

***PepinNini Minerals Limited***

***ABN 55 101 714 989***

***ANNUAL  
FINANCIAL  
REPORT***

***FOR THE YEAR  
ENDED 30 JUNE, 2011***



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## 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 1 independent and 3 non-independent directors.

### *Responsibilities*

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

### *Board members*

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

The board seeks to ensure that:

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

### *Commitment*

The board held 10 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 2011, and the number of meetings attended by each director is disclosed on page 12.

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 2011. The commitments of non-executive directors are considered by the board prior to the directors' appointment to the board of the Group and are reviewed each year as part of the annual performance assessment.

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

### *Conflict of interests*

It is company policy that the directors declare their interests in dealings with the Company which create 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 2011 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.

### **Board committees**

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

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

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

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

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

### **Audit committee**

The Audit Committee meets and reports to the board as required, but in any case at least twice each year. Its members are currently one executive director and 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
- review the existing external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence and
- assessing the adequacy of external reporting for the needs of shareholders.

In fulfilling its responsibilities, the audit committee:

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

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

#### **Remuneration committee**

The Remuneration Committee meets and reports to the board annually. Its members are currently one executive director and one non-executive director. Details of the directors' attendance at the remuneration committee meetings is set out in the directors' report page 12. The remuneration committee advises the board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors and employees.

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

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

#### **Respect the rights of Shareholders**

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

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

All information disclosed to the ASX is posted on the Company's website as soon as possible 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 provides opportunities for shareholders to download from the website, annual and quarterly reports.

#### **External auditors**

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Ernst & Young was appointed as the external auditor in 2009 and continue in office for the year ended 30 June 2011.

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

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

#### **Risk Assessment and management**

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

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (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.

## Risk Assessment and management (continued)

### *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.

### Diversity Policy

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

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

	Number	%
Number of women employees in the whole organisation	9	56%
Number of women in senior executive positions	2	33%
Number of women on the board	1	33%

### ASX Principles of Good Corporate Governance and Best Practice Recommendations

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

BEST PRACTICE RECOMMENDATION	NOTIFICATION OF DEPARTURE	EXPLANATION OF DEPARTURE
Principle 2.1	A majority of directors are not independent	<p>Currently, only one of the three directors satisfy the criteria for independence. The Company considers that the expense involved in the recruitment and employment of an additional independent director is not justified given the present size and complexity of its operations. Together, the current directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and have demonstrated that they make quality and independent judgments in the best interests of the Company on all relevant issues. Procedures are in place whereby directors having a conflict of interest in relation to a particular item of business must exclude themselves from the meeting before commencement of discussion of the topic.</p> <p>It is intended that, subject to the performance of the Company, new candidates for the board will be considered.</p>
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 Chris Lambert 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 three 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 independent 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>
Principle 8.2	<p>The Remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair</li> <li>• has at least three members.</li> </ul>	<p>A Remuneration Committee of one-executive and one non-executive director has been established and has a formal charter. The Remuneration Committee is not in compliance with the Guidelines in that the majority of members are not independent. To safeguard the integrity of Remuneration setting the Chair of the Remuneration Committee is independent.</p>

**Corporate Governance Scorecard**

		Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
<b>Principle 2</b>	<b>Structure the board to add value</b>	
2.1	A majority of the Board should be independent directors.	No
2.2	The chair should be an independent director.	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: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the Company' integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	Yes Yes Yes Yes
3.2	Companies should establish a policy concerning 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 disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members</li> </ul>	No No No 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
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair</li> <li>• has at least three members.</li> </ul>	No Yes No
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

## Directors' report

The directors of PepinNini Minerals Limited ("PepinNini" or the "Company") submit herewith the annual financial report of the consolidated group consisting of PepinNini Minerals Limited and the entities it controlled (the Group) at the end of, or during, the year ended 30 June 2011. 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
- Rebecca Holland-Kennedy
- Christopher Lambert

Albert Harris was a non-executive director for the entire financial year and up to his resignation on 15 August 2011. Mr Harris has been a director since 2005. His fellow directors are grateful for his participation in the development of the Company over the past six years and will miss his valuable advice and contributions as a director. The Company is assessing suitable applicants to replace Mr Harris as soon as possible.

### Principal activities

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

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

### Dividends

No dividends have been paid for the year ended 30 June 2011 or 30 June 2010.

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

### Review of operations

The Group currently has an interest in 36 exploration tenements covering approximately 15,250 km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia, the Georgetown, Woolgar Goldfield and Drummond Basin of North Queensland and the Robinson Range area of Midwest Western Australia. It also holds an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland. Recently the Company has been granted 2 exploration licences and has applications for 5 additional tenements in Argentina covering approximately 330 kms<sup>2</sup>.

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

#### 1. Musgrave Province Nickel/Copper Project

PepinNini is currently undertaking exploration programs designed to target nickel-copper sulphide mineralisation and base metal mineralisation in the Musgrave Province, South Australia. PepinNini has four granted exploration licences (EL3368, EL3536, EL4048, EL3931) covering ~5,669 km<sup>2</sup> and six exploration licence applications (ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, ELA368/09) covering ~3,932 km<sup>2</sup>. PepinNini subsidiary 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 EL3931 'Woodroffe' and EL4048 'Mt Caroline', predominantly within green-field areas not previously explored. Exploration activities primarily targeted base metal mineralisation within Birksgate Complex metavolcanic and metasedimentary sequences, shear-hosted gold mineralisation and nickel-copper sulphide mineralisation within Giles Complex mafic-ultramafic rocks. The Giles Complex is considered to be highly prospective for Ni-Cu sulphide and PGE mineralisation following the discovery of the Nebo-Babel deposit in Western Australia by WMC (392Mt @ 0.3%Ni and 0.33%Cu).

## Review of operations (continued)

### 1. Musgrave Province Nickel/Copper Project (continued)

In collaboration with the University of Adelaide, a regional biogeochemical program has been initiated within EL3931 and EL4048. Spinifex species were primarily sampled over selected areas to assess this technique for wider usage in the Musgrave Province. Biogeochemical sampling has the potential to be a highly efficient and effective reconnaissance exploration technique in the Musgrave Province as the bedrock is commonly obscured by regolith and vegetation. During the reporting period, 200 samples were collected from 7 transects over a variety of geophysical, geochemical and lithological targets. Exploration activities within EL4048 during the reporting period were focused within the mafic-ultramafic Giles Complex Caroline Intrusion and along the Mann Fault Zone. Seventy four vacuum boreholes were completed for 709.5m and two diamond boreholes were completed for 434.1m.

Field exploration activities within EL 3931 during the reporting period included the drilling of 651 vacuum boreholes totaling 5,315m and 6 diamond boreholes totaling 1,634.7 metres. Anomalous zinc concentrations (up to 800ppm) were recorded in graphitic schist units of the Birksgate Complex. The graphitic units intersected are associated with highly heterogeneous metavolcanic and metasedimentary units which can be associated with Broken Hill-style Zn-Pb-Ag mineral systems elsewhere in Proterozoic Blocks of Australia. Diamond boreholes collared within the basal units of the Giles Complex Caroline Intrusion continue to return anomalous assays, including 0.12m @ 1800ppm Ni, 2160ppm Cr from 51.2m in DD10WOD015. These results highlight the potential for Giles Complex rocks to host Ni-Cu sulphide mineralisation.

The Company continues discussion with the Traditional Owners to progress the grant of ELAs 491/94 and 278/82. A work area clearance conducted by Traditional Owners in June, 2011 has approved a proposed program comprising reconnaissance mapping and sampling, vacuum drilling and diamond drilling within the Cooperinna block of EL 4587.

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

PepinNini 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. 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%).

Investigation of regional uranium projects in the vicinity of the Crocker Well Project continued during the reporting period. Reverse circulation (RC) percussion drill testing of regional uranium prospects returned encouraging U + REE (Ce, La, Y) assay results at the Becaroo Prospect. At Mt Victoria drilling intersected mineralised lodes as defined by handheld scintillometer and downhole geophysical logging. Assay results of core samples from 5 boreholes drilled at the Mt Victoria deposit returned significant intersections of U<sub>3</sub>O<sub>8</sub> + TREO including 7m @ 4.9kg/T U<sub>3</sub>O<sub>8</sub>, 1.76%TREO from 10m downhole depth in hole DD09MTV001 and 9m @ 2.8kg/T U<sub>3</sub>O<sub>8</sub>, 1.0%TREO from 14m downhole depth in hole DD09MTV002.

A drilling program of four deep precollared diamond boreholes to investigate priority drill targets defined by ground gravity data over EL3587 (Scott Hill) was completed on 16th May, 2011. The Company diamond drilling rig and crew were used to undertake the drilling.

