

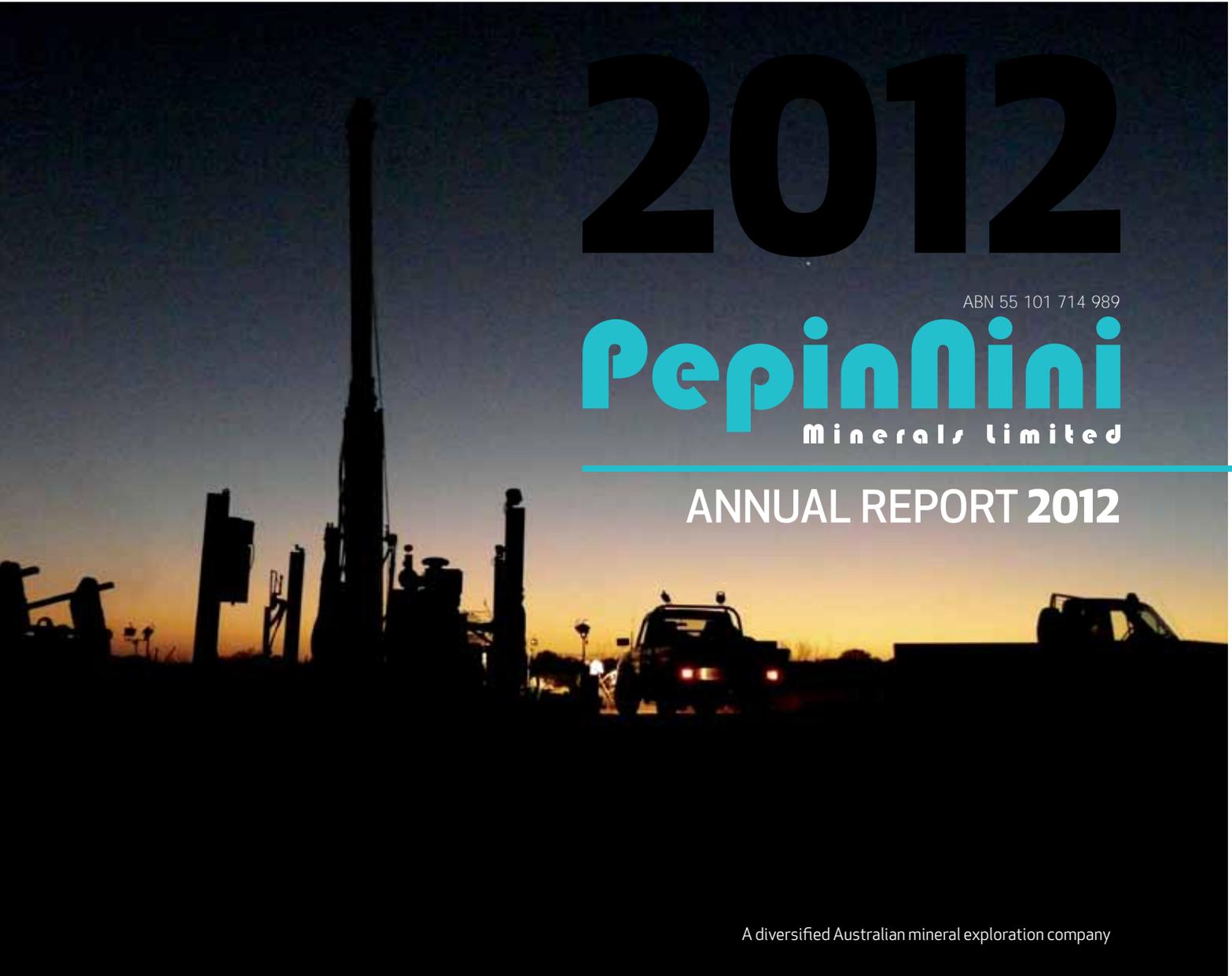


# 2012

ABN 55 101 714 989

**Pepinini**  
Minerals Limited

ANNUAL REPORT 2012



A diversified Australian mineral exploration company



# TABLE OF CONTENTS

## CORPORATE DIRECTORY

Chairman's letter to shareholders	1
2012 highlights	2
Tenement schedule	4
Review of operations	5
Annual financial report	16
Corporate governance statement	17
Directors' report	25
Auditors' independence declaration	38
Statement of comprehensive income	39
Balance sheet	40
Statement of changes in equity	41
Statement of cash flows	42
Notes to the financial statements	43
Directors' declaration	77
Independent auditor's report to members	78
Additional securities exchange information	80

### DIRECTORS

Norman Kennedy  
Rebecca Holland-Kennedy  
Robert (Wei) Sun  
Christopher Lambert

### COMPANY SECRETARY

Rebecca Holland-Kennedy

### REGISTERED OFFICE

PepinNini Minerals Limited  
ABN 55 101 714 989  
96 Babbage Road  
ROSEVILLE CHASE NSW 2069

P: +61 (0)2 9417 6212

F: +61 (0)2 9417 3043

E: [admin@pepinnini.com.au](mailto:admin@pepinnini.com.au)

W: [www.pepinnini.com.au](http://www.pepinnini.com.au)

### PRINCIPAL PLACE OF BUSINESS

Level 1, 76 Waymouth Street,  
ADELAIDE SA 5000

P: +61 (0)8 8218 5000

F: +61 (0)8 8212 5717

E: [admin@pnn-adelaide.com.au](mailto:admin@pnn-adelaide.com.au)

### SHARE REGISTRY

Link Market Services Limited  
Level 12  
680 George Street,  
Sydney NSW 2000

### LEGAL ADVISORS

Finlaysons, Lawyers  
81 Flinders Street  
Adelaide SA 5000

### AUDITOR

Ernst & Young  
121 King William Street,  
Adelaide SA 5000

### ACCOUNTANT

Price Waterhouse Coopers  
91 King William Street  
Adelaide SA 5000



# CHAIRMAN'S LETTER

DEAR SHAREHOLDER,

Despite the prevailing global economic uncertainty of the past year PepinNini has been able to achieve a very active year of exploration which has identified some exciting new targets for us to pursue our mission of rewarding our investors with a major mineral discovery.

The accompanying report summarises our exploration achievements and development over the past year. Of note is the substantial revenue produced by our drilling division undertaking drilling for other explorers. This has been particularly important to the Company considering the current shortage of equity capital available to fund exploration activities. I commend and thank our highly experienced and dedicated drilling team for the professionalism they have displayed in undertaking contract work during the year.

Our decision to undertake aerial electromagnetic (AEM) surveys over some of our Musgrave Province tenements has returned some very encouraging results enabling us to focus on some priority 1 targets with excellent potential for discovery of magmatic nickel copper sulphide deposits. Assistance in the funding of the AEM surveys from the South Australian Government through a \$75,000 PACE 2020 grant is very much appreciated. The completion of an extensive RC drilling program of 98 boreholes at our Robinson Range iron ore project in Western Australia culminating in the release of a maiden JORC compliant resource estimate in December, 2011 followed by a revised estimate in June,

2012 were also very significant achievements by the Company during the year.

The granting on 30th July, 2012 of the Mt Victor EL 4965 in the Curnamona Province of SA to our JV Alliance with Sinosteel Corporation represents a very significant outcome for the Company. The magnetite identified within the Braemar Iron Formation at the Mt Victor Prospect has the potential of becoming a very major asset for the Company. Having visited our Argentinean project in April I am very impressed with the prospectivity for copper, gold and iron ore that is evident in the tenements we have been able to secure in Salta Province.

The results from our exploration work conducted during the past year provide a strong motivation to be enthusiastic about our future exploration prospects. Initially we will be focusing our exploration activities on the potential for magmatic nickel copper sulphide mineralisation we have identified within our Musgrave Province tenements from the recently completed AEM surveys. Investigation of priority 1 targets has already commenced utilising the Company owned field camp, vacuum rig and diamond drilling rig.

The manager of our Joint Venture Alliance with Sinosteel Corporation is currently preparing to undertake an extensive drilling program to investigate the magnetite and DSO iron ore potential identified within our Curnamona Province tenements. As soon as possible we also intend to prioritise the exploration for copper-gold porphyry and base-metal epithermal systems within our Argentinean Project. All exploration will be focused towards our primary objective of rewarding our investors by the discovery of a major new mineral deposit.

I am honoured to be involved in the direction and development of PepinNini Minerals and thank my fellow Directors, management and all of the PepinNini staff for their support, dedication and assistance during the year.

On behalf of the Board of PepinNini and its management I thank all our shareholders for their continued support and loyalty during the past year and look forward to a rewarding year of exploration ahead.



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

# 2012 HIGHLIGHTS



Robinson Range Iron Ore

## ROBINSON RANGE IRON ORE PROJECT WESTERN AUSTRALIA

- + Completion of a reverse circulation drilling program of 5,609 metres in 98 boreholes which investigated potential supergene iron ore resources at eleven prospect areas located amongst the ~40km strike length of Robinson Range Formation identified within the project area.
- + A JORC Resource Estimate was announced for the PNN Area C Prospect on 6th June, 2012 as follows;

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

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

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

## MUSGRAVE PROJECT SOUTH AUSTRALIA

- + Identification of new high priority targets for magmatic nickel copper sulphide mineralisation from aerial electromagnetic surveys flown during March and August 2012. These conductivity targets form a number of discrete "multi-line" clusters which locate favourably to the conceptual geological model by being spatially coincident to interpreted mafic-ultramafic intrusions and feeder dykes.
- + The identification of such distinct strong conductors from both the VTEM survey and SkyTEM<sup>508</sup> survey is very encouraging for the potential discovery of magmatic Ni-Cu sulphide bodies.
- + A total of 421 shallow geochemical vacuum holes were drilled to test basement lithologies on a regional grid pattern and on a tighter grid pattern in areas of anomalous geochemical results within Cooperinna block of EL4587. In addition 6 stratigraphic diamond holes were drilled for a total of 1,426.5m to test targets identified from geochemical, structural and geophysical data. Drilling at the Cooperinna Block has determined that mafic intrusions have attained sulphur saturation evidenced from massive to stringer and disseminated sulphides (primarily pyrrhotite) intersected in the core.



## SOUTH AMERICA



### CURNAMONA PROJECT SOUTH AUSTRALIA

- + Prioritisation of the investigation of significant magnetite potential identified within the tenements held by the Sinosteel PepinNini Joint Venture. Three priority target areas have been identified that 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.
- + Results from a drilling program of 10 RC boreholes completed at the Macdonald Corridor Prospect confirm the potential for a very large magnetite iron ore resource which could be beneficiated to a high grade blast furnace feed product. DTR results from 5 samples submitted to determine initial optimum recovery parameters produced a DTR sample concentrate with low impurities ( $\text{SiO}_2 < 5\%$ ), relatively high mass recovery (average 20%, min 15.72%, max 26.9%) and high Fe content (average 68%, min 66.1% Fe, max 69.9%Fe).
- + Granting of Exploration Licence EL4965 Mt Victor on 30th July, 2012 enabling exploration of the extensive interpreted magnetic units of the Braemar Iron Formation at the Mt Victor Prospect. Geophysical surveys and an extensive drilling program are planned to be undertaken as soon as statutory and heritage clearances are obtained.

