and six exploration licence applications (ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, ELA368/09) covering 3,932 km². PepinNini subsidiary NiCul Minerals Limited (formerly PepinNini Resources Pty Limited) is earning a 51% interest in EL3931 and ELA278/82 and ELA491/94 under a Farm-in and Joint Venture Agreement with Rio Tinto Ltd subsidiary Rio Tinto Exploration Pty Limited.

During the period, exploration activity focused on the Cooperinna block of EL4587. Diamond core drilling was undertaken to test bedrock conductors identified from the SkyTEM⁵⁰⁸ helicopter electromagnetic survey flown across the Cooperinna Block during March 2012. A total of seven boreholes (~1660metres) have been completed to investigate six modelled targets within the Byron and Byron South prospect areas.

Encouraging sulphide accumulations were intersected within four of the holes confirming the dependability of AEM (airborne electromagnetic surveying) as a valuable exploration targeting tool in the search for magmatic nickel – copper sulphide deposits.

Sulphide phases present in drill cores consist of abundant pyrrhotite (iron sulphide) with lesser pyrite (iron sulphide) - chalcopyrite (copper sulphide) - molybdenite (molybdenum sulphide) and are hosted within a garnet-pyroxene mafic granulite as well as brecciated garnet-bearing orthogneiss.

A 200 line kilometre airborne electromagnetic (VTEM) survey was completed during August 2012. The survey covered a portion of the western Cooperinna Block in an area that has never before been systematically explored using modern exploration techniques.

Twenty-one "Category-1" electromagnetic features were identified from the survey data. These conductivity responses form a number of discrete "multi-line" clusters which locate favourably to the conceptual geological model by being spatially coincident to interpreted mafic-ultramafic intrusions and feeder dykes.

Reconnaissance field mapping has confirmed the recent interpretation of aeromagnetic and geochemical datasets, which constrain the distribution of rocks that potentially host the target magmatic Ni-Cu sulphide bodies at Cooperinna.

Statutory Approvals and Heritage Clearances have been received for ground EM and drilling of V-TEM survey targets in the western Cooperinna Block of EL4587. A diamond drill hole has been completed at the Bondi Prospect and intercepted a 27m zone containing weakly disseminated sulphides hosted in a pyroxene-olivine-quartz granulite. The sulphides are predominantly pyrrhotite (Fe-sulphide) with minor chalcopyrite (Cu-sulphide).

2. Curnamona Province Uranium and Base Metals Project

Exploration within the Curnamona Province Project area, which includes the Crocker Well Uranium Deposit, is being managed by Sinosteel PepinNini Curnamona Management Pty Ltd (SPCM) on behalf of the Joint Venture partners Sinosteel Corporation (60%) and PepinNini Minerals (40%). The project comprises five granted exploration licences covering approximately 3,778 km² of the Curnamona Province of South Australia.

The Joint Venture has prioritized the investigation of the iron ore potential of the Braemar Iron Formation. During the reporting period EL4965 Mt Victor covering approximately 1,218 km² was granted. Mt Victor contains potential for a very large magnetite resource within the Braemar Iron Formation. A drilling program to assess the potential magnitude and metallurgical characteristics of the magnetite resource at the Mt Victor Iron Ore Prospect has been approved by the JV and a Heritage Clearance Survey was undertaken during the quarter.

Reconnaissance surface sampling within EL4239 Kalabity and EL4375 Bimbowrie has confirmed encouraging high grade iron mineralisation at four sites. Very encouraging surface sample assay results of up to 68.3% Fe with low levels of SiO₂ and other deleterious contaminants have been reported. An RC drilling program to investigate accessible high grade iron mineralisation that is either outcropping or concealed beneath shallow surface cover has been approved and is anticipated to commence early in 2013.

3. North Queensland Project

PepinNini Minerals has sold six tenements in North Queensland for a total consideration of \$850,000 as part of a strategy to divest non-core assets. The first payment of \$600,000 has been received and the second payment of \$250,000 is due on or before 31st March, 2013. Three of the remaining five tenements held by PepinNini in North Queensland cover 415km² and are prospective for uranium. The Oasis Project contains shear hosted uraninite mineralisation over a strike extent of 300m with an average grade of 0.1% U₃O₈ as delineated by Esso Exploration and Production Australia Inc (1977-1979) and Glengarry (2005/2006). Subsequent work has also been undertaken on this prospect by Mega Uranium (2007-2010). The Company is considering options regarding these tenements in view of the Queensland Government announcement on 22nd October lifting its ban on uranium mining.

4. Robinson Range Iron Ore Project

The Robinson Range Project comprises seven tenements that cover approximately 700km². PepinNini has a 50% interest in the iron ore contained within three tenements and a 40% interest in the iron ore contained within the other four tenements and manages exploration on behalf of the Joint Venture partners.