Preliminary multi-element results for a number of sulphide veins intersected in drillhole DD11SH004 have returned encouraging results of;

- 0.40m @ 1.49%Zn, 0.17%As, 257ppmCu, 706ppmPb
- 0.25m @ 1.11%Pb, 0.33%Zn, 561ppmCu, 8.7ppmAg
- 0.30m @ 2.06%Zn, 309ppmCu
- 0.40m @ 5.89%Zn, 815ppmPb, 0.21%Cu, 30.1ppmAg
- 0.25m @ 3.91%Zn, 658ppmPb
- 0.30m @ 1.93%Zn, 0.19%Pb

An aircore drill program designed to investigate a number of geophysical and geochemical anomalies is currently in progress. Results from 76 aircore boreholes completed in December 2010 within EL4239 (Kalabity) to investigate uranium and base metal targets have been received. An intersection of 11m at 44% Fe from a depth of 2m to base of hole at 13m in a borehole located over a high amplitude magnetic response interpreted to represent Ernest Henry type IOCG mineralisation will be investigated further by a deeper cored borehole. Drilling intersected abundant to common magnetite in metasediments to gneissic units and interpreted BIFm units. Drilling also returned anomalous to highly anomalous Ce-La+Y and elevated copper grades.

## Review of operations (continued)

### 2 Curnamona Province Uranium and Base Metals Project (continued)

The Joint Venture has prioritized the investigation of the iron ore potential of the Braemar Iron Formation. During the quarter SPCM joined a consortium of iron ore explorers to form the Braemar Iron Alliance with the objective of promoting regional infrastructure development to advance their common interests.

Three priority target areas have been identified within the Joint Venture tenements and have been designated as the Mt Victor Iron Ore Prospect (ELA928/04 Mt Victor); the Macdonald Corridor Iron Ore Prospect (EL4375 Bimbowrie); and the Outalpa Iron Ore Prospect (EL3472 Outalpa & ELA928/04 Mt Victor). Each of the prospects identified have the potential to host a very large magnetite iron ore resource which could be beneficiated to a high grade blast furnace feed product at a very competitive cost relative to other magnetite prospects currently under development consideration elsewhere in Australia.

The magnetite prospects have been identified within outcropping to shallow glacial BIFm of Neoproterozoic age by interpretation of detailed regional magnetic data and geological mapping of the area. The BIFm consists of a series of alternating and interbedded tillitic and magnetite units representing cycles of glacial advances and retreats.

SPCM is currently awaiting statutory approval of its Declaration of Environmental Factors (DEF) in order to undertake a Reverse Circulation (RC) drilling program to determine the magnetite potential and to define a possible resource exploration target for the Macdonald Corridor Prospect. Subject to favourable results and further statutory approvals SPCM would then undertake an extensive resource definition drill program to test the full extent of the 10 kilometre long intense magnetic anomaly that defines the Macdonald Corridor Prospect within EL 4375.

### 3. North Queensland Project

In North Queensland PepinNini have a 100% interest in 13 exploration tenements (EPMs) and 1 mining lease covering approximately 1,086 kms<sup>2</sup>. The tenements are prospective for high grade gold and silver, copper, base metals, uranium, phosphate and potash.

During the reporting period a reverse circulation (RC) drilling program of 25 boreholes for a total of 3,256 metres was completed at the Forsayth and Percyville Projects. The drilling program was designed to investigate high grade gold, silver and copper mineralisation identified in surface outcrop or within shallow historic workings from EPM15547 'The Return' and over portions of EPM15440 'Percyville'.

Encouraging results have been reported for both project areas and include the following high grade gold, silver and copper intersections;

- Borehole RC10RT004 intersected a 2 metre interval grading 10.1g/t gold, 33g/t silver and 0.6% copper at a depth of 21 metres.
- Borehole RC10RT010 intersected a 3 metre interval grading 2.04g/t gold and 6g/t silver at a depth of 45 metres, a 3 metre interval grading 7.16g/t gold, 12.6g/t silver and 0.21% copper at a depth of 63 metres (including a 1 metre interval grading 20.3g/t gold, 35g/t silver and 0.6% copper) and a 2 metre interval grading 1.3g/t gold, 3.2g/t silver at 152 metres.
- Borehole RC10RT013 intersected a 1 metre interval grading 8.1g/t gold at a depth of 36 metres.
- Borehole RC10PV003 intersected a 2 metre interval grading 0.93g/t gold at 20 metre depth, a 4 metre interval grading 4.65g/t gold and 69.75g/t silver at a depth of 33 metres (including 1 metre at 14.85g/t gold and 223g/t silver), and a 1 metre interval grading 4.66g/t gold and 9g/t silver at 52 metre depth.
- Borehole RC10PV006 intersected a 2 metre interval grading 6.45g/t gold and 1.35g/t silver at a depth of 13 metres.
- Borehole RC10PV007 intersected a 2 metre interval grading 3.48g/t gold and 4.66g/t silver at a depth of 14 metres.

These encouraging drill intersections are interpreted to represent the lateral and vertical extensions of mineralised zones detected on the surface.

### 4. Robinson Range Iron Ore Project

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

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

The Joint Venture is currently focused on exploration of the identified Direct Shipping Ore (DSO) potential of the tenements. Twelve prospect areas from which surface samples containing >60% Fe have been collected are targeted for priority investigation.

## Review of operations (continued)

### 4. Robinson Range Iron Ore Project (continued)

An extensive drilling program of approximately 100 reverse circulation (RC) boreholes commenced on 30th June, 2011. The drilling program is designed to investigate potential iron ore resources at eleven prospect areas and will investigate accessible prospects where iron mineralisation is either outcropping or concealed beneath shallow surface cover. Drill targeting aims to highlight zones of potentially continuous mineralisation.

### 5. Argentina - Salta Project

The first of seven tenement applications in the Argentine province of Salta was granted to PepinNini S.A., a subsidiary of PepinNini Minerals Limited on 14<sup>th</sup> April, 2011. A second cateo (Exploration Licence) has been granted to PepinNini S.A. on 8<sup>th</sup> July, 2011.

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.

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

Apart from the resignation of non-executive director Albert Harris no matter or circumstance has arisen since 30<sup>th</sup> June 2011 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 in progress for the Curnamona Province and Robinson Range projects and are planned for the Musgrave Province, the North Queensland and Argentinean projects. The programs are designed to investigate targets with potential for the discovery of a major new 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.

## Information on directors

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

Name	Particulars
Norman Kennedy – Chairman and Managing Director	<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 Director of PepinNini Robinson Range Pty Ltd, PepinNini Resources Queensland Pty Ltd, PepinNini Minerals International Pty Ltd and Sinosteel PepinNini Curnamona Management Pty Ltd.</p>
Rebecca Holland-Kennedy – Executive Director-Administration and Company Secretary	<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 Minerals Limited. She is a Director of PepinNini Resources Pty Ltd, PepinNini Robinson Range Pty Ltd, PepinNini Resources Queensland Pty Ltd, PepinNini Minerals International Pty Ltd and Sinosteel PepinNini Curnamona Management Pty Ltd.</p>
Christopher Lambert – Non-Executive Director	<p>Experience: Mr Lambert was appointed a director of the company on October 12<sup>th</sup> 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</p>
Albert Harris – Non-Executive Director	<p>Qualifications: M.Inst.M.C, F.Energy Institute</p> <p>Experience: Albert Harris joined the company as a director on January 31<sup>st</sup>, 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>

Albert Harris resigned as a non-executive director on 15 August 2011. His fellow directors are grateful for his participation in the development of the Company over the past six years and will miss his valuable advice and contributions as a director. The Company is assessing suitable applicants to replace Mr Harris as soon as possible.

## Directorships of other listed companies

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

Name	Company	Period of directorship	Stock Exchange
Christopher Lambert	Altona Resources Plc	Feb 2005 to present	LSX - AIM
	Braemore Resources Plc	Feb 2005 to March 2010	LSX - AIM
Norman Kennedy	Altona Resources Plc	Sep 2005 to April 2010	LSX - AIM
Albert Harris	Takoradi Limited	Jan 1992 to present	ASX
	Goldsearch Limited	Oct 1995 to present	ASX

## Directors' shareholdings

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

Directors	PepinNini Minerals Limited	
	Fully paid ordinary shares (Number)	Share options (Number)
Norman Kennedy	9,680,000	-
Rebecca Holland-Kennedy	9,987,805	-
Albert Harris ( <i>resigned 15 Aug 11</i> )	319,334	-
Christopher Lambert	-	-

## Share options granted to directors and senior management

During and since the end of the financial year no share options were granted to directors and officers of the Group as part of their remuneration.