### ARGENTINEAN PROJECT

- + Significant assay results (tabulated below) for grab samples collected from a historic mine working confirms potential for high grade copper and gold mineralization within the Argentinean Santa Ines Project Area.

Sample	Cu%	Fe%	Au g/t	Ag g/t
1	21.7	26.4	0.91	34.9
2	13.7	23.7	0.17	17.5
3	10.6	10.8	0.12	1.6
4	1.7	8.0	-	3.4

### APPOINTMENT OF NEW NON-EXECUTIVE DIRECTOR

- + Appointment of Mr Robert Wei Sun as an Independent Non Executive Director. Mr Sun brings to the Company extensive knowledge of the International Mineral Resources Industry. In particular his close association with major Chinese companies involved in Mineral Resources and contacts within the Asian investment sector will add substantially to the Company's strength in these areas

# TENEMENT SCHEDULE

Tenement	Tenement Name	Area Km <sup>2</sup>	PepinNini Interest	Grant Date
<b>South Australia</b>				
EL 4587	Mt Harcus	1,607	100%	25.10.10
EL 4749	Outalpa	201	40%	10.06.11
EL 4780	Pine Ridge	1,382	100%	13.10.11
EL 4784	Scott Hill	521	40%	13.10.11
EL 3931	Woodroffe	764	Earning 51%	24.09.07
EL 4048	Mt Caroline	1,916	100%	25.02.08
EL 4239	Kalabity	822	40%	12.03.09
EL 4375	Bimbowrie	843	40%	12.11.09
EL 4965	Mt Victor	1,218	40%	30.07.12
ELA 278/82	Jalukana	77	Earning 51%	application
ELA 491/94	Aparatjara	537	Earning 51%	application
ELA 118/96	Anerinna Hills	2,415	100%	application
ELA 185/96	Willugudinna	823	100%	application
ELA 367/09	Mt Caroline 2	46	100%	application
ELA 368/09	Hanging Knoll	34	100%	application
<b>Queensland</b>				
ML 2720	Gooligoomba	83ha	100%	01.10.84
EPM 15440	Percyville	106	100%	31.10.07
EPM 15469	The Gilbert	13	100%	07.03.12
EPM 15547	The Return	17	100%	07.03.12
EPM 15801	Fletcher Ck West	23	100%	31.10.07
EPM 16917	Lower Percy	13	100%	10.02.09
EPM 17879	Ironhurst	59	100%	19.10.10
EPM 17918	Spring Creek	78	100%	25.05.12
EPM 18020	Clarke River	187	100%	application
EPM 18048	Keppel Creek	81	100%	31.03.11
EPM 18168	Log Creek	37	100%	26.11.10
EPM 18979	Oasis	147	100%	17.08.12
<b>Western Australia</b>				
E52/1964	-	54	50%	01.11.07
E52/1910	-	201	50%	10.08.06
E52/1723	-	60	50%	01.12.04
E52/1672	-	106	40%	22.09.05
E52/1670	-	27	40%	23.11.04
E52/1613	-	91	40%	29.03.06
E51/1033	-	161	40%	22.09.05
<b>TOTAL</b>		<b>14,667</b>		
<b>Argentina</b>				
	Guanaquero	79	100%	31.03.11
	Santa Maria	36	100%	28.07.11
	Oscara	11	100%	application
	Olajacal	26	100%	26.07.11
	Chibinar	69	100%	28.07.11
	Mina Santa Ines	18ha	100%	20.09.11
	Santa Ines	82	100%	application
	<b>TOTAL</b>	<b>303</b>		



# REVIEW OF OPERATIONS

## 1.1 INTRODUCTION

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

PepinNini currently has an interest in thirty three exploration tenements covering approximately 14,667km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia, the Georgetown Inlier, Woolgar Goldfield and Drummond Basin areas of North Queensland and the Robinson Range area of the Midwest region of Western Australia. It also holds a 100% interest in an 83 hectare mining lease in the Woolgar Goldfield. The Company also has four granted categoos (exploration leases), one granted mina (mining lease) and applications for a cateo and a mina covering approximately 300 kms<sup>2</sup> in the Argentine province of Salta.

The Musgrave tenements have the potential for the discovery of a major world class nickel copper sulphide deposit. The Curnamona tenements are being explored in joint venture with Sinosteel Corporation and have potential for the discovery of magnetite, base metal and gold deposits. Uranium deposits have been defined within the Curnamona tenements including the Crocker Well Deposit with a JORC compliant Indicated Resource of 13,250,000 tonnes at 283

ppm U<sub>3</sub>O<sub>8</sub> for 3,750 tonnes (8.27 Mlbs) U<sub>3</sub>O<sub>8</sub>, and an Inferred Resource totaling 5,590,000 tonnes at 275 ppm U<sub>3</sub>O<sub>8</sub> for 1,537 tonnes (3.39 Mlbs) U<sub>3</sub>O<sub>8</sub>.

The Robinson Range tenements are being explored for high grade direct shipping iron ore deposits. A JORC compliant Inferred Resource of 17.7MT at @ 49.7% Fe including 4.3MT @ 55.2% Fe has been defined at the PNN Area C Prospect. The Queensland tenements are prospective for the discovery of high grade gold, base metal and uranium. In Argentina the Company is initially targeting copper-gold porphyries; precious and base-metal epithermal systems and breccia-complexes associated with the Andean volcanic belt.

The Company's primary business objectives are to:

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

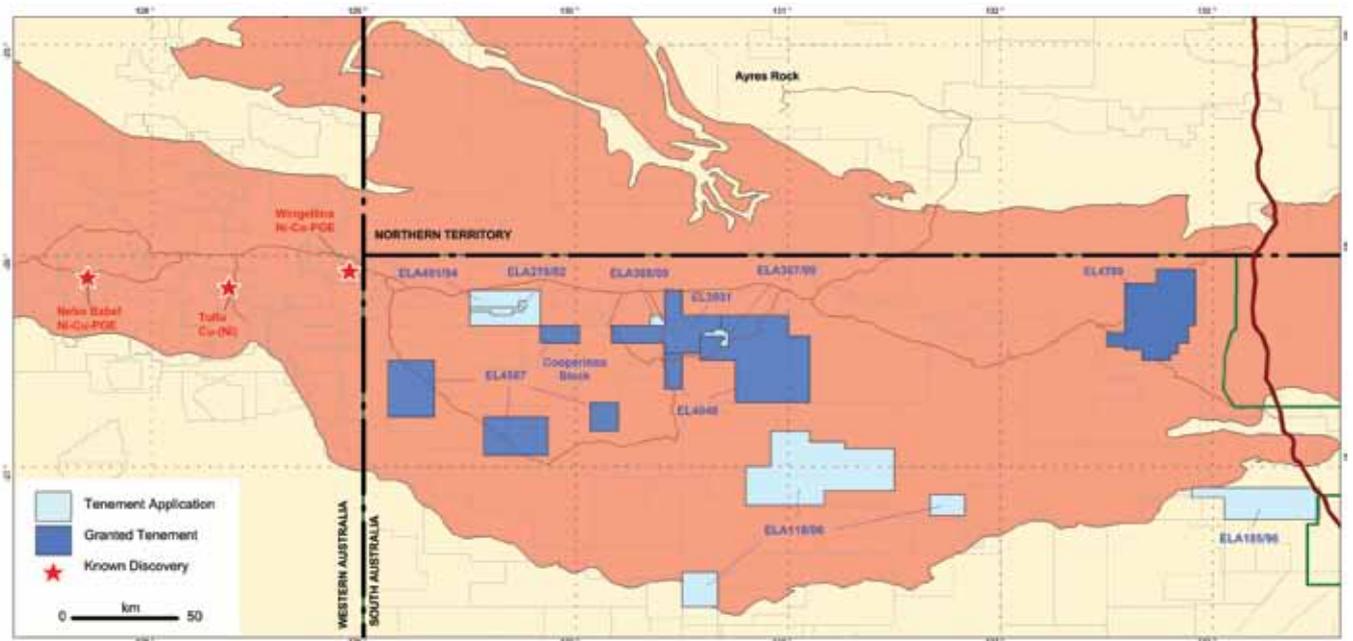
During the year the Company's exploration activities were focussed on four main projects within Australia designated as the:

- (a) Musgrave Province Project;
- (b) Curnamona Province Project;
- (c) North Queensland Project and
- (d) Robinson Range Project.

Two separate projects were also established during the year in the Argentine province of Salta and have been designated as the Santa Ines and Chivinar Projects.

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

During the year PepinNini continued to support the South Australian Museum's Roadshow "Out of the Glass Case" to the APY Lands which allows students from schools across the APY Lands to interact and experience exhibits and activities they would not normally be exposed to. Wherever possible we have participated in the sponsorship of events such as horse racing gymkhanas which form an important part of the social fabric of the isolated communities in which we work.



Tenement Location Musgrave Province, South Australia

## 1.2 MUSGRAVE PROVINCE PROJECT

### Introduction

The project consists of four granted exploration licences EL4780, EL3931, EL4048 and EL4587 and six exploration licence applications ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, and ELA368/09. PepinNini subsidiary NiCuL Minerals Limited (formerly PepinNini Resources Pty Limited) is earning a 51% interest in 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.