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

5. Argentina Salta Project

PepinNini have four granted cateos (exploration leases), one granted mina (mining lease) and applications for a cateo and a mina covering approximately 300 kms² in the Argentine province of Salta. The Salta Project comprises two separate areas designated as Santa Ines and Chivinar.

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

Significant assay results for grab samples collected from a historic mine working confirms potential for high grade copper and gold mineralization within the Santa Ines Project Area. PepinNini is progressing plans to target this area with detailed surface mapping and ground geophysical surveys to identify priority drill targets.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Norman Kennedy BSc MAusIMM. Norman Kennedy is the Chairman and 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.

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 4 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, appearing to be 'Norman Kennedy', written over a light grey horizontal line.

Norman Kennedy
Managing Director
Sydney, 4th March 2013



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Auditor's Independence Declaration to the Directors of PepinNini Minerals Limited

In relation to our review of the financial report of PepinNini Minerals Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Nigel Stevenson'.

Nigel Stevenson
Partner
Adelaide
4 March 2013

Independent review report to members of PepinNini Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PepinNini Minerals Limited, which comprises the balance sheet as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PepinNini Minerals Limited and the entities it controlled during the half-year, 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.

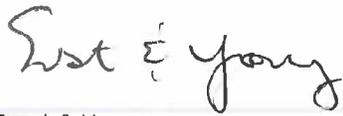
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Nigel Stevenson
Partner
Adelaide
4 March 2013

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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standard AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Norman Kennedy
Managing Director
Sydney, 4th March 2013

Consolidated statement of comprehensive income for the half-year ended 31 December 2012

	Consolidated	Consolidated
	Half-year ended	Half-year ended
	31 Dec 2012 \$	31 Dec 2011 \$
Continuing operations		
Revenue	248,002	690,300
Expenses		
Depreciation expense	24,812	82,863
Salary and employment costs	269,821	511,317
Operating expenses	278,611	501,051
Professional fees	41,405	64,564
Impairment of exploration asset	-	383,834
Impairment of tenements held for sale	4 905,747	-
Legal fees	5,925	53,208
Other expenses	189	2,392
Total expenses	1,526,510	1,599,229
Loss before tax	(1,278,508)	(908,929)
Income tax benefit	222,825	217,953
Loss for the period from continuing operations	(1,055,683)	(690,976)
Loss for the period	(1,055,683)	(690,976)
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	(1,055,683)	(690,976)
Earnings per share for loss attributable to members of PepinNini Minerals Limited		
Basic (cents per share)	(0.95)	(0.77)
Diluted (cents per share)	(0.95)	(0.77)

Notes to the consolidated financial statements are included on pages 12 to 13.

Consolidated balance sheet as at 31 December 2012

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Current assets		
Cash and cash equivalents	1,599,869	1,693,482
Trade and other receivables	484,947	344,788
Tenements held for sale	4 850,000	-
Other assets	-	• 76,126
Total current assets	2,934,816	2,114,396
Non-current assets		
Exploration expenditure	20,592,454	21,422,530
Exploration bonds	33,250	33,250
Property, plant and equipment	352,460	361,182
Total non-current assets	20,978,164	21,816,962
Total assets	23,912,980	23,931,358
Current liabilities		
Trade and other payables	124,024	384,358
Provisions	306,657	290,345
Deferred income	4 600,000	-
Total current liabilities	1,030,681	674,703
Non-current liabilities		
Provisions	14,466	9,931
Deferred tax liability	-	-
Total non-current liabilities	14,466	9,931
Total liabilities	1,045,147	684,634
Net assets	22,867,833	23,246,724
Equity		
Issued capital	5 19,890,287	19,214,080
Reserves	362,620	362,035
Retained earnings	2,614,926	3,670,609
Total equity attributable to equity holders of the parent	22,867,833	23,246,724

Notes to the consolidated financial statements are included on pages 12 to 13

Consolidated statement of changes in equity for the half-year ended 31 December 2012

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital	Reserves (Equity settled employee benefits reserve)	Retained earnings	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2012	19,214,080	362,035	3,670,609	23,246,724
Loss for the period	-	-	(1,055,683)	(1,055,683)
Other comprehensive Income	-	-	-	-
Issue of shares, net of transactions costs and tax (note 5)	676,207	-	-	676,207
Employee share options	-	585	-	585
Total comprehensive loss for the half year ended 31 December 2012	676,207	585	(1,055,683)	(378,891)
Balance at 31 December 2012	19,890,287	362,620	2,614,926	22,867,833

Consolidated statement of changes in equity for the half-year ended 31 December 2011

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital	Reserves (Equity settled employee benefits reserve)	Retained earnings	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2011	19,214,080	362,035	5,016,436	24,592,551
Loss for the period	-	-	(690,976)	(690,976)
Other comprehensive Income	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2011	-	-	(690,976)	(690,976)
Balance at 31 December 2011	19,214,080	362,035	4,325,460	23,901,575

Notes to the consolidated financial statements are included on pages 12 to 13.