## 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	0	Ordinary	-	

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 13 to 20.

## 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).

Directors	Board of directors		Corporate governance committee		Audit committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Norman Kennedy	10	10	1	1	NA	NA	NA	NA
Rebecca Holland-Kennedy*	10	10	1	1	2	2	1	1
Albert Harris	10	7	1	1	2	2	1	1
Christopher Lambert*	10	6	1	1	NA	NA	NA	NA

\* audit and remuneration committee members

## Remuneration report - audited

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

### *Role of Remuneration committee*

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

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

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

The corporate governance statement on page 1 to 6 provides further information on the role of this committee.

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

- (A) Principles used to determine the nature and amount of remuneration
- (B) Performance of PepinNini Minerals Limited
- (C) Details of remuneration
- (D) Service agreements
- (E) Share-based compensation
- (F) Additional information.

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

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

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

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

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

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

### *Non-executive directors*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and 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 2011 (2010: 0). Directors are also entitled to reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any Committee engaged in the Group's business.

### *Directors' fees*

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

**Remuneration report (continued)****(A) Principles used to determine the nature and amount of remuneration (continued)***Directors' retirement benefits*

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

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

**(B) Performance of PepinNini Minerals Limited**

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2011:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	872	455	901	2,103	471
Net (loss) / profit before tax	(2,591)	(1,136)	(822)	(12,399)	25,702
Net (loss) / profit after tax	(2,006)	(960)	(348)	(10,718)	18,224
Attributable to members of PepinNini Minerals Limited	(2,006)	(960)	(348)	(5,487)	18,224

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at start of year	\$0.14	\$0.35	\$0.67	\$1.73	\$0.36
Share price at end of year	\$0.11	\$0.14	\$0.35	\$0.67	\$1.73
Interim dividend	-	-	-	-	-
Final dividend*	-	-	-	-	5 cps
Basic (loss) / earnings per share	(2.4) cps	(1.2) cps	(0.5) cps	(8.2) cps	32.6 cps
Diluted (loss) / earnings per share	(2.4) cps	(1.2) cps	(0.5) cps	(8.2) cps	30.7 cps
Short term incentive (% of maximum)	<b>1.06%</b>	<b>1.66%</b>	<b>1.59%</b>	<b>2.22%</b>	<b>0.66%</b>

The Performance Incentive Program for the 2010/11 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.

\* 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.

**Remuneration report (continued)****(C) Details of remuneration***Amounts of remuneration*

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of PepinNini Minerals Limited and the PepinNini Minerals Limited Group are set out in the following tables. The key management personnel of the Group are the directors of PepinNini Minerals Limited (see page 12 above) and those executives that report directly to the managing director being:

- Phil Clifford – Exploration Consultant – PepinNini Minerals Limited
- Lachlan Rutherford – Exploration Manager – Musgrave Project – PepinNini Minerals Limited – ceased full time employment 30 April 2011
- Colin Skidmore – Exploration Manager – Uranium & New Projects – PepinNini Minerals Limited
- Nicola Khouri – General Manager – PepinNini Minerals Limited

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

<b>2011</b>		Short-term employee benefits				Post employment benefit	Long-term benefits	Termination benefits	Share-based payments	Total
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Long service leave	Termination benefits	Options	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Directors</i>										
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>	
<i>Executives</i>										
Phil Clifford	151,000	1,500	-	-	13,725	-	-	-	166,225	
Lachlan Rutherford (ceased 30 April 2011)	111,289	1,500	-	-	10,016	-	-	-	122,805	
Colin Skidmore	170,000	1,500	-	-	15,300	-	-	-	186,800	
Nicola Khouri	93,272	1,500	-	-	8,394	-	-	-	103,166	
<b>Sub- total Executives</b>	<b>525,561</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>47,435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>578,996</b>	
<b>Total Key Management Personnel Compensation (Group)</b>	<b>952,699</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>80,297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,038,996</b>	
<b>2010</b>		Short-term employee benefits				Post employment benefit	Long-term benefits	Termination benefits	Share-based payments	Total
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Long service leave	Termination benefits	Options	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Directors</i>										
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>	
<i>Executives</i>										
Phil Clifford	118,045	2,000	-	-	10,624	-	-	-	130,669	
Lachlan Rutherford	116,116	2,000	-	-	10,450	-	-	(914)	127,652	
Gary Ferris (ceased 30 September 2009)	30,689	-	-	-	2,400	-	-	(8,558)	24,531	
Colin Skidmore	170,000	2,000	-	-	15,300	-	-	-	187,300	
<b>Sub- total Executives</b>	<b>434,850</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>34,752</b>	<b>-</b>	<b>-</b>	<b>(9,472)</b>	<b>470,152</b>	
<b>Total Key Management Personnel Compensation (Group)</b>	<b>861,988</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>71,636</b>	<b>-</b>	<b>-</b>	<b>(9,472)</b>	<b>930,152</b>	

## Remuneration report (continued)

### (C) *Details of remuneration (continued)*

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

### (D) *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.

## Remuneration report (continued)

### (E) 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 Group provided as remuneration to each director of PepinNini Minerals Limited and each of the key management personnel of the Group are set out below. Further information on the options is set out in note 26 to the financial statements.

(1), (2), (5), & (8) There are no further service or performance criteria that are required to be met before beneficial interest vests in the recipient.

(3), (4), (6) & (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.

All employee incentive options have been cancelled at the request of the relevant employees when they ceased employment with PepinNini Minerals Limited hence there are no employee incentive options in existence at 30 June 2011.

\* options cancelled by employee 29 Sep 2009

**Remuneration report (continued)****(E) Share based compensation (continued)**

Name	Number of options granted during the year		Number of options vested during the year	
	2011	2010	2011	2010
<b>Directors of PepinNini Minerals Limited</b>				
Norman Kennedy	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-
Albert Harris	-	-	-	-
Christopher Lambert	-	-	-	-
<b>Other key management personnel of the Group</b>				
Phil Clifford	-	-	-	-
Lachlan Rutherford	-	-	-	200,000
Colin Skidmore	-	-	-	-
Nicola Khouri	-	-	-	-

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.

No options were issued in the year ended 30 June 2011 or 2010.

The model inputs for Lachlan Rutherford options vesting during the year ended 30 June 2010 are 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 periods of 1.5 years to 2.5 years.
- (b) exercise price \$1.80
- (c) grant date 21 February 2008
- (d) expiry date: 31 January 2011
- (e) share price at grant date \$0.88
- (f) expected price volatility of the company's shares 64.08%
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 6.61%

**Remuneration report (continued)**

**(E) Share based compensation (continued)**

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	0%	N/A
Nicola Khouri	0%	N/A

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.

No options were granted during the current financial year.

There were no unissued ordinary shares of PepinNini Minerals Limited under option at the date of this report.

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

No ordinary shares in the company were provided as a result of the exercise of remuneration options by directors of PepinNini Minerals Limited and other key management personnel of the Group for either the 30 June 2011 or 30 June 2010 financial year.

**Remuneration report (continued)**

**(F) Additional information**

*Details of remuneration: cash bonuses and options*

For each cash bonus and grant of options included in the tables on page 15 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.

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	1%	2005	100	-	-
Lachlan Rutherford	1%	2008	100	100	-
Nicola Khouri	1%	-	-	-	-
Lachlan Rutherford	1%	2009	100	100	-

### 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 2010 to 13 October 2011 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 auditor of the company or of any related body corporate against a liability incurred as such an 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 Ernst & Young for non-audit services provided during the year by the auditor are outlined in note 20 to the financial statements.

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

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

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

### Auditor

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

### Auditor's independence declaration

The auditor's independence declaration is included on page 22 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, 8<sup>th</sup> September 2011

## 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 year ended 30 June 2011, 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, appearing to read 'Nigel Stevenson'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Nigel Stevenson'.