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

### Prospectivity

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

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

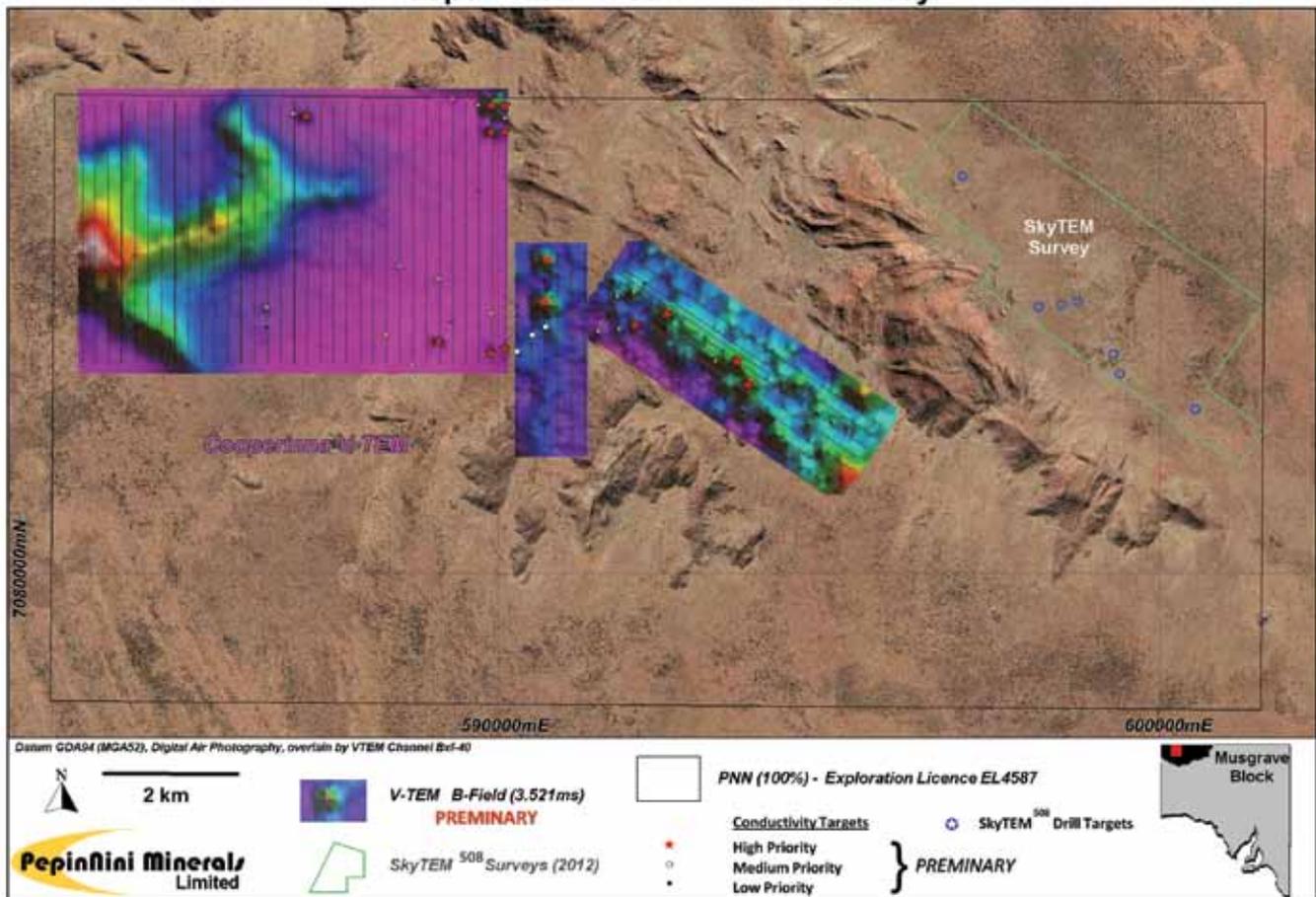
The prospectivity of Proterozoic rocks is well recognised and, with the exception of those contained within the Musgrave Province, have generally been subject to relatively intense exploration for a considerable period of time yielding a number of world class mineral deposits. Australian Proterozoic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

- + Olympic Dam (Cu, Au, U)
- + Broken Hill (Pb, Zn, Ag)
- + Mt Isa (Cu, Pb, Zn, Ag)
- + Hilton (Pb, Zn, Ag)
- + Cannington (Pb, Zn, Ag)
- + Century (Zn, Pb, Ag)
- + McArthur River/HYC (Pb, Zn, Ag)
- + Telfer (Au)
- + Alligator River Field (U, Au, platinumoids)
- + Argyle AK1 (diamonds)
- + Hamersley Basin (Fe)

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

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

## Cooperinna EL4587 : V-TEM Survey



VTEM bedrock conductor anomalies - Cooperinna Block EL 4587 Musgrave Province South Australia

### Current Exploration

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

During the past year exploration activity focused on the Cooperinna block of EL4587. A total of 421 shallow geochemical vacuum holes were drilled to test basement lithologies on a regional grid pattern and on a tighter grid pattern in areas of anomalous geochemical results. In addition 6 stratigraphic diamond holes were drilled for a total of 1,426.5m to test targets identified from geochemical, structural and geophysical data. Drilling at the Cooperinna Block has determined that mafic intrusions

have attained sulphur saturation evidenced from massive to stringer and disseminated sulphides (primarily pyrrhotite) intersected in the core.

Three SkyTEM<sup>508</sup> airborne electromagnetic (AEM) surveys covering approximately 1,300 line kms were completed during March 2012 over the Hanging Knoll Area, the Caroline Intrusion and the Cooperinna Block. The survey was undertaken as part of a collaborative funding program with the South Australian Government. PepinNini Minerals was awarded a \$75,000 grant for the program as part of the South Australian Government's 'Plan for Accelerated Exploration 2020' (PACE 2020) Initiative. A total of 14 strong electromagnetic conductive responses have been identified from the survey data and are interpreted as possibly representing massive magmatic Ni-Cu sulphide accumulations. A drilling program of at least six diamond core boreholes commenced during July 2012 within the Cooperinna Block of EL 4587 to investigate priority 1 anomalies

identified from the SkyTEM<sup>508</sup> survey data. PepinNini's field camp, vacuum rig and diamond drilling rig are currently located at EL4587 Cooperinna.

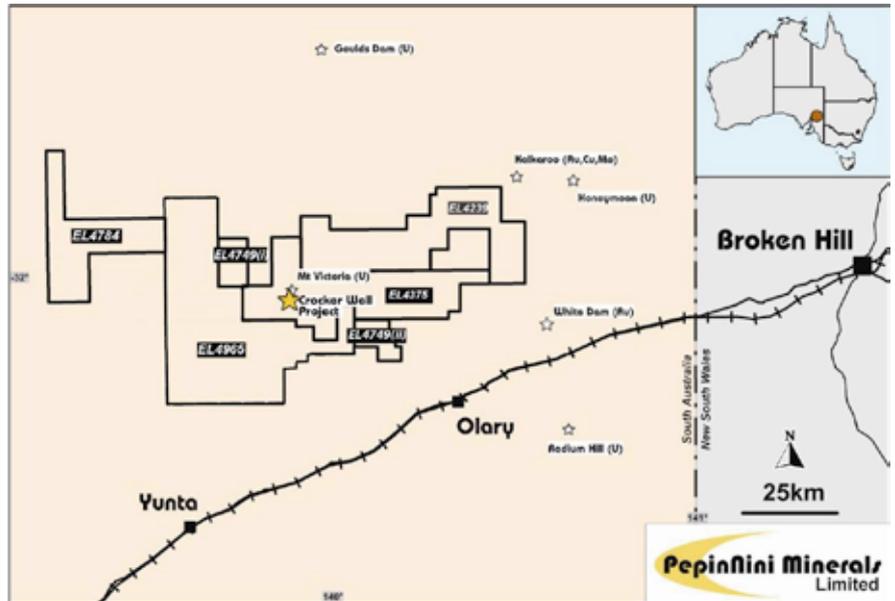
A 200 line kms VTEM (AEM) Survey was completed during August, 2012 and has identified an additional 16 priority 1 anomalies for future investigation by drilling. These conductivity responses form a number of discrete "multi-line" clusters which locate favourably to the conceptual geological model by being spatially coincident to interpreted mafic-ultramafic intrusions and feeder dykes.

The identification of such distinct strong conductors in the Cooperinna Block from both the VTEM survey and SkyTEM<sup>508</sup> survey is very encouraging for the potential discovery of magmatic Ni-Cu sulphide bodies. Reconnaissance field mapping has confirmed the recent interpretation of aeromagnetic and geochemical datasets, which constrain the distribution of rocks that potentially host the target magmatic Ni-Cu sulphide bodies at Cooperinna.

## 1.3 CURNAMONA PROVINCE PROJECT

### Introduction

Pepinini Minerals Limited has a 40% interest in five granted exploration licences covering approximately 3,778 km<sup>2</sup> of the Curnamona Province of South Australia. A Joint Venture Alliance has been established with Sinosteel Corporation to manage and operate the development of the Crocker Well Uranium Deposit and explore for other commodities within the Joint Venture tenements. In December, 2009 a decision was made by the Joint Venture to delay the completion of a Bankable Feasibility Study for the development of the Crocker Well Uranium Deposit due to a depressed uranium price and weak American dollar.



Curnamona Project - Tenement Location Plan

### Geology and Exploration Potential

The Curnamona Project covers a large area of Palaeoproterozoic Willyama Supergroup rocks consisting of multiply deformed meta-sedimentary and meta-igneous rocks. In South Australia the Willyama Inliers occur along the southern margin of the Curnamona Province within a major tectonic domain known as the Olary Domain (or Olary Block). The Olary Block sequence is largely composed of meta-sedimentary and minor meta-volcanic (and meta-intrusive) rocks interpreted to have been deposited in a failed intracontinental rift and rift-platform basin between ~1720-1640 Ma. The sequence has subsequently been subject to intense multiphase deformation and medium to high-grade regional metamorphism during the Olarian Orogeny and to a lesser extent during the Palaeozoic Delamerian Orogeny. The Olary Domain has been correlated with the geology in the adjacent Broken Hill Block, together they form the Willyama Inlier.

The Curnamona Province of South Australia is widely regarded for

its potential Broken Hill style mineralisation, strata bound sediment-hosted Mt Isa/Century style of mineralisation, and the potential for iron oxide copper gold (IOCG) styles of mineralisation. Recently the potential of the Braemar Iron Formation to host significant magnetite resources has been recognised by a number of explorers operating in the area.