Consolidated cash flow statement for the half-year ended 31 December 2012

	Consolidated	
	Half-year ended	
	31 Dec 2012	31 Dec 2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(835,992)	(1,146,204)
Receipts in the course of business	358,301	753,564
Net cash used in operating activities	(477,691)	(392,640)
Cash flows from investing activities		
Payment for exploration activities	(899,208)	(1,282,090)
Payments for property, plant and equipment	(18,739)	(3,406)
Deposit for asset held for sale	600,000	-
Interest received	25,818	169,765
Net cash used in investing activities	(292,129)	(1,115,731)
Cash flows from financing activities		
Proceeds from issue of shares	676,207	-
Net cash provided by financing activities	676,207	-
Net decrease in cash and cash equivalents	(93,613)	(1,508,371)
Cash and cash equivalents at the beginning of the period	1,693,482	4,672,118
Cash and cash equivalents at the end of the period	1,599,869	3,163,747

Notes to the consolidated financial statements are included on pages 12 to 13.

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 *Corporations Act 2001*.

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.

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. Dividends

During the period, PepinNini Minerals Limited paid no dividends:

	Half-year ended 31 Dec 2012		Half-year ended 31 Dec 2011	
	Cents per share	Total \$	Cents per share	Total \$
Fully paid ordinary shares				
Final dividend	-	-	-	-

4. Sale of Queensland tenements

During the half-year reporting period ended 31 December 2012 PepinNini decided to divest some of its Queensland tenements. An agreement to sell six Queensland tenements was entered into for a total consideration of \$850,000. A \$600,000 deposit was paid to PepinNini in November 2012. The sale is expected to be finalised in March 2013, with the remaining \$250,000 owing payable upon completion.

Cumulative expenditure for the tenements held for sale total \$1,755,747. The tenements held for sale have been classified in the financial statements as assets held for sale, as title to the tenements had not transferred to the purchaser at 31 December 2012. The tenements held for sale were impaired to their fair value with an impairment expense of \$905,747 recognised in the financial statements at 31 December 2012.

5. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, PepinNini Minerals Limited issued 25,475,494 ordinary shares (2011 – no ordinary shares issued) under a rights issue announced on 28 June 2012 and closed on 26 July 2012. PepinNini raised \$815,215 gross of capital raising costs of \$139,008.

PepinNini Minerals Limited did not exercise any share options issued under its executive share option plan (2011 – no share options exercised). As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital.

PepinNini Minerals Limited issued 250,000 share options to an employee (2011: zero share options) over ordinary shares under its executive share option plan during the half-year reporting period.

PepinNini Minerals Limited did not purchase or cancel any ordinary shares during the period (2011 – no ordinary shares purchased or cancelled).

6. Investments in subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		December 2012	June 2012
		%	%
PepinNini Resources Pty Ltd	Australia	100%	100%
NiCul Minerals Limited (formerly PepinNini Resources Curnomona Pty Ltd)	Australia	100%	100%
PepinNini Robinson Range Pty Ltd	Australia	100%	100%
PepinNini Minerals International Pty Ltd	Australia	100%	100%
PepinNini QLD Pty Ltd	Australia	100%	100%
PepinNini Sociedad Anonima	Argentine Republic	100%	100%

7. Interests In Joint Arrangements

PepinNini has an interest in the following joint arrangements:

Name of venture	Resident	Principal activity	Output interest	
			December 2012 %	June 2012 %
Uranium Resources and Mineral Resources Joint venture	Australia	Management and operation of development of Crocker Well And Mt Victoria uranium deposits and exploration for other commodities	40%	40%
Robinson Range Iron Ore JV03 Joint Venture	Australia	Management and operation of development of iron ore in three tenements in the Robinson Range region	50%	50%
Robinson Range Iron Ore JV04 Joint Venture	Australia	Management and operation of development of iron ore in four tenements in the Robinson Range region	40%	40%

PepinNini Minerals Limited has assessed the classification of the joint arrangements under IFRS 11 *Joint Arrangements* (effective 1 January 2013). Based on the contractual terms of the agreements, all joint arrangements that PepinNini Minerals Limited has interests in are classified as Joint Operations.

8. Subsequent Events

No matters or circumstances have arisen since 31 December 2012 that has 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.