Nigel Stevenson  
Partner  
Adelaide  
8 September 2011

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### **Financial Report**

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## Statement of comprehensive income for the financial year ended 30 June 2011

	Note	Consolidated	
		2011 \$	2010 \$
<b>Revenue from Continuing Operations</b>	5	<b>872,422</b>	<b>454,986</b>
<b>Expenses</b>			
Depreciation expense	6	(17,603)	(21,842)
Salary & employment costs	6	(666,966)	(498,497)
Operating expenses		(855,458)	(646,294)
Professional fees		(175,072)	(143,333)
Finance costs	6	-	-
Administration expenses		(707)	(173)
Legal fees		(47,434)	(71,727)
Impairment of investment			-
Impairment of exploration asset		(1,700,011)	(206,591)
Other expenses		-	(484)
<b>Total expenses</b>		<b>(3,463,251)</b>	<b>(1,588,941)</b>
<b>Loss before tax</b>		<b>(2,590,829)</b>	<b>(1,135,955)</b>
Income tax benefit	7	585,086	176,386
<b>Loss for the year</b>		<b>(2,005,743)</b>	<b>(959,569)</b>
Other comprehensive income		-	-
<b>Total comprehensive Loss for the year</b>		<b>(2,005,743)</b>	<b>(959,569)</b>
Attributable to:			
Members of PepinNini Mineral Limited		<b>(2,005,743)</b>	<b>(959,569)</b>
		<b>(2,005,743)</b>	<b>(959,569)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic loss (cents per share)	25	(2.4)	(1.2)
Diluted loss (cents per share)	25	(2.4)	(1.2)

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

## Balance sheet as at 30 June 2011

	Note	Consolidated	
		2011 \$	2010 \$
<b>Current assets</b>			
Cash and cash equivalents	8	4,672,118	6,019,452
Trade and other receivables	9	477,312	142,910
<b>Total current assets</b>		<b>5,149,430</b>	<b>6,162,362</b>
<b>Non-current assets</b>			
Other receivables	9	2,000	4,700
Exploration expenditure	10	19,640,410	18,042,867
Exploration bonds	10	35,752	40,754
Property, plant and equipment	11	494,293	636,302
<b>Total non-current assets</b>		<b>20,172,455</b>	<b>18,724,623</b>
<b>Total assets</b>		<b>25,321,885</b>	<b>24,866,985</b>
<b>Current liabilities</b>			
Trade and other payables	13	335,533	579,696
Current tax liability		-	-
Provisions	14	366,333	283,646
<b>Total current liabilities</b>		<b>701,866</b>	<b>863,342</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	-	334,107
Provisions	14	27,468	7,841
<b>Total non-current liabilities</b>		<b>27,468</b>	<b>341,948</b>
<b>Total liabilities</b>		<b>729,334</b>	<b>1,205,290</b>
<b>Net assets</b>		<b>24,592,551</b>	<b>23,681,695</b>
<b>Equity</b>			
Issued capital	16	19,214,080	16,297,481
Reserves	17	362,035	362,035
Retained earnings	17	5,016,436	7,022,179
<b>Total Equity attributable to equity holders of the Company</b>		<b>24,592,551</b>	<b>23,681,695</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 2011

Consolidated	Fully paid ordinary shares \$	Equity settled employee benefits reserve \$	Retained earnings \$	Total attributable to equity holders of the Company \$
<b>Balance at 1 July 2009</b>	16,297,481	371,170	7,981,748	24,650,399
(loss) for year	-	-	(959,569)	(959,569)
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss)/income</b>	-	-	<b>(959,569)</b>	<b>(959,569)</b>
Recognition of share-based payments (note 17)	-	(9,315)	-	(9,315)
<b>Balance at 30 June 2010</b>	<b>16,297,481</b>	<b>362,035</b>	<b>7,022,179</b>	<b>23,681,695</b>
<b>Balance at 1 July 2010</b>	<b>16,297,481</b>	<b>362,035</b>	<b>7,022,179</b>	<b>23,681,695</b>
(loss) for year	-	-	(2,005,743)	(2,005,743)
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss)/income</b>	-	-	<b>(2,005,743)</b>	<b>(2,005,743)</b>
Issue of shares, net of transactions costs and tax (note 16)	2,916,599	-	-	2,916,599
<b>Balance at 30 June 2011</b>	<b>19,214,080</b>	<b>362,035</b>	<b>5,016,436</b>	<b>24,592,551</b>

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

**Statement of Cash Flows  
for the financial year ended 30 June 2011**

	Note	Consolidated	
		2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(1,626,802)	(1,753,433)
Receipts in the course of business (inclusive of GST)		40,913	153,162
Interest and other costs of finance paid		-	-
Income taxes paid		-	-
<b>Net cash (used in) operating activities</b>	24	<b>(1,585,889)</b>	<b>(1,600,270)</b>
<b>Cash flows from investing activities</b>			
Interest received		490,105	362,804
Payment for exploration activities		(3,094,655)	(4,975,946)
Payments for property, plant and equipment		(73,493)	(146,983)
<b>Net cash (used in) investing activities</b>		<b>(2,678,043)</b>	<b>(4,760,125)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		2,916,599	-
Dividends paid		-	-
<b>Net cash provided by financing activities</b>		<b>2,916,599</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,347,333)</b>	<b>(6,360,395)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>6,019,452</b>	<b>12,379,847</b>
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>4,672,119</b>	<b>6,019,452</b>

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

## Note 1. General information

This financial report covers the consolidated financial statements for the consolidated entity consisting of PepinNini Minerals Limited (the “Company” or “Parent”) and its subsidiaries (the “Group” or the “consolidated entity”).

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

### Principal and Registered office:

96 Babbage Road  
ROSEVILLE CHASE NSW 2069  
☎: +61 (0)2 9417 6212  
☎: +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  
☎: +61 (0)8 9246 4829  
☎: +61 (0)8 9246 4829

### Exploration office SA:

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

### Operations office:

Level 1, 76 Waymouth Street  
ADELAIDE SA 5000  
☎: +61 (0)8 8218 5000  
☎: +61 (0)8 8218 5717  
Email : [admin@pnn-adelaide.com.au](mailto:admin@pnn-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 8<sup>th</sup> September 2011. The Group has the power to amend and reissue the financial report.

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

## Note 2 Significant accounting policies

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

### Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

#### *Compliance with IFRS*

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

#### *Reclassification*

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

## **Note 2 Significant accounting policies (continued)**

### *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. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

### **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.

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

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

#### *(ii) Joint ventures*

Interests in joint operations in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with the other venturers) and the Group's share of expenses incurred by or in respect of each joint venture. Further details of the joint venture are set out in note 23.

#### *(iii) Associates*

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

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

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.

## Note 2 Significant accounting policies (continued)

### 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.

#### (b) Government grants

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

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

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

#### (c) Income tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**Note 2 Significant accounting policies (continued)**

**(c) Income tax (continued)**

*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 (f).

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

**(d) Impairment of assets**

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

**(e) Cash and cash equivalents**

For 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.

## **Note 2 Significant accounting policies (continued)**

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

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

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

- (i) the rights of tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - a. the exploration and evaluation expenditures are expected to be recouped through successful development and 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.

### **(h) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits 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 statement of comprehensive income during the reporting period in which they are incurred.

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

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

Depreciation for assets used in exploration activities are capitalised rather than being expensed. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**Note 2 Significant accounting policies (continued)**

**(h) Plant and equipment (continued)**

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 statement of comprehensive income.

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

**(i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(j) 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 statement of comprehensive income 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.

**(k) 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.

**Note 2 Significant accounting policies (continued)**

**(l) 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.

**(m) 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.

**(n) 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.

**(o) Share-based payments**

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

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

**Note 2 Significant accounting policies (continued)**

**(p) 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.

**(q) Foreign currency translation**

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

*(iii) Group companies*

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

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

**(r) 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.

**(s) Leases**

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

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

**Note 2 Significant accounting policies (continued)**

**(t) Parent entity information**

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

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

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

*(ii) Tax consolidation legislation*

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

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

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

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

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

## Note 2 Significant accounting policies (continued)

### (u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The group has not yet decided when to adopt AASB 9.

*Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. It is not expected that there will be significant impact on or amendment of the related party disclosures currently presented.

*AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. PepinNini Minerals Ltd is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

*AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual periods beginning on or after 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 July 2010. The group is still assessing the implications of the improvements to Australian Accounting Standards but does not expect any major changes resulting from the revised rules.

*AASB 10 Consolidated Financial Statements, replacing parts of IAS 27 Consolidated Financial Statements that deal with accounting for consolidated financial statements, and SIC-12 Consolidation for Special Purpose Entities* (effective for annual periods beginning after 1 January 2013)

The group will apply the new standard 1 July 2013. The new control module broadened the situations of control, and provided specific guidance when acting as a manager may give control, including the impact of potential voting rights when holding less than a majority voting rights may give control. The group is still assessing the implications of AASB 10.

*AASB 11 Joint Arrangements* replacing IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures* (effective for annual periods beginning after 1 January 2013).

The group will apply the new standard 1 July 2013; AASB 11 uses the principle of control in AASB 10 in defining joint control. AASB also removes the option to account for jointly controlled entities using proportionate consolidation. The group is still assessing the implications of AASB 11.