### Prospectivity and Exploration Models

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

Potential exploration targets include:

- + Epigenetic iron oxide copper-gold mineralisation similar in style to Olympic Dam/Prominent Hill and the replacement (Starra, Osborne) and breccia (Ernest Henry) deposits of the Mt Isa Eastern Fold Belt. These can occur as both strata bound replacements of iron rich beds

or as structurally focused iron-rich alteration/breccia systems in the contact aureoles of certain granites

- + Large disseminated/strata bound copper and/or gold deposits
- + Supergene (enriched) copper-gold mineralisation in areas of deep weathering over large areas of low-grade sulphide copper-gold mineralised basement. (Kalkaroo, Portia)
- + Broken Hill type silver-lead-zinc deposits
- + Strata bound/sediment-hosted base metal mineralisation (similar to Mt. Isa and Century Zinc (Ag Pb) deposits in the Mt. Isa Inlier) within the moderate-low grade metamorphic rocks in the upper parts of the Olary Block stratigraphy
- + Hardrock pegmatite – granite hosted uranium, Tertiary roll-front uranium
- + Manganese
- + Magnetite and DSO iron ore

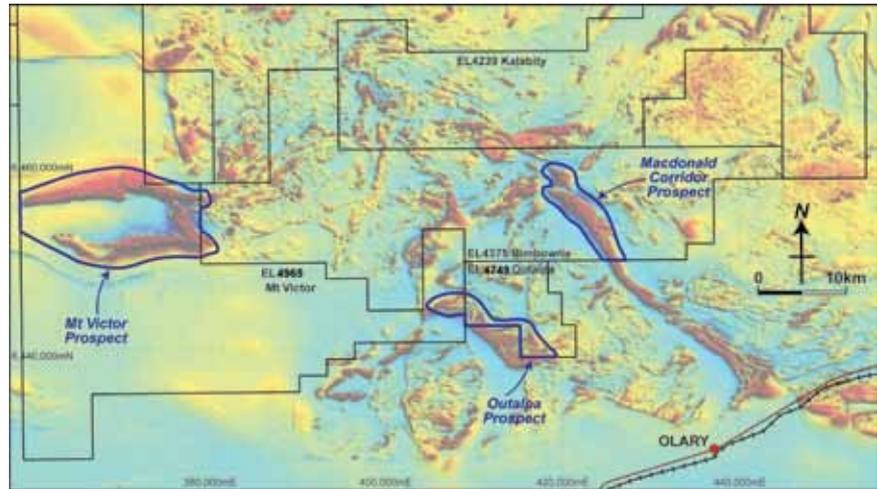
Drilling at Dome Rock North EL 4239 (Kalabity) – July, 2012

**Current Exploration Program**

The Joint Venture has prioritized the investigation of the iron ore potential of the Braemar Iron Formation. Three priority target areas have been identified within the Joint Venture tenements and have been designated as the Mt Victor Iron Ore Prospect (EL4965 Mt Victor); the Macdonald Corridor Iron Ore Prospect (EL4375 Bimbowrie); and the Outalpa Iron Ore Prospect (EL4749 Outalpa & EL4965 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.

Results from a drilling program of 10 RC boreholes completed during February, 2012 at the Macdonald Corridor Prospect confirm the potential for a very large magnetite iron ore resource which could be beneficiated to a high grade blast furnace feed product. DTR results from 5 samples submitted to determine initial optimum recovery parameters produced a DTR sample concentrate with low impurities ( $SiO_2 < 5\%$ ), relatively high mass recovery (average 20%, min 15.72%, max 26.9%) and high Fe content (average 68%, min 66.1% Fe, max 69.9%Fe).

Exploration licence EL4965 Mt Victor was granted on 30th July, 2012. Geophysical surveys and an extensive drilling program designed to test interpreted magnetic units of the Braemar Iron Formation at the Mt Victor Prospect are planned to be undertaken as soon as statutory and heritage clearances are obtained.



Curnamona Province Project - Major Iron Prospects. (Backdrop image is regional aeromagnetic data)

Iron ore (hematite) and base metal targets are also being investigated within the tenements held by the Joint Venture.

At the T3 Prospect a single inclined RC percussion drillhole was completed recently to a depth of 145m to test beneath an iron (Fe) rich unit (11m@ 44.19%Fe) intersected in a previous aircore drillhole. The hole intersected 31m @ 36.4%Fe from 5m depth (downhole) within highly weathered basement lithologies. Both iron rich intersections occur as goethite/limonite.

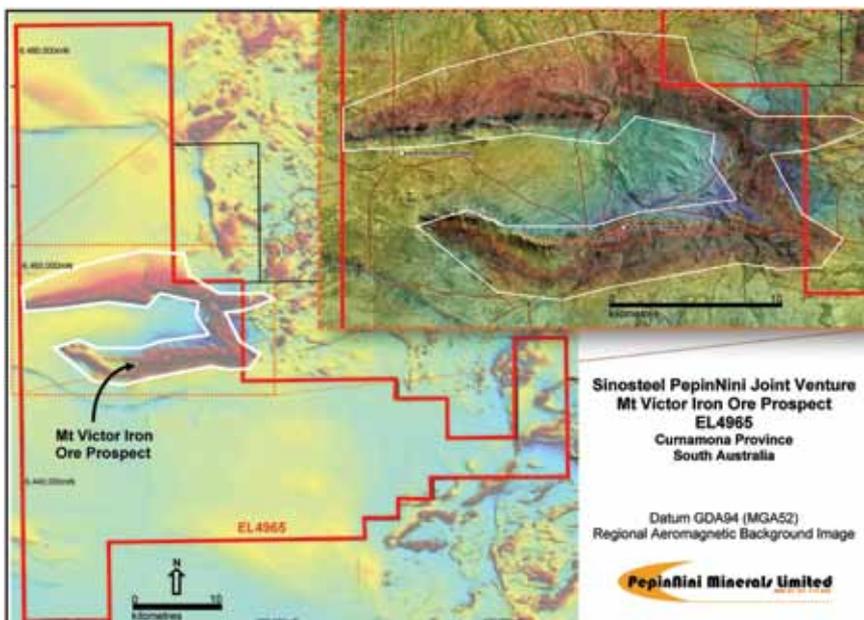
At the Dayanna Prospect two inclined RC percussion holes have been completed to further test highly anomalous Zn values intersected in previous aircore drilling. Significant results included 9m @ 0.64%Zn from 81m depth (downhole) and 13m @ 0.31%Zn from 3m depth (downhole).

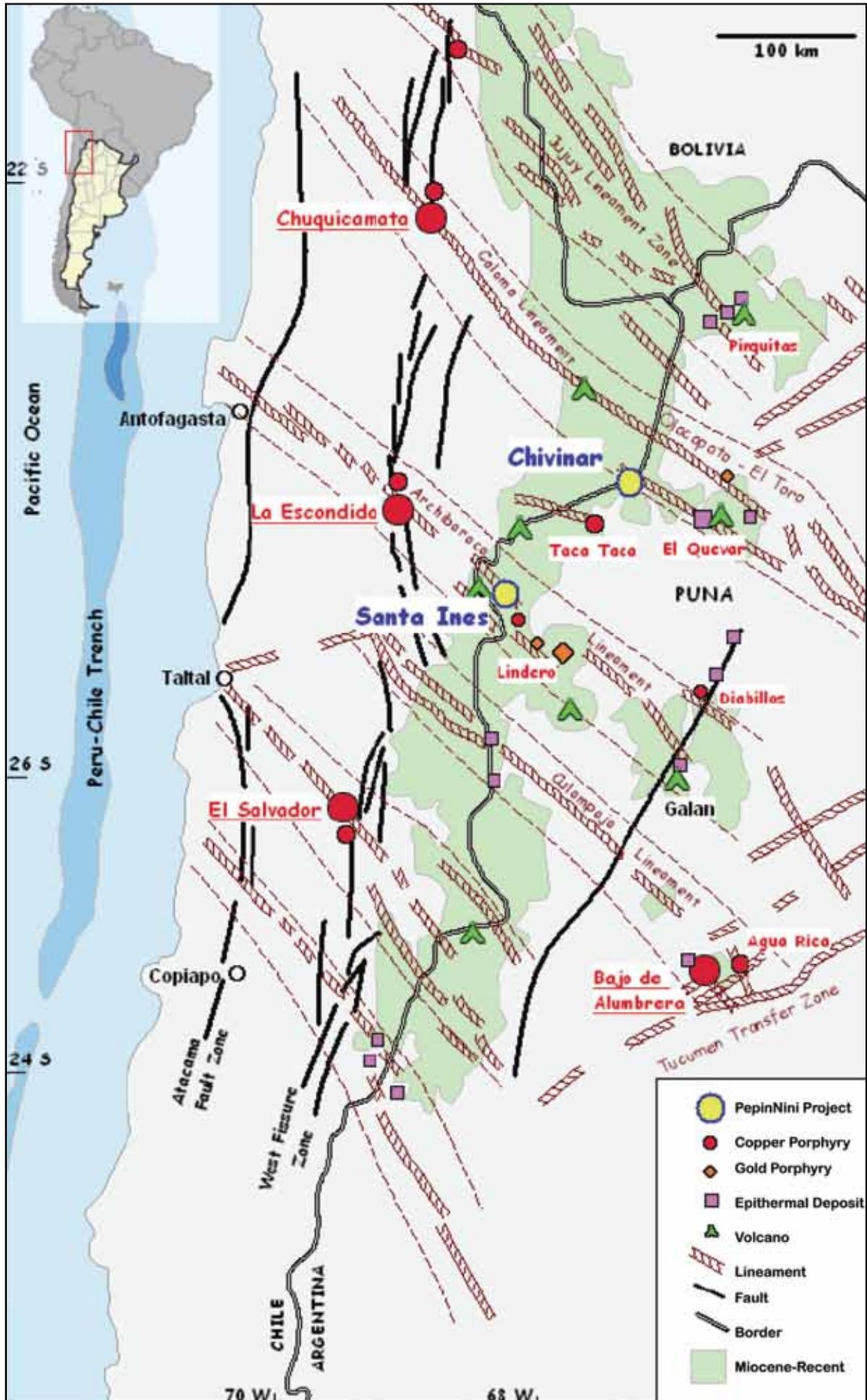
At the T8 Prospect significant results included 4m @ 1.36%Cu from 83m depth (downhole) and 18m @ 0.33%Cu from 132m depth (downhole).

A drilling program of 1,954 metres in 13 reverse circulation (RC) boreholes was completed during July, 2012 at the North Dome Rock Prospect located within EL 4239. The drilling was designed to investigate an under-explored Cu-Co±Au±U anomaly identified approximately 1 km north of the historic Dome Rock copper mine. Widespread copper mineralisation was encountered over a strike length of approximately 1,350metres corresponding with the extent of a soil anomaly defined by previous explorers. Mineralisation was intersected in both oxidised and fresh rock, with the majority of higher grades associated with high Fe assays in the oxidised rock and highly sulphidic intervals in the fresher rocks. Significant intersections include;

- + 5 metres @ 0.82% Cu and 0.06% Co from a depth of 9 metres in borehole RC12DRN002,
- + 5 metres @ 0.68% Cu and 0.04% Co from a depth of 50 metres in borehole RC12DRN004
- + 5 metres @ 0.54% Cu and 0.04% Co from a depth of 27 metres in borehole RC12DRN010
- + 10 metres @ 0.59% Cu and 0.03% Co from a depth of 57 metres in borehole RC12DRN011

All metreages quoted are down-hole depths as true widths are not known. In addition to copper, sporadic gold values (max 3.61g/t) have also been obtained. Anomalous levels of cobalt, molybdenum and arsenic are variably associated with the mineralisation.





## 1.4 ARGENTINA PROJECT

*Historic workings of haematite and secondary copper mineralisation - Santa Ines Mina*

PepinNini have four granted cateos (exploration leases), one granted mina (mining lease) and applications for a cateo and a mina covering approximately 300 kms<sup>2</sup> in the Argentine province of Salta. The Salta Project comprises two separate areas designated as Santa Ines and Chivinar.