*AASB 12 Disclosures of Interests in Other Entities* (effective for annual periods beginning after 1 January 2013)

AASB 12 provides guidance over all of the disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structures entities. The new disclosures relate to the judgements made by management in determining whether control over another entity exists. The group are still assessing the implications of AASB 12, and will apply the new standard 1 July 2013.

*AASB 13 Fair Value Measurement* (effective for annual periods beginning after 1 January 2013)

AASB 13 provides guidance on how to determine the fair value for assets and liabilities under AASB. IFRS 13 will also expand on the disclosure requirements for all assets and liabilities carried at fair value. The group are still assessing the implications of AASB 13, and will apply the new standard 1 July 2013.

**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.

**Note 4 Financial risk management**

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis of interest rate, foreign exchange and other price risks.

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

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	4,672,118	6,019,452
Trade and other receivables	479,312	147,610
	<b>5,151,430</b>	<b>6,167,062</b>
<b>Financial liabilities</b>		
Trade and other payables	(335,533)	(579,696)
	<b>(335,533)</b>	<b>(579,696)</b>

**(a) Market risk**

*(i) Commodity Price risk*

Financial assets and liabilities held by the group are not subject to commodity price exposure for either the 30 June 2011 and 30 June 2010 financial years.

**Note 4 Financial risk management (continued)**

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

As at 30 June 2011 and 30 June 2010, 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 2011:

Consolidated	30 June 2011		30 June 2010	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash	3.00	135,881	3.00	206,784
At call deposits	5.50	1,014,000	5.00	1,784,626
Term deposits	5.89	3,522,237	5.40	4,028,042
Trade and other receivables	N/A	479,312	N/A	147,610
<b>Total financial assets</b>		<b>5,151,430</b>		<b>6,167,062</b>
Trade creditors	N/A	(335,533)	N/A	(579,696)
<b>Total financial liabilities</b>		<b>(335,533)</b>		<b>(579,696)</b>

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

Sensitivity analysis – interest rates

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

*Group sensitivity*

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

Consolidated	Interest rate risk				
	+ 1.0%		- 1.0%		
	30 June 2011	Carrying amount	Post Tax Profit	Other Equity	Post Tax Profit
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash	135,881	951	-	(951)	-
At call deposits	1,014,000	7,098	-	(7,098)	-
Term deposits	3,522,237	-	-	-	-
Trade and other receivables	479,312	-	-	-	-
<b>Financial liabilities</b>					
Trade payables and other payables	(335,533)	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>8,049</b>	<b>-</b>	<b>(8,049)</b>	<b>-</b>

**Note 4 Financial risk management (continued)**

<b>Consolidated</b>	Interest rate risk					
	<b>30 June 2010</b>	- 1.0%		+ 1.0%		
		Carrying amount	Post Tax Profit	Other Equity	Post Tax Profit	Other Equity
		\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash	206,784	14,475	-	(14,475)	-	
At call deposits	1,784,626	12,493	-	(12,493)	-	
Term deposits	4,028,042	-	-	-	-	
Trade and other receivables	147,610	-	-	-	-	
<b>Financial liabilities</b>						
Trade payables and other payables	(579,696)					
<b>Total increase/ (decrease)</b>		<b>26,968</b>		<b>(26,968)</b>		

*(iii) Foreign exchange risk*

As at 30 June 2011 and 30 June 2010, the Company had no exposure to foreign currency. As a result financial assets and financial liabilities outstanding as at balance date are not sensitive to changes in exchange rates.

**Note 4 Financial risk management (continued)**

**(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	
	2011	2010
	\$	\$
<b>Cash and cash equivalents</b>		
Minimum rating of "A"	4,672,118	6,019,452
	<b>4,672,118</b>	<b>6,019,452</b>
<b>Trade receivables</b>		
Counterparties without external credit rating	479,312	147,610
<b>Total trade receivables</b>	<b>479,312</b>	<b>147,610</b>

**(c) Liquidity risk**

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

*Maturities of financial liabilities*

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

Group – At 30 June 2011	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	(335,533)	-	-	-	-	(335,533)	(335,533)
<b>Total</b>	<b>(335,533)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(335,533)</b>	<b>(335,533)</b>

**Note 4 Financial risk management (continued)**

Group – At 30 June 2010	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	(579,696)	-	-	-	-	-	(579,696)
<b>Total</b>	(579,696)	-	-	-	-	-	(579,696)

**(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.

**Note 5 Revenue**

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

	Consolidated	
	2011 \$	2010 \$
<b>Interest revenue:</b>		
Bank deposits	471,057	363,065
	<b>471,057</b>	<b>363,065</b>
<b>Other revenue:</b>		
Other revenue	401,365	91,921
	<b>401,365</b>	<b>91,921</b>
	<b>872,422</b>	<b>454,986</b>

**Note 6 Expenses**

	Consolidated	
	2011 \$	2010 \$
<b>Loss before income tax includes the following specific expenses:</b>		
<i>Depreciation (a)</i>		
Exploration field equipment	1,026	-
Drilling equipment	-	-
Office computer equipment	16,221	10,794
Field vehicles	-	-
Office equipment	356	11,048
<b>Total depreciation expensed</b>	<b>17,603</b>	<b>21,842</b>
Depreciation capitalised (a)	197,899	258,028
<b>Total depreciation</b>	<b>215,502</b>	<b>279,870</b>
<i>Salary &amp; Employment costs</i>		
Salaries & wages	471,583	369,573
On costs	153,227	106,035
Employee options expense	-	(9,135)
Defined contribution superannuation expense	42,156	32,025
	<b>666,966</b>	<b>498,497</b>
<i>Finance Costs</i>		
Interest on borrowings	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>
<i>Operating lease</i>		
Rental expense relating to operating lease	180,704	125,557

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

**Note 7 Income tax expense**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Income tax expense / (benefit)</b>		
Current tax (benefit) / expense	-	(218,253)
Deferred tax (benefit) / expense	<b>(253,363)</b>	(102,065)
Adjustment of tax of prior periods	<b>(331,723)</b>	143,932
	<b>(585,086)</b>	<b>(176,386)</b>
Income tax expense / (benefit) is attributable to:		
Loss from continuing operations	<b>(585,086)</b>	(176,386)
Loss from discontinued operations	-	-
Aggregate income tax expense / (benefit)	<b>(585,086)</b>	<b>(176,386)</b>
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	<b>(546,430)</b>	(1,558,206)
(Decrease) increase in deferred tax liabilities (note 15)	<b>293,067</b>	1,456,141
	<b>(253,363)</b>	<b>(102,065)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	<b>(2,590,829)</b>	<b>(1,135,955)</b>
Tax at the Australian tax rate of 30% (2010 - 30%)	<b>(777,249)</b>	(340,786)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee options expense	-	(2,741)
Non deductible expense	<b>0</b>	23,209
Adjustment of priors period tax	<b>(10,820)</b>	143,932
R&D Concession Benefit Received	<b>(180,588)</b>	-
Deferred tax assets not recognised as not probable	<b>383,571</b>	-
Income tax (benefit) / expense	<b>(585,086)</b>	<b>(176,386)</b>
<b>(c) Amounts recognised directly in equity</b>		
Net deferred tax – credited directly to equity (note 16)	80,744	-
	<b>80,744</b>	-

**Note 7 Income tax expense (continued)**

**(d) Tax losses**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Unused tax losses for which no deferred tax asset has been recognised	<b>1,278,570</b>	-
Potential tax benefit @ 30%	<b>383,571</b>	-

**(e) Unrecognised temporary differences**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Temporary differences relating to impairment of investments for which deferred tax assets have not been recognised	5,510,265	5,510,265
Potential tax benefit @ 30%	<b>1,653,194</b>	<b>1,653,194</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	
	2011 \$	2010 \$
Cash and cash equivalents	4,659,769	6,011,032
Cash on hand	12,349	8,420
	<b>4,672,118</b>	<b>6,019,452</b>

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

Included in cash and cash equivalents is \$63,447 (2010: \$138,208) of cash held by the PepinNini Sinosteel Curnamona joint venture which is only available for expenditure on the joint venture project.

**Note 9 Trade and other receivables**

	Consolidated	
	2011 \$	2010 \$
<b>Current</b>		
Trade receivables	412,637	83,032
Sundry debtors	60,739	112,917
Allowance for doubtful debts	-	(59,643)
	473,376	136,306
Goods and services tax recoverable	3,936	6,604
<b>Trade and other receivables</b>	<b>477,312</b>	<b>142,910</b>
<b>Non-Current</b>		
Refundable bond	2,000	4,700
<b>Other receivables</b>	<b>2,000</b>	<b>4,700</b>
	<b>479,312</b>	<b>147,610</b>

**(a) Impaired trade receivables**

There are no other receivables impaired at 30 June 2011 (2010:\$59,643).