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

A number of advanced mineral projects have recently been discovered in Salta including:

- ✦ El Quevar Intermediate Epithermal Silver Project (60.5Moz silver) – Golden Minerals Company - in development;
- ✦ Lindero Gold Porphyry Project (2.2Moz gold) - Mansfield Minerals Inc. - in feasibility;
- ✦ Diablillos Au-Ag Epithermal Project (0.6Moz gold, 77.1Moz silver) – Silver Standard Resources Inc. - in feasibility;
- ✦ Taca Taca Cu-Au-Mo Porphyry Project (11.2Blbs copper, 3.77Moz gold, 459Mlbs molybdenum) Lumina Copper Corporation - in pre-feasibility.

The area targeted by PepinNini for copper-gold-silver mineralization is in Salta's Puna region, a high-altitude plateau adjacent to the Chile border which forms part of the Atacama Alti-plano. Whilst typically over 4,000m in altitude it predominantly has only a moderate relief that is generally easily accessible by 4WD vehicles and a semi-arid environment that is conducive for work all year round.

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



### Santa Ines

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

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

The Santa Ines Project lays within a crustal scale NW trending mega-lineament, which in Andean geology are widely recognised as being major long-lived structural corridors that are fundamental in the control of the distribution of porphyry-epithermal deposits. The "Archibarca" NW lineament

extends from Cerro Galán (Argentina's largest ignimbrite caldera complex) in the southeast through to the Pacific coast of Chile.

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

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





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

Four grab samples were collected from around the opening of the Santa Ines Mine and assayed by ALS Global laboratory in Adelaide. Assay results are tabulated below:

Sample	Cu%	Fe%	Au g/t	Ag g/t
1	21.7	26.4	0.91	34.9
2	13.7	23.7	0.17	17.5
3	10.6	10.8	0.12	1.6
4	1.7	8.0	-	3.4

There is no evidence of any modern exploration work having been undertaken at Santa Ines and no historical data is available. PepinNini intend to target a number of potential mineralization models including porphyry-epithermal style deposits and iron-oxide copper-gold targets at depth beneath the surface mineralization evident at Santa Ines. Proposed exploration will incorporate the use of geophysical techniques including both potential field and electrical methods to delineate targets for drill testing.

### Chivinar

The Chivinar Project comprises 4 granted cateos and one applications for a Mina situated in the Los Andes Department of Salta ~40km north of the Puna township of Tolar Grande.

The geology of the general Chivinar area is centred on the Ordovician Chachas Eruptive Complex, which is characterised by granites, granodiorites and quartz porphyries with associated metavolcanics and pyroclastics.

As with the Santa Ines Project this area is also coincident with a smaller but well-defined northwest lineament that extends from the El Quevar Silver Project in the southeast along a line of three closely spaced Pliocene volcanos and through the northern tenure block before passing across the border into Chile in the northwest where a number of small iron ore deposits have been exploited in the past. Iron ore has been mined from PepinNini's Guanaquero tenement.

Within the Chachas Complex area itself are various known copper, base metal, manganese and iron-ore mineral occurrences. The copper occurrences are present as minor vein and disseminations within the porphyritic granitic suite but are also associated with the contact of hornfelsed metasediments and overlying Tertiary rhyolites. Significant zones of alteration (generally argillic and pyrophillitic) are evident in the Aster imagery and are visible along sides of the hills that flank the central valley that divides the Chachas Complex. These zones are often associated with well-developed manganese veining.

Rare earth bearing hydrothermal breccias on the eastern side of the complex have in the past been targeted for uranium by CNEA (Comisión Nacional de Energía Atómica) and are possibly related to younger volcanic events. Present also on the eastern side are a number of travertine mines.

Whilst the central portion of the older Chachas Eruptive Complex is covered by existing minas and cateos, PepinNini has targeted the flanks of this complex that it considers prospective for structurally controlled mineralisation related to the younger Tertiary overprint. There is no evidence of any systematic prior exploration in these areas and no existing data is available.



Drilling at EPM 15547 North Queensland

## 1.5 NORTH QUEENSLAND PROJECT

In North Queensland PepinNini have a 100% interest in 11 exploration tenements (EPMs) and 1 mining lease covering approximately 761 kms<sup>2</sup>. The tenements are prospective for high grade gold and silver, copper, base metals and uranium.

The Company is currently reviewing all previous exploration data to identify priority targets for follow-up exploration. The potential economic significance of the encouraging high grade gold, silver and copper intersected in previous drilling conducted by the Company at the Forsayth and Percyville Projects is being assessed for further investigation.

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.

## 1.6 ROBINSON RANGE PROJECT

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

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

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

Encouraging hematite, hematite-goethite iron enrichment was encountered at PNN Area C. Highlights include;

- + 24 metres @ 64.2% Fe from surface and 15 metres @ 60.7% Fe from a depth of 56 metres in borehole RC12RR082,
- + 57 metres @ 56% Fe in borehole RC12RR075 from a depth of 3 metres, (intersection includes an interval of 33 metres @ 61.8% Fe from 25 metres),
- + 27 metres @ 58.6% Fe from a depth of 7 metres in borehole RC12RR076,
- + 39 metres @ 58.7% Fe in borehole RC12RR077 from a depth of 27 metres, (intersection includes an interval of 30 metres @ 60.8% Fe from 29 metres),
- + 23 metres @ 55% Fe in borehole RC12RR078 from a depth of 45 metres, (intersection includes an interval of 12 metres @ 61.3% Fe from 46 metres),
- + 2 metres @ 55.1% Fe from a depth of 4 metres, 14 metres @ 55.4% Fe from a depth of 10 metres and 38 metres @ 55% Fe from a depth of 28 metres in borehole RC12RR068 (intersection includes an interval of 20 metres @ 60.2% Fe from a depth of 36 metres).

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

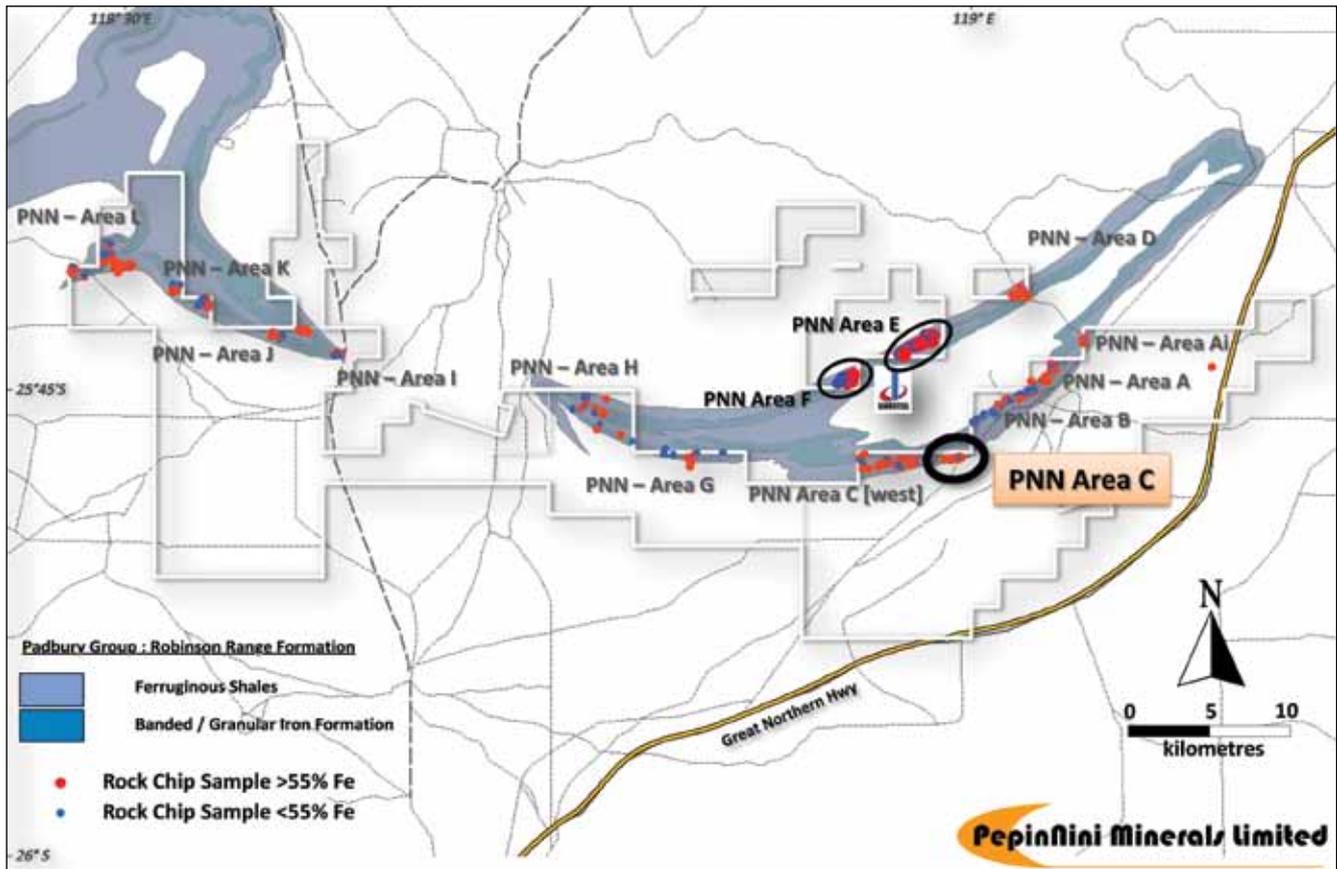
**Inferred Mineral Resource Estimate for PNN Area C – Robinson Range Project (June, 2012)**