	2011 \$	2010 \$
At 1 July	59,643	59,643
Receivables written off during the year	(59,643)	-
At 30 June	-	59,643

**(b) Past due but not impaired**

As at 30 June 2011, no trade receivables were past due but not impaired (2010 – 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.

**Note 10 Capitalised exploration expenditure, resource / exploration potential, environmental bonds and mining information, agreements and data**

	Consolidated	
	2011 \$	2010 \$
<b>Exploration expenditure</b>		
Non-current:		
Balance at the beginning of the year	18,042,867	13,024,586
Exploration expenditure capitalised	3,297,554	5,224,872
Transfer of tenements to subsidiaries	-	-
Impairment of exploration assets (i)	(1,700,011)	(206,591)
Amounts derecognised due to deconsolidation of subsidiary	-	-
<b>Balance at the end of the year</b>	<b>19,640,410</b>	<b>18,042,867</b>
<b>Environmental bonds</b>		
Non-current:		
Balance at the beginning of the year	40,754	43,254
Amounts capitalised	-	-
Bonds released during year	(5,002)	(2,500)
Amounts derecognised due to deconsolidation of subsidiary	-	-
<b>Balance at the end of the year</b>	<b>35,752</b>	<b>40,754</b>
<b>Resource / exploration potential</b>		
Non-current:		
Balance at the beginning of the year	-	-
Amounts capitalised through acquisition of subsidiary	-	-
Amounts derecognised due deconsolidation of subsidiary	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<b>Mining information, agreements and data</b>		
Non-current:		
Balance at the beginning of the year	-	-
Amounts capitalised through acquisition of subsidiary	-	-
Amounts derecognised due to deconsolidation of subsidiary	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**(i) Impairment of exploration assets**

The impairment loss relates to certain Queensland tenements, which were surrendered during the year.

**Note 11 Property, plant and equipment**

	<b>Consolidated</b>					<b>Total</b>
	<b>Drilling Equipment</b>	<b>Field Vehicles</b>	<b>Field Equipment</b>	<b>Computer equipment</b>	<b>Office Equipment</b>	
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2009</b>						
Cost	862,253	293,793	264,283	90,714	30,699	1,541,742
Accumulated depreciation and impairment	(457,903)	(156,192)	(114,195)	(42,021)	(13,846)	(784,157)
Net book amount	<u>404,350</u>	<u>137,601</u>	<u>150,088</u>	<u>48,693</u>	<u>16,853</u>	<u>757,585</u>
<b>Year ended 30 June 2010</b>						
Opening net book amount	404,350	137,601	150,088	48,693	16,853	757,585
Additions	10,362	111,271	1,136	20,645	15,173	158,587
Depreciation charge	(123,915)	(71,653)	(45,981)	(27,273)	(11,048)	(279,870)
Closing net book amount	<u>290,797</u>	<u>177,219</u>	<u>105,243</u>	<u>42,065</u>	<u>20,978</u>	<u>636,302</u>
<b>At 30 June 2010</b>						
Cost	872,614	405,062	266,074	101,628	42,119	1,687,497
Accumulated depreciation	(581,817)	(227,843)	(160,831)	(59,563)	(21,141)	(1,051,195)
Net book amount	<u>290,797</u>	<u>177,219</u>	<u>105,243</u>	<u>42,065</u>	<u>20,978</u>	<u>636,302</u>
<b>Year ended 30 June 2011</b>						
Opening net book amount	290,797	177,219	105,243	42,065	20,978	636,302
Additions	-	6,188	1,273	46,090	19,942	73,493
Depreciation charge	(89,433)	(54,583)	(31,883)	(23,382)	(16,221)	(215,502)
Closing net book amount	<u>201,364</u>	<u>128,824</u>	<u>74,633</u>	<u>64,773</u>	<u>24,699</u>	<u>494,293</u>
<b>At 30 June 2011</b>						
Cost	872,614	411,250	267,347	147,718	62,061	1,760,991
Accumulated depreciation	(671,250)	(282,426)	(192,714)	(82,945)	(37,362)	(1,266,697)
Net book amount	<u>201,364</u>	<u>128,824</u>	<u>74,633</u>	<u>64,773</u>	<u>24,699</u>	<u>494,293</u>

## Note 12 Investments in subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2011 %	2010 %
PepinNini Resources Pty Ltd <sup>^</sup>	Australia	100	100
PepinNini Resources Curnamona Pty Ltd*	Australia	100	100
PepinNini Robinson Range Pty Ltd*	Australia	100	100
PepinNini Minerals International Pty Ltd*	Australia	100	NA
PepinNini Sociedad Anonima #	Argentine Republic	100	NA

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

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

# Registration of foreign Subsidiary PepinNini Sociedad Anonima was completed in Buenos Aires, Argentine Republic on 13 December 2010 and confirmed by the Argentine Ministry of Justice, Security and Human Rights.

<sup>^</sup>Name change 26 July 2011 to NiCul Minerals Pty Ltd

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

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

## Note 13 Trade and other payables

	Consolidated	
	2011 \$	2010 \$
Trade payables (i)	275,108	563,548
Sundry creditors and accruals	60,425	16,148
	<b>335,533</b>	<b>579,696</b>

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

### (a) Risk exposure

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

## Note 14 Provisions

	Consolidated	
	2011 \$	2010 \$
Current - Employee benefits	366,333	283,646
Non Current - Employee benefits	27,468	7,841
	<b>393,801</b>	<b>291,487</b>

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

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

**Note 15 Non-current liabilities – deferred tax liabilities / (assets)**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>The net deferred tax liability comprises temporary differences attributable to:</b>		
<i>Deferred tax assets:</i>		
Fundraising costs	<b>(100,308)</b>	(103,247)
Provisions and accruals	<b>(119,425)</b>	(87,446)
Unused tax losses	<b>(6,060,673)</b>	(5,078,968)
Impairment of investment	<b>(1,653,194)</b>	(1,653,194)
Timing differences for which no deferred tax assets have been recognised	<b>2,036,765</b>	1,653,194
Deferred tax assets:	<b>(5,896,835)</b>	(5,269,661)
<i>Deferred tax liabilities</i>		
Property, plant and equipment	<b>148,288</b>	190,908
Exploration expenditure, Resource exploration / potential, Mining information	<b>5,748,547</b>	5,412,860
	<b>5,896,835</b>	5,603,768
<b>Total net deferred tax liabilities</b>	<b>-</b>	<b>334,107</b>
<b>Movements - Consolidated</b>		<b>Total</b>
<b>At 1 July 2009</b>		436,172
Charged/(credited) to the statement of comprehensive income		(102,065)
Charged directly to equity		-
<b>At 30 June 2010</b>		<b>334,107</b>
Charged/(credited) to the statement of comprehensive income		(253,363)
Charged directly to equity		(80,744)
<b>At 30 June 2011</b>		<b>-</b>

**Note 16 Issued and paid up capital**

**(a) Share capital:**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
89,702,499 (2010:78,202,499) fully paid ordinary shares	19,214,080	16,297,481
	<b>19,214,080</b>	<b>16,297,481</b>

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

**(b) Movements in share capital:**

	<b>2011</b>		<b>2010</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	78,202,499	16,297,481	78,202,499	16,297,481
Issue of shares #	11,500,000	3,105,000	-	-
Share issue costs		(269,145)	-	-
Tax effect on issue costs		80,744	-	-
<i>Subtotal</i>	<b>11,500,000</b>	<b>2,916,599</b>	-	-
<b>Balance at end of financial year</b>	<b>89,702,499</b>	<b>19,214,080</b>	<b>78,202,499</b>	<b>16,297,481</b>

# In February 2011, 11.5 million PepinNini Minerals Limited ordinary shares were issued at a price of 27cents per share to raise \$2,916,599 in capital. This represented a total of 14.7% of total ordinary shares, and therefore did not require shareholder approval.

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

During the 2011 and 2010 year, there were no exercises of 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. During the year, PepinNini Minerals Limited issued no share options (2010: \$nil) over ordinary shares under its executive share option plan. For further details on share options issued under the executive share option plan, refer to note 19.

**(d) Capital risk management**

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

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

**Note 17 Reserves and retained earnings**

**(a) Reserves**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Equity-settled employee benefits (i)	362,035	362,035
	<b>362,035</b>	<b>362,035</b>

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

**(b) Retained earnings**

Movements in retained earnings were as follows:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	7,022,179	7,981,748
Net (loss) / profit attributable to members of the Company	<b>(2,005,743)</b>	(959,569)
Dividends provided for or paid (note 18)	-	-
Balance at end of financial year	<b>5,016,436</b>	<b>7,022,179</b>

**Note 18 Dividends**

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
No dividends have been paid for the year ended 30 June 2011 or 30 June 2010	-	-
	-	-

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

**Franked dividends**

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	5,472,450	5,472,450
	<b>5,472,450</b>	<b>5,472,450</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 19 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 (resigned 15 August 2011)
- Christopher Lambert – Director

**(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:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
Philip Clifford	Exploration Consultant	PepinNini Minerals Limited
Lachlan Rutherford (ceased employment on 30 April 2011)	Exploration Manager – Musgrave Project	PepinNini Minerals Limited
Colin Skidmore	Exploration Manager – Uranium and New Projects	PepinNini Minerals Limited
Nicola Khouri (effective 1 June 2011)	General Manager	PepinNini Minerals Limited

**Note 19 Key management personnel compensation (continued)**

**(c) Key management personnel compensation**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	958,699	867,988
Post-employment benefits	80,297	71,636
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	(9,472)
	<b>1,038,996</b>	<b>930,152</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 26.

*(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:

2011 Name	Balance at start of the year (#)	Granted as compensation (#)	Exercised (#)	Other changes (#)	Balance at end of the year (#)	Vested and exercisable (#)	Unvested (#)
<i>Directors of PepinNini Minerals Limited</i>							
Norman Kennedy	-	-	-	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Albert Harris	-	-	-	-	-	-	-
Christopher Lambert	500,000	-	-	(500,000)	-	-	-
<i>Other key management personnel of the Group</i>							
Philip Clifford	-	-	-	-	-	-	-
Lachlan Rutherford Requested Options cancelled as per remuneration report(E)	100,000	-	-	(100,000)	-	-	-
Colin Skidmore	-	-	-	-	-	-	-
Nicola Khouri	-	-	-	-	-	-	-

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

**Note 19 Key management personnel compensation (continued)**

2010 Name	Balance at start of the year (#)	Granted as compensation (#)	Exercised (#)	Other changes (#)	Balance at end of the year (#)	Vested and exercisable (#)	Unvested (#)
<i>Directors of PepinNini Minerals Limited</i>							
Norman Kennedy	-	-	-	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Albert Harris	-	-	-	-	-	-	-
Christopher Lambert	500,000	-	-	-	500,000	500,000	-
<i>Other key management personnel of the Group</i>							
Philip Clifford	-	-	-	-	-	-	-
Lachlan Rutherford Requested Options cancelled as per remuneration report(E)	700,000	-	-	(600,000)	100,000	-	-
Gary Ferris Terminated Aug 2009	600,000	-	-	(600,000)	-	-	-
Colin Skidmore	-	-	-	-	-	-	-

(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.

2011 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 #
<i>Directors of PepinNini Minerals Limited</i>				
<b>Ordinary shares</b>				
Norman Kennedy	9,515,000	-	165,000	9,680,000
Rebecca Holland-Kennedy	9,515,000	-	472,805	9,987,805
Albert Harris	829,334	-	(80,000)	749,334
Christopher Lambert	-	-	-	-
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
Philip Clifford	1,286,825	-	(85,025)	1,201,800
Lachlan Rutherford	-	-	-	-
Colin Skidmore	-	-	-	-
Nicola Khouri	982,000	-	-	982,000

**Note 19 Key management personnel compensation (continued)**

2010 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><i>Directors of PepinNini Minerals Limited</i></b>				
<b>Ordinary shares</b>				
Norman Kennedy	9,515,000	-	-	9,515,000
Rebecca Holland-Kennedy	9,515,000	-	-	9,515,000
Albert Harris	889,334	-	(60,000)	829,334
Christopher Lambert	-	-	-	-
<b><i>Other key management personnel of the Group</i></b>				
<b>Ordinary shares</b>				
Philip Clifford	1,286,825	-	-	1,286,825
Lachlan Rutherford	-	-	-	-
Gary Ferris	-	-	-	-
Colin Skidmore	-	-	-	-

**(e) Other transactions with key management personnel**

There were no other transactions with key management personnel.

**Note 20 Remuneration of auditors**

	<b>Consolidated</b>	
	<b>2011 \$</b>	<b>2010 \$</b>
<b>Auditor of the parent entity</b>		
Ernst & Young audit and review of the financial reports	46,000	40,000
Ernst & Young other assurance services	4,500	6,458
	<b>50,500</b>	<b>46,458</b>

**Note 21 Commitments for expenditure**

	Consolidated	
	2011 \$	2010 \$
<b>Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	1,300,433	2,471,556
Longer than 1 year and not longer than 5 years	294,583	3,775,250
Longer than 5 years	-	-
	<b>1,595,016</b>	<b>6,246,806</b>
<i>Plant and equipment, payable:</i>		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-
<i>Operating lease commitments:</i>		
Not longer than 1 year	146,026	139,448
Longer than 1 year and not longer than 5 years	480,230	626,000
Longer than 5 years	-	-
	<b>626,256</b>	<b>765,448</b>
<i>Other commitments, payable:</i>		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

**Note 22 Related party transactions**

**(a) Subsidiaries**

Interests in subsidiaries are set out in note 12.

**(b) Key management personnel**

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

**(c) Transactions with related parties**

During the year, PepinNini Minerals Limited also received \$85,514 (2010: \$90,737) in rent and reimbursement of expenses from Arckaringa Energy Pty Ltd.

As at 30 June 2011, 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 625,528 shares.

During the year ended 30 June 2011 PepinNini Minerals Limited received no dividends from PepinNini Resources Curnamona Pty Ltd (2010: \$nil).

**(d) Terms and conditions**

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

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

Outstanding balances are unsecured and are repayable in cash.

## Note 23 Interests in joint ventures

The Group is a venturer in the following joint ventures:

Name of venture	Resident	Principal activity	Output interest	
			2010 %	2009 %
Uranium Resources and Mineral Resources Joint venture(JV01)	Australia	Management and operation of development of Crocker Well And Mt Victoria(SA) uranium deposits and exploration for other commodities	40%	40%
Robinson Range Iron Ore Joint Venture (JV03)*	Australia	Management and operation of development of iron ore in three tenements in the Robinson Range region(WA)	50%	-
Jackson Iron Ore Joint Venture (JV04)*	Australia	Management and operation of development of iron ore in four tenements in the Robinson Range region(WA)	40%	-

\* During the year ended 30 June 2011, PepinNini finalised two joint venture agreements to explore and develop the iron ore potential of seven tenements covering approximately 700km<sup>2</sup> in the Midwest region of WA. The joint venture agreements give effect to a heads of agreement signed in December 2007 and are essentially on the same terms and conditions contained within that agreement. PepinNini will hold 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. PepinNini will manage exploration on behalf of the joint venture partners through PepinNini Robinson Range Pty Ltd.

During the year the Group was subject to cash calls of \$202,567 (2010: \$nil) in accordance with the joint venture agreement.

### Uranium Resource and Mineral Resources Joint Venture

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

During the year the Group was subject to cash calls of \$nil (2010: \$1,366,920) in accordance with the joint venture agreement.

### Uranium Resource and Mineral Resources Joint Venture assets recognised in the consolidated financial statements

	Year ended 30 Jun 2011	Year ended 30 Jun 2010
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	63,447	138,208
Trade and other receivables	4,025	-
<b>Total current assets</b>	<b>67,472</b>	<b>138,208</b>
<b>Non-current assets</b>		
Other receivables	2,000	2,000
Exploration expenditure	4,848,257	4,848,251
Exploration bonds	10,255	10,255
Plant and equipment	4,800	6,937
<b>Total non-current assets</b>	<b>4,865,312</b>	<b>4,867,443</b>
<b>Total assets</b>	<b>4,932,784</b>	<b>5,005,651</b>
<b>Current liabilities</b>		
Trade and other payables	47,673	155,631
Provisions	11,554	11,495
<b>Total current liabilities</b>	<b>59,227</b>	<b>167,126</b>
<b>Total Liabilities</b>	<b>59,227</b>	<b>167,126</b>
<b>Net assets</b>	<b>4,873,557</b>	<b>4,838,525</b>

**Note 23 Interests in joint ventures (continued)**

**Robinson Range Iron Ore Joint Ventures**

During the half year PepinNini was subject to cash calls of \$161,974 for the Robinson Range Iron Ore (JV03) and Jackson Iron Ore(JV04) joint ventures in accordance with the joint venture agreements. Robinson Range Iron Ore (JV03) and Jackson Iron Ore(JV04) joint venture assets recognised in the consolidated financial statements are summarised in the table following:

<b>Robinson Range Iron Ore(JV03) and Jackson Iron Ore(JV04) joint venture assets recognised in the consolidated financial statements</b>	<b>Year ended 30 Jun 2011</b>
	<b>\$</b>
<b>Current assets</b>	
Cash and cash equivalents	113,680
Trade and other receivables	53,099
<b>Total current assets</b>	<b>166,779</b>
<b>Non-current assets</b>	
Exploration expenditure	67,171
<b>Total non-current assets</b>	<b>67,171</b>
<b>Total assets</b>	<b>233,950</b>
<b>Current liabilities</b>	
Trade and other payables	(32,100)
<b>Total current liabilities</b>	<b>(32,100)</b>
<b>Total Liabilities</b>	<b>(32,100)</b>
<b>Net assets</b>	<b>201,850</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 Joint Ventures, which are included within the consolidated figures.