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

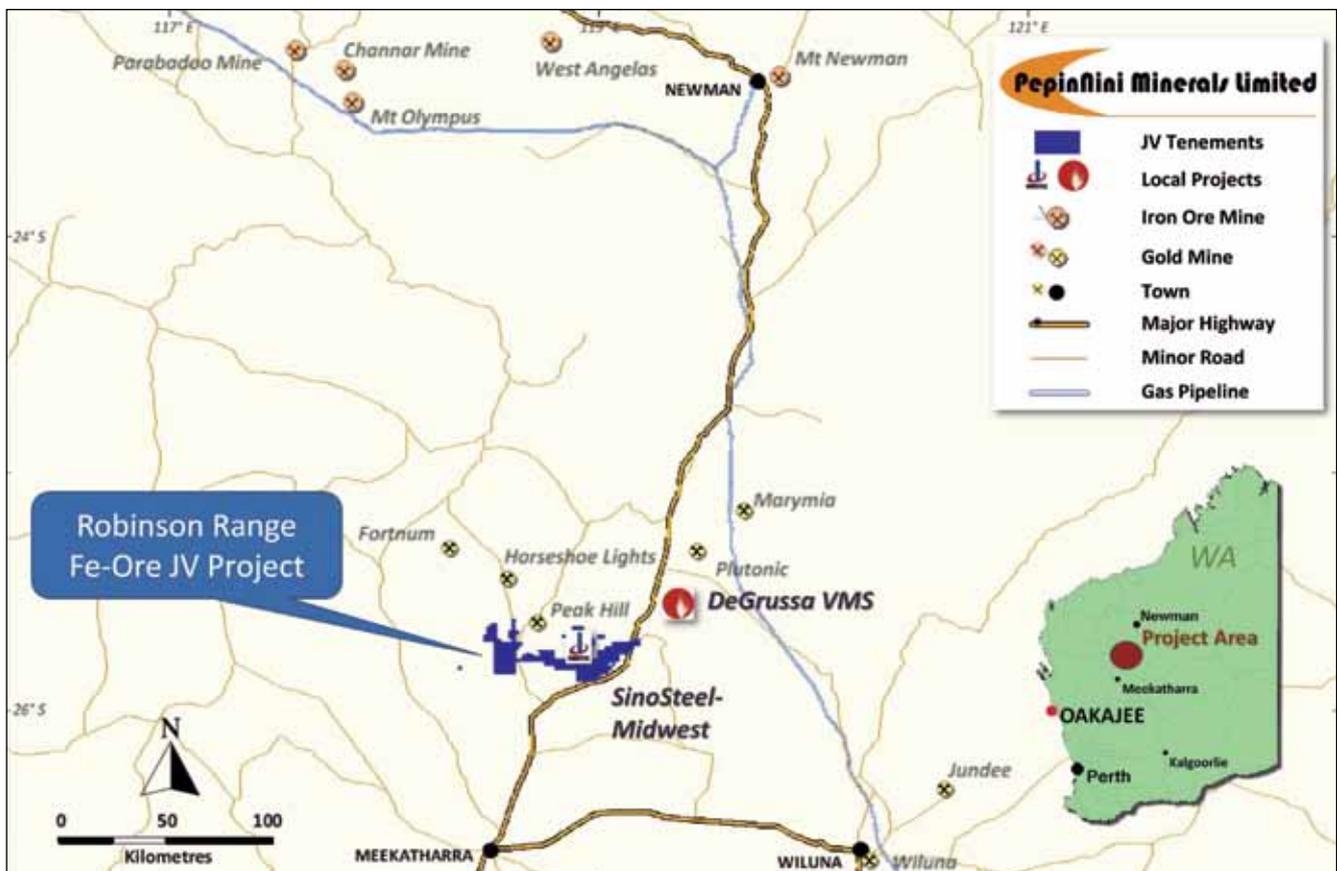
Field reconnaissance and surface sampling were also undertaken over two new prospect areas designated as “PNN Area-E” and “PNN Area-F”. More than fifty percent of the 21 surface samples collected from within PNN Area “E” returned assays in excess of 55% Fe and ranged up to a maximum of 66.4% Fe. Nine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

*The information in this report that relates to Exploration Results and Resources is based on information compiled by Norman Kennedy BSc MAusIMM. Norman Kennedy is the Managing Director of PepinNini Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Norman Kennedy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*





Robinson Range Iron Ore Project - Prospect Locations



Robinson Range Project Location Plan

# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30  
JUNE, 2012



# CORPORATE GOVERNANCE STATEMENT

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

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

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

## THE BOARD OF DIRECTORS

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

## BOARD COMPOSITION

The board currently performs its roles and function, consistent with the above statement of its overall corporate governance responsibility. The board is made up of 2 independent and 2 non-independent directors.

## RESPONSIBILITIES

Responsibility for the 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 2012, and the number of meetings attended by each director is disclosed on page 31.

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 2012. 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 2012 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 31. 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 2012.

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.

#### 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	7	44%
Number of women in senior executive positions	1	50%
Number of women on the board	1	25%

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

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

Best practice recommendation	Notification of departure	Explanation of departure
Principle 2.1	A majority of directors are not independent	<p>Currently, two of the four directors satisfy the criteria for independence. The Company considers that the expense involved in the recruitment and employment of an additional independent director is not justified given the present size and complexity of its operations. Together, the current directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and have demonstrated that they make quality and independent judgments in the best interests of the Company on all relevant issues. Procedures are in place whereby directors having a conflict of interest in relation to a particular item of business must exclude themselves from the meeting before commencement of discussion of the topic.</p> <p>It is intended that, subject to the performance of the Company, new candidates for the board will be considered.</p>
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 a substantial 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 four directors and has formed the view that it is more efficient for the board as a whole to deal with matters that would otherwise be dealt with by a Nomination Committee. Strategies such as reviewing the skill base and experience of existing directors and identification of attributes required in new directors are in place and, if necessary, appropriate independent consultants will be engaged to identify possible new candidates for the board.</p>
Principle 4.2	A majority of members of the Audit Committee are not independent	<p>An Audit Committee of one-executive and one 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>	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.
---------------	---	---

## CORPORATE GOVERNANCE SCORECARD

		Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
<b>Principle 2</b>	<b>Structure the board to add value</b>	
2.1	A majority of the Board should be independent directors.	No
2.2	The chair should be an independent director.	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No
2.4	The Board should establish a nomination committee.	No
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes
	+ the practices necessary to maintain confidence in the Company' integrity	Yes
	+ the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders	Yes
	+ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	Yes

		Comply
4.2	The audit committee should be structured so that it:	
	+ consists only of non-executive directors	No
	+ consists of a majority of independent directors	Yes
	+ is chaired by an independent chair, who is not chair of the board	Yes
	+ has at least three members	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it:	
	+ consists of a majority of independent directors	No
	+ is chaired by an independent chair	Yes
	+ has at least three members.	No
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

# 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 2012. 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

Robert (Wei) Sun was appointed as a non-executive director on 1 December 2011.

Albert Harris was a non-executive director from the beginning of the financial year until his resignation on 15 August 2011.

## 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 2012 or 30 June 2011.

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

## REVIEW OF OPERATIONS

The Group currently has an interest in 33 exploration tenements covering approximately 14,667 km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia, the Georgetown Inlier and Woolgar Goldfield of North Queensland and the Robinson Range area of Midwest Western Australia. It also holds an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland. The Company also has four granted canteos (exploration leases), one granted mina (mining lease) and applications for a canteo and a mina covering approximately 300 kms<sup>2</sup> in the Argentine province of Salta.

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

## 1. Musgrave Province Nickel/Copper Project

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

During the period, exploration activity focused on the Cooperinna block of EL4587. A total of 421 shallow geochemical vacuum holes were drilled to test basement lithologies on a regional grid pattern and on a tighter grid pattern in areas of anomalous geochemical results. In addition 6 stratigraphic diamond holes were drilled for a total of 1,426.5m to test targets identified from geochemical, structural and geophysical data. The diamond holes intersected garnet-bearing quartzo-feldspathic gneiss of the Birksgate Complex with localised intervals of minor pyrite and pyrrhotite.

Three SkyTEM<sup>508</sup> airborne electromagnetic (AEM) surveys covering approximately 1,300 line kms were completed during March 2012 over the Hanging Knoll Area, the Caroline Intrusion and the Cooperinna Block. The survey was undertaken as part of a collaborative funding program with the South Australian Government.

PepinNini Minerals was awarded a \$75,000 grant for the program as part of the South Australian Government's 'Plan for Accelerated Exploration 2020' (PACE 2020) Initiative. A total of 14 strong electromagnetic conductive responses have been identified from the survey data and are interpreted as possibly representing massive magmatic Ni-Cu sulphide accumulations. A drilling program of at least six diamond core boreholes commenced during July 2012 within the Cooperinna Block of EL 4587 to investigate priority 1 anomalies identified from the SkyTEM<sup>508</sup> survey data.

A 200 line kilometre VTEM (AEM) Survey was completed during August, 2012 and has identified an additional 16 priority one anomalies for future investigation by drilling.

## 2. Curnamona Province Uranium and Base Metals Project

PepinNini has a 40% interest in five granted exploration licences 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%).

The Joint Venture has prioritized the investigation of the iron ore potential of the Braemar Iron Formation. Three priority target areas have been identified within the Joint Venture tenements and have been designated as the Mt Victor Iron Ore Prospect (EL4965 Mt Victor); the Macdonald Corridor Iron Ore Prospect (EL4375 Bimbowrie); and the Outalpa Iron Ore Prospect (EL4749 Outalpa and EL4965 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.

Results from a drilling program of 10 RC boreholes completed during the reporting period at the Macdonald Corridor Prospect confirm the potential for a very large magnetite iron ore resource which could be beneficiated to a high grade blast furnace feed product. DTR results from 5 samples submitted to determine initial optimum recovery parameters produced a DTR sample concentrate with low impurities (SiO<sub>2</sub> < 5%), relatively high mass recovery (average 20%, min 15.72%, max 26.9%) and high Fe content (average 68%, min 66.1% Fe, max 69.9%Fe).

Geophysical surveys and an extensive drilling program designed to test interpreted magnetic units of the Braemar Iron Formation at the Mt Victor Prospect are planned to be undertaken as soon as statutory and heritage clearances are obtained.

An extensive aircore drilling program was undertaken during the reporting period to test base metal targets generated through interpretation of aeromagnetic data, geochemical sampling and historical data review. Six RC percussion drillholes, for a total of 912m, were subsequently completed to follow up on previously intersected anomalous aircore results at the T3, T8 and Dayanna Prospects

At the T3 Project a single inclined RC percussion drillhole was completed to a depth of 145m to test beneath an iron (Fe) rich unit (11m@ 44.19%Fe) intersected in a previously reported aircore drillhole. The hole intersected 31m @ 36.4%Fe from 5m depth (downhole) within highly weathered basement lithologies. Both iron rich intersections occur as goethite/limonite.

At the Dayanna Project two inclined RC percussion holes were completed for a total of 248m. The holes were designed to further test highly anomalous Zn values intersected in previously reported aircore drilling. Significant results included 9m @ 0.64%Zn from 81m depth (downhole) and 13m @ 0.31%Zn from 3m depth (downhole).

At the T8 Project three inclined RC percussion drillholes for a total of 519m were completed to test anomalous Cu values defined by previous aircore drilling. Significant results included 4m @ 1.36%Cu from 83m depth (downhole) and 18m @ 0.33%Cu from 132m depth (downhole)

A drilling program of approximately 2,000 metres in 13 reverse circulation (RC) boreholes has been completed at the North Dome Rock Prospect located within EL 4239. The drilling was designed to investigate an under-explored Cu-Co±Au±U anomaly identified approximately 1 km north of the historic Dome Rock copper mine.

### 3. North Queensland Project

In North Queensland PepinNini have a 100% interest in 11 exploration tenements (EPMs) and 1 mining lease covering approximately 761 kms<sup>2</sup>. The tenements are prospective for high grade gold and silver, copper, base metals and uranium.

The Company is currently reviewing all previous exploration data to identify priority targets for follow-up exploration. The potential economic significance of the encouraging high grade gold, silver and copper intersected in previous drilling conducted by the Company at the Forsayth and Percyville Projects is being assessed for further investigation.