	<b>Year ended 30 Jun 2011</b>	<b>Year ended 30 Jun 2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	71,058	405,000
Longer than 1 year and not longer than 5 years	0	350,000
Longer than 5 years	-	-
	<b>71,058</b>	<b>755,000</b>

**Note 24 Reconciliation of loss after income tax to net cash outflow from operating activities and non-cash activities**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(2,005,743)	(959,569)
<i>Non-cash items</i>		
Depreciation expensed	17,603	21,842
Non-cash employee benefits expense – share-based payments	-	(9,135)
Impairment of exploration assets	1,700,011	206,591
<i>Items not classified as operating</i>		
Interest income	(471,057)	(363,065)
<i>Changes in net assets and liabilities</i>		
(Increase) / decrease in assets:		
Trade and other receivables	(364,172)	63,241
Increase / (decrease) in liabilities:		
Trade and other payables	(234,609)	(489,596)
Deferred tax liability	(334,107)	(102,065)
Current tax liability	-	(52,868)
Provisions	106,181	84,354
<b>Net cash outflow from operating activities</b>	<b>(1,585,889)</b>	<b>(1,600,270)</b>

**Note 25 Earnings per share**

	Consolidated	
	2011 Cents	2010 Cents
<b>(a) Basic earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company	(2.4)	(1.2)
Loss from discontinued operation	-	-
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>	<b>(2.4)</b>	<b>(1.2)</b>

<b>(b) Diluted earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company	(2.4)	(1.2)
Loss from discontinued operation	-	-
<b>Total diluted earnings per share attributable to the ordinary equity holders of the company</b>	<b>(2.4)</b>	<b>(1.2)</b>

**(c) Reconciliations of earnings used in calculating earnings per share**

	Consolidated	
	2011 Cents	2010 Cents
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
from continuing operations	(2,005,743)	(959,569)
	<b>(2,005,743)</b>	<b>(959,569)</b>

<i>Diluted earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company		
used in calculating basic earnings per share	(2,005,743)	(959,570)
adjustments made to earnings	-	-
used in calculating diluted earnings per share	(2,005,743)	(959,570)
Loss from discontinued operation	-	-
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>(2,005,743)</b>	<b>(959,570)</b>

**(d) Weighted average number of shares used as the denominator**

	Consolidated	
	2011 Number	2010 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	82,994,166	78,202,499
Adjustments for calculation of diluted earnings per share:		
Options	-	1,200,000
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>82,994,166</b>	<b>79,402,499</b>

(1) Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the 2011 and 2010 financial year

## Note 26 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/Expired 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 – 2011</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)	-	-
21/02/2008	31/01/2011	\$2.30	200,000	-	-	(200,000)	-	-
04/12/2008	31/12/2011	\$0.35	100,000	-	-	(100,000)	-	-
			1,200,000	-	-	(1,200,000)	-	-
Weighted average exercise price			\$1.50	-	-	-	-	-
<b>Consolidated and company – 2010</b>								
30/11/2007	30/11/2010	\$1.38	500,000	-	-	-	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)	-	-
01/10/2008	01/09/2011	\$1.80	200,000	-	-	(200,000)	-	-
04/12/2008	31/12/2011	\$0.35	100,000	-	-	-	100,000	100,000
			1,800,000	-	-	(600,000)	1,200,000	1,000,000
Weighted average exercise price			\$1.44	-	-	-	\$1.50	\$1.55

No options were exercised during the year ended 30 June 2011 and so the weighted average share price at the date of exercise of options was zero (2010 - \$0).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0 years (2010 – 0.8 years).

**Note 26 Share-based payments (continued)**

*Fair value of options granted*

No options were granted in the 2011 or 2010 financial year.

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

*Expenses arising from share-based payment transactions*

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
Options issued under employee share option plan	-	(9,135)

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

**Note 27 Business and geographical segments**

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision-makers have been identified as the board of directors.

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

**Note 28 Parent entity information**

*(a) Summary financial information*

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

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
<b>Balance sheet</b>		
Current assets	4,813,815	5,133,156
<b>Total assets</b>	<b>31,314,401</b>	<b>31,675,143</b>
Current liabilities	(7,716,576)	(8,525,368)
<b>Total liabilities</b>	<b>(7,743,983)</b>	<b>(8,837,008)</b>
Shareholders equity		
Issued capital	19,214,080	16,297,481
Reserves	362,035	362,035
Share-based payments	-	-
Retained earnings	3,994,303	6,178,618
<b>Total equity</b>	<b>23,570,418</b>	<b>22,838,134</b>
<b>Profit or loss for the year</b>	<b>(2,156,527)</b>	<b>(959,154)</b>
<b>Total comprehensive income</b>	<b>(2,156,527)</b>	<b>(959,154)</b>

*(b) Contingent liabilities of the parent entity*

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

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

As at 30 June 2011, the parent entity had nil contractual commitments for the acquisition of property, plant or equipment (30 June 2010 – nil). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

## 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 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*.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board

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

On behalf of the Directors

Norman Kennedy  
Director



Sydney, 8<sup>th</sup> September 2010

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

### Report on the financial report

We have audited the accompanying financial report of PepinNini Minerals Limited, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

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

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

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

### *Independence*

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

## Opinion

In our opinion:

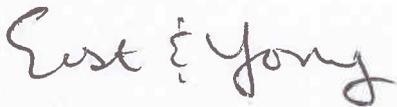
- a. the financial report of PepinNini Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of PepinNini Minerals Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Nigel Stevenson  
Partner  
Adelaide  
8 September 2011

**Additional securities exchange information**

The shareholder information set out below was applicable as at 31 August 2011.

As at 31 August 2011 there were **89,702,499** fully paid ordinary shares held by **1,851** individual shareholders.

All issued ordinary shares carry one vote per share.

**A. Distribution of equity securities**

	Number of holders	Number of shares
1 – 1,000	272	167,391
1,001 – 5,000	634	1,885,110
5,001 – 10,000	326	2,766,729
10,001 – 100,000	502	17,806,543
100,001 and over	117	67,076,726
	<b>1,851</b>	<b>89,702,499</b>
Holding less than a marketable parcel	-	-

**B. Substantial shareholders**

Ordinary shareholders	Fully paid ordinary shares	
	Percentage	Number
Norman Lee Kennedy	10.79%	9,680,000
Rebecca Ann Holland-Kennedy	11.13%	9,987,805
<b>Total</b>	<b>21.92%</b>	<b>19,667,805</b>

**C. Twenty largest holders of quoted equity securities**

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Rebecca Ann Holland-Kennedy	9,987,805	11.13%
Norman Lee Kennedy	9,680,000	10.79%
Sinosteel Australia Pty Ltd	3,300,000	3.68%
Ulgula Pty Ltd<Hutton Super Fund A/C>	3,000,000	3.34%
National Nominees Limited	1,865,065	2.08%
Citicorp Nominees Pty Ltd	1,737,322	1.94%
National Energy Pty Ltd	1,416,279	1.58%
Philip Roger Clifford	1,241,800	1.38%
Eshan Pty Ltd	1,200,000	1.34%
UBS Nominees Pty Ltd	1,159,586	1.29%
JP Morgan Nominees Australia Limited	1,044,883	1.16%
Kalatana Pty Ltd	1,000,000	1.11%
Alexander George William Kennedy	1,000,000	1.11%
Luis Fernando Norman Kennedy	1,000,000	1.11%
Kathryn Yule	1,000,000	1.11%
Nicola Jane Khouri	982,000	1.09%
Virginie Pepin	900,000	1.00%
Mrs Jirachaya Charnchayasuk	750,000	0.84%
ND Birchmore Pty Ltd	731,929	0.82%
Mr William Douglas Goodfellow	700,000	0.78%
<b>Total</b>	<b>43,696,669</b>	<b>48.71%</b>