### 4. Robinson Range Iron Ore Project

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

During the reporting period PepinNini undertook an extensive reverse circulation (RC) drilling program designed to investigate potential supergene iron ore resources at eleven prospect areas located amongst the ~40km strike length of Robinson Range Formation identified within the project area. Ninety eight boreholes were completed for 5,609 metres of drilling.

Encouraging hematite, hematite-goethite iron enrichment was encountered at PNN Area C and independent technical specialists, H & S Consultants Pty Ltd, were commissioned to undertake a resource estimation. A maiden Mineral Resource Estimate reported to JORC standards of 4.65million tonnes grading 55.2% Fe in the Inferred Category was announced on 28th December, 2011. A revised JORC Resource Estimate was announced on 6th June, 2012 as follows;

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

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

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

### 5. Argentina - Salta Project

PepinNini have four granted cateos (exploration leases), one granted mina (mining lease) and applications for a cateo and a mina covering approximately 300 kms<sup>2</sup> in the Argentine province of Salta. The Salta Project comprises two separate areas designated as Santa Ines and Chivinar.

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

Significant assay results from four grab samples collected during April, 2012 from a historic mine working confirms potential for high grade copper and gold mineralization within the Santa Ines Project Area. PepinNini plans to target this area with detailed surface mapping and ground geophysical surveys to identify priority drill targets.

The Santa Ines Project comprises one mina and one application for a cateo covering approximately 82 km<sup>2</sup>. This project logistically benefits by being only 5kms from the Salta-Antofagasta railway and is easily accessed using existing roads and tracks.

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

Known mineralization along this lineament to the immediate southeast of Santa Ines includes Mansfield's Lindero Gold Porphyry project (2.2 Moz. Au) that is currently in feasibility and advanced Cu-Au exploration projects including Rio Grande, Arizario and Samenta. Situated approximately 80km to the northwest along the same lineament is BHP's giant Escondida Cu-Au porphyry (~5 billion tonnes at 1% Cu and 0.25 g/t Au) which also was deposited contemporaneously with the Santa Ines Formation event during the Late Eocene-Oligocene.

Santa Ines mina comprises a number of small artisanal diggings consisting of shallow pits and adits exploiting abundant secondary copper and specular haematite mineralisation associated with haematite-silica veining within a broader envelope of albitic alteration. Orientated to the NE this steeply dipping vein system and phyllic alteration extends across a low outcropping hill. More recent shallow pits indicate that mineralisation is evident for at least 400m across strike whereas along strike it becomes lost under thin cover at the base of a hill after a few hundred metres. Published reports by SEGEMAR (Argentine Geological Survey) describe the mineralisation at Santa Ines as being gold bearing with mineralisation present dominantly as malachite, azurite, chrysocolla and specular haematite with minor primary mineralisation occurring as chalcopyrite and chalcocite.

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

PepinNini Minerals Limited announced a pro-rata non-renounceable entitlements issue on 28 June 2012. The issue, under a prospectus was for two shares for every three held be eligible shareholders at Record Date (9 July 2012). The issue price was \$0.032 per share to raise up to \$1,913,653 with the issue of a maximum of 59,801,666 new shares. The offer closed on 26 July 2012 and raised \$815,215.01 with the issue of 25,475,494 shares. This represented a 43% take up of the entitlements on offer. Costs totalling \$139,008 were deducted from the equity with share capital increased by \$676,207. As the company had a loss for the year the issuance would have impacted basic and dilutive earnings per share by \$0.05 if in place for all of the 2012 financial year. Directors are currently evaluating placement of the shortfall in relation to market conditions.

On 10 September 2012 PepinNini Minerals Limited announced the issue of 250,000 unlisted options to an employee issued according to the Employee Share Option Plan approved at the Annual General Meeting of shareholders on 10 November 2011.

There has been no other matter or circumstance that has arisen since 30th June 2012 that has significantly affected, or may significantly affect:

- + the Group's operations in future financial years, or
- + the results of those operations in future financial years, or
- + 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, Robinson Range and Musgrave Province projects and are planned for 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
<p><b>Norman Kennedy</b> – Chairman and Managing Director</p> 	<p><i>Qualifications: Bachelor of Science UNSW, MAusIMM</i></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>
<p><b>Rebecca Holland-Kennedy</b> – Executive Director - Administration and Company Secretary</p> 	<p><i>Qualifications: Bachelor of Science UNSW, MAusIMM, Bachelor of Arts(Humanities) Macquarie University</i></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>
<p><b>Christopher Lambert</b> – Non-Executive Director</p> 	<p>Experience: Mr Lambert was appointed a director of the company on October 12th 2006. He brings to the company financial and capital raising expertise and a close association with major investment institutions based in London and Asia. His financial background is predominantly commodity based specialising in base and precious metals. Over a period of 17 years, Mr Lambert headed up the London and global precious and base metals trading for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA). During his time at these companies, he was responsible for the managing of global dealing operations in the world's major financial centres and structuring of corporate and project finance transactions for governments, central banks, industrial companies and mining houses. He currently holds the position of Chairman of Altona Resources Plc</p>
<p><b>Robert (Wei) Sun</b> – Non-Executive Director</p> 	<p><i>Qualifications: M.Econ(Commerce), M.Econ(IEM)</i></p> <p>Experience: Robert (Wei) Sun was appointed a director of the company on December 1st 2011. He is a resource investment analyst with over 10 years experience in international trade and the resource industries of China, Canada and Australia. He has held positions as a business manager, resource and project analyst with major Chinese and Australian companies. Robert has exceptional communication skills being able to communicate on a corporate and technical level in Chinese and English. He has maintained a close association with major Chinese companies involved in Mineral Resources and has established contacts within the Asian investment sector.</p>

Name	Particulars
Albert Harris – Non-Executive Director	<p><i>Qualifications: M.Inst.M.C, F.Energy Institute</i></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.</p> <p>Albert Harris resigned as a non-executive director on 15 August 2011.</p>



## 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
Rebecca Holland-Kennedy	-	-	-
Robert (Wei) Sun (commenced 1 December 2011)	-	-	-
Albert Harris (resigned 15 August 2011)	Takoradi Limited	Jan 1992 to Nov 2011	ASX
	Goldsearch Limited	Oct 1995 to Nov 2011	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	17,154,010	-
Rebecca Holland-Kennedy	17,154,002	-
Robert (Wei) Sun	50,000	-
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	250,000	Ordinary	5.5cps	31 December 2014

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 32 to 37.

## 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	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended
Norman Kennedy	10	10	10	1	1	1	2	1	1	1	1	1
Rebecca Holland-Kennedy*	10	10	10	1	1	1	2	2	2	1	1	1
Robert (Wei) Sun*	10	6	6	1	1	1	2	1	1	1	1	1
Albert Harris	10	1	1	1	-	-	2	-	-	1	-	-
Christopher Lambert*	10	10	7	1	1	1	2	2	2	1	1	1

\* audit and remuneration committee members

## REMUNERATION REPORT - AUDITED

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

### ROLE OF REMUNERATION COMMITTEE

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

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

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

The corporate governance statement on page 17 to 24 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 2012 (2011: 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.

### Directors' retirement benefits

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

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

## (B) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

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

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

The executive remuneration framework has three components:

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

### Executive remuneration mix

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

### Base pay and benefits

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

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

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

Executives do not receive any benefits.

### Superannuation

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

### Short-term incentives

Executives have the opportunity to earn an annual short term incentive (STI) if predefined targets are achieved. The executive team have an STI opportunity of 5% of TEC. The targets are reviewed annually.

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

### Long-term incentives

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

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

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

#### Share trading policy

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

### (C) USE OF REMUNERATION CONSULTANTS

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

### (D) VOTING AND COMMENTS MADE AT THE COMPANY'S 2011 ANNUAL GENERAL MEETING

PepinNini Minerals Limited received 93% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### (E) PERFORMANCE OF PEPINNINI MINERALS LIMITED

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2012:

	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Revenue	1,042	872	455	901	2,103
Net (loss) / profit before tax	(1,764)	(2,591)	(1,136)	(822)	(12,399)
Net (loss) / profit after tax	(1,346)	(2,006)	(960)	(348)	(10,718)
Attributable to members of PepinNini Minerals Limited	(1,346)	(2,006)	(960)	(348)	(5,487)

	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Share price at start of year	\$0.11	\$0.14	\$0.35	\$0.67	\$1.73
Share price at end of year	\$0.04	\$0.11	\$0.14	\$0.35	\$0.67
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic (loss) / earnings per share	(1.5) cps	(2.4) cps	(1.2) cps	(0.5) cps	(8.2) cps
Diluted (loss) / earnings per share	(1.5) cps	(2.4) cps	(1.2) cps	(0.5) cps	(8.2) cps
Short term incentive (% of maximum)	0.00%	1.06%	1.66%	1.59%	2.22%

The Performance Incentive Program for the 2011/12 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.

### (F) DETAILS OF REMUNERATION

#### Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of PepinNini Minerals Limited and the PepinNini Minerals Limited Group are set out in the following tables. The key management personnel of the Group are the directors of PepinNini Minerals Limited (see page 29 above).

## Key management personnel of the Group

2012	Shortterm employee benefits				Post employment benefit	Long term benefits	Termination benefits	Sharebased 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 (ceased 15 August 2011)	4,977	-	-	-	-	-	-	-	4,977
Christopher Lambert	40,000	-	-	-	-	-	-	-	40,000
Robert (Wei) Sun (commenced 1 December 2011)	21,406	-	-	-	1,927	-	-	-	23,333
<b>Total Key Management Personnel Compensation (Group)</b>	<b>413,521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448,310</b>

2011	Shortterm employee benefits				Post employment benefit	Long term benefits	Termination benefits	Sharebased 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 (ceased 15 August 2011)	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>

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

Name	Fixed remuneration		At risk STI		At risk LTI	
	2012	2011	2012	2011	2012	2011

*Executive directors of PepinNini Minerals Limited*

Norman Kennedy	100%	100%	-	-	-	-
Rebecca Holland-Kennedy	100%	100%	-	-	-	-
Albert Harris (ceased 15 August 2011)	100%	100%	-	-	-	-
Robert (Wei) Sun (commenced 1 December 2011)	100%	100%	-	-	-	-
Christopher Lambert	100%	100%	-	-	-	-

*Other key management personnel of the group*

Phil Clifford	N/A	99%	-	1%	-	-
Colin Skidmore (ceased 17 February 2012)	N/A	99%	-	1%	-	-
Nicola Khouri (ceased 17 November 2011)	N/A	99%	-	1%	-	-
Lachlan Rutherford (ceased 30 April 2011)	N/A	99%	N/A	1%	N/A	-

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

## (G) SERVICE AGREEMENTS

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.

## (H) SHARE BASED COMPENSATION

### Options

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

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
(1) 1 October 2008*	1 January 2009	1 September 2011	\$0.80	\$0.19
(2) 1 October 2008*	1 January 2010	1 September 2011	\$1.30	\$0.07
(3) 1 October 2008*	1 January 2011	1 September 2011	\$1.80	\$0.004
(4) 4 December 2008	4 December 2008	31 December 2011	\$0.35	\$0.10
(5) 10 September 2012	10 September 2012	31 December 2014	\$0.055	\$0.0194

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) & (4) There are no further service or performance criteria that are required to be met before beneficial interest vests in the recipient.

(2), (3) & (5) 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.

\* options cancelled by employee 29 Sep 2009

No options were issued to directors of PepinNini Minerals Ltd and other key management personnel of the group in the year ended 30 June 2012 or 2011.

No options were granted to directors of PepinNini Minerals Ltd and other key management personnel of the group during the current financial year.

There were no unissued ordinary shares held by directors of PepinNini Minerals Ltd and other key management personnel of the group under option at the date of this report.

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

No ordinary shares in the company were 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 2012 or 30 June 2011 financial year.

#### 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 2011 to 13 October 2012 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 38 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

Adelaide, 14 September 2012



Ernst & Young Building  
121 King William Street  
Adelaide SA 5000 Australia  
GPO Box 1271 Adelaide SA 5001  
Tel: +61 8 8417 1600  
Fax: +61 8 8417 1775  
www.ey.com/au

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

In relation to our audit of the financial report of PepinNini Minerals Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

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

Nigel Stevenson  
Partner  
Adelaide  
14 September 2012

## STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
Revenue from Continuing Operations	5	1,042,389	872,422
<b>Expenses</b>			
Depreciation expense	6	(112,852)	(17,603)
Salary & employment costs	6	(794,337)	(666,966)
Operating expenses		(890,497)	(855,458)
Professional fees		(183,105)	(175,072)
Administration expenses		(170)	(707)
Legal fees		(62,297)	(47,434)
Impairment of exploration asset		(762,911)	(1,700,011)
<b>Total expenses</b>		<b>(2,806,169)</b>	<b>(3,463,251)</b>
Loss before tax		(1,763,780)	(2,590,829)
Income tax benefit	7	417,953	585,086
<b>Loss for the year</b>		<b>(1,345,827)</b>	<b>(2,005,743)</b>
Other comprehensive income		-	-
<b>Total comprehensive Loss for the year</b>		<b>(1,345,827)</b>	<b>(2,005,743)</b>
Attributable to:			
Members of PepinNini Mineral Limited		(1,345,827)	(2,005,743)
		<b>(1,345,827)</b>	<b>(2,005,743)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic loss (cents per share)	25	(1.5)	(2.4)
Diluted loss (cents per share)	25	(1.5)	(2.4)

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

## BALANCE SHEET AS AT 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
<b>Current assets</b>			
Cash and cash equivalents	8	1,693,482	4,672,118
Trade and other receivables	9	344,788	477,312
Other assets		76,126	-
<b>Total current assets</b>		<b>2,114,396</b>	<b>5,149,430</b>
<b>Non-current assets</b>			
Other receivables	9	-	2,000
Exploration expenditure	10	21,422,530	19,640,410
Exploration bonds	10	33,250	35,752
Property, plant and equipment	11	361,182	494,293
Deferred tax assets	15	-	-
<b>Total non-current assets</b>		<b>21,816,962</b>	<b>20,172,455</b>
<b>Total assets</b>		<b>23,931,358</b>	<b>25,321,885</b>
<b>Current liabilities</b>			
Trade and other payables	13	384,358	335,533
Provisions	14	290,345	366,333
<b>Total current liabilities</b>		<b>674,703</b>	<b>701,866</b>
<b>Non-current liabilities</b>			
Provisions	14	9,931	27,468
<b>Total non-current liabilities</b>		<b>9,931</b>	<b>27,468</b>
<b>Total liabilities</b>		<b>684,634</b>	<b>729,334</b>
<b>Net assets</b>		<b>23,246,724</b>	<b>24,592,551</b>
<b>Equity</b>			
Issued capital	16	19,214,080	19,214,080
Reserves	17	362,035	362,035
Retained earnings	17	3,670,609	5,016,436
<b>Total Equity attributable to equity holders of the Company</b>		<b>23,246,724</b>	<b>24,592,551</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 2012

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 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	-	-	-	-
Total comprehensive (loss)/income	-	-	(2,005,743)	(2,005,743)
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>
<b>Balance at 1 July 2011</b>	<b>19,214,080</b>	<b>362,035</b>	<b>5,016,436</b>	<b>24,592,551</b>
(loss) for year	-	-	(1,345,827)	(1,345,827)
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>(1,345,827)</b>	<b>(1,345,827)</b>
Transfer on expiration of options	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>19,214,080</b>	<b>362,035</b>	<b>3,670,609</b>	<b>23,246,724</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 2012

	Note	Consolidated	
		2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(2,133,895)	(1,626,802)
Receipts in the course of business (inclusive of GST)		1,262,567	40,913
Interest and other costs of finance paid		-	-
Income taxes refunded/ paid		217,953	-
<b>Net cash (used in) operating activities</b>	24	<b>(653,375)</b>	<b>(1,585,889)</b>
<b>Cash flows from investing activities</b>			
Interest received		200,628	490,104
Payment for exploration activities		(2,524,158)	(3,094,655)
Payments for property, plant and equipment		(1,731)	(73,493)
<b>Net cash (used in) investing activities</b>		<b>(2,325,261)</b>	<b>(2,678,044)</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>-</b>	<b>2,916,599</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,978,636)</b>	<b>(1,347,334)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>4,672,118</b>	<b>6,019,452</b>
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>1,693,482</b>	<b>4,672,118</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 controlled entities (the "Group" or the "consolidated entity").

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

### **Principal and Registered office:**

96 Babbage Road  
ROSEVILLE CHASE NSW 2069  
T: +61 (0)2 9417 6212  
F: +61 (0)2 9417 3043  
Email : admin@pepinnini.com.au  
Website : www.pepinnini.com.au

### **Exploration office WA:**

56 Kathleen Street  
TRIGG WA 6029  
T: +61 (0)8 9246 4829  
F: +61 (0)8 9246 4829

### **Exploration office SA:**

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

### **Operations office:**

Level 1, 76 Waymouth Street  
ADELAIDE SA 5000  
T: +61 (0)8 8218 5000  
F: +61 (0)8 8212 5717  
Email : 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 14 September 2012. The Group has the power to amend and reissue the financial report.

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

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of preparation

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

### Compliance with IFRS

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

### New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### Historical cost convention

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

### Critical accounting estimates

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

### Reclassification

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

### Functional and presentation currency

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

### Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out 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 as at 30 June 2012 and the results for all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has 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*

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

*(iii) Associates*

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

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

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

**Significant accounting policies**

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

**(a) Revenue recognition**

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

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

*Service income*

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

*Interest income*

Interest income is recognised using the effective interest method.

*Dividend income*

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

**(b) Government grants**

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

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

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

**(c) Income tax**

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

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

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

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

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

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

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

#### Tax consolidation legislation

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

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

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

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

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

#### (d) Impairment of assets

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

#### (e) Cash and cash equivalents

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

#### (f) Trade receivables

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

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

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

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

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

- (i) the rights of tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - a. the exploration and evaluation expenditures are expected to be recouped through successful development and commercial exploitation of the area of interest, or alternatively, by its sale; or
  - b. exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits an assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs whether they are directly related to operational activities in a particular area of interest.

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

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

#### (h) Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(d)). Additionally, if an asset's written down value reduces below \$500, it is written off through the statement of comprehensive income.

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

### (i) Trade and other payables

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

### (j) Provisions

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

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

### (i) Site restoration

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

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

### (k) Employee benefits

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

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

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

#### (ii) Defined contribution plans

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

### (l) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

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

**(m) Earnings per share***(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

**(n) Share-based payments**

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

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

**(o) Goods and services tax**

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

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

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

**(p) Foreign currency translation***(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency

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

*(ii) Transactions and balances*

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

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

### (iii) Group companies

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

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

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

### (q) Leases

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

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

### (r) Parent entity information

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

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

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

#### (ii) Tax consolidation legislation

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

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

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

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

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

(s) **New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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) and Revised AASB 9 Financial Instruments (addressing accounting for financial liabilities and the derecognition of financial assets and financial liabilities) and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 January 2013)*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and financial liabilities. 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 does not expect the new standard to have any impact in its financial statements.

*AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective from 1 January 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group does not expect the new standard to have any impact in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group does not expect the new standard to have any impact in its financial statements.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income.*

In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.*

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

*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 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.

*Annual Improvements Project - 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013)*

In May 2012, the IASB made a number of amendments to International Financial Reporting Standards as a result of the 2009-2011 annual improvements project. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

### NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) *Reserves and resources*

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

(ii) *Impairment*

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

## NOTE 4 – FINANCIAL RISK MANAGEMENT

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

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

The Group holds the following financial instruments:

	Consolidated	
	2012 \$	2011 \$
<b>Financial assets</b>		
Cash and cash equivalents	1,693,482	4,672,118
Trade and other receivables	344,788	479,312
	<b>2,038,270</b>	<b>5,151,430</b>
<b>Financial liabilities</b>		
Trade and other payables	(384,358)	(335,533)
	<b>(384,358)</b>	<b>(335,533)</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 2012 and 30 June 2011 financial years.

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

As at 30 June 2012 and 30 June 2011, 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 2012:

Consolidated	30 June 2012		30 June 2011	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash	4.0	70,140	3.00	135,881
At call deposits	4.25	400,410	5.50	1,014,000
Term deposits	5.42	1,222,932	5.89	3,522,237
Trade and other receivables	N/A	344,788	N/A	479,312
<b>Total financial assets</b>		<b>2,038,270</b>		<b>5,151,430</b>
Trade and other payables	N/A	(384,358)	N/A	(335,533)
<b>Total financial liabilities</b>		<b>(384,358)</b>		<b>(335,533)</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 30 June 2012	Interest rate risk				
	+1.0%		-1.0%		
	Carrying amount \$	Post Tax Profit \$	Other Equity \$	Post Tax Profit \$	Other Equity \$
<b>Financial assets</b>					
Cash	70,140	493	-	(493)	-
At call deposits	400,410	2,803	-	(2,803)	-
Term deposits	1,222,932	-	-	-	-
Trade and other receivables	344,788	-	-	-	-
<b>Financial liabilities</b>					
Trade and other payables	(384,358)	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>3,296</b>	<b>-</b>	<b>(3,296)</b>	<b>-</b>

Consolidated 30 June 2011	Interest rate risk				
	+1.0%		-1.0%		
	Carrying amount \$	Post Tax Profit \$	Other Equity \$	Post Tax Profit \$	Other Equity \$
<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>

### (iii) Foreign exchange risk

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

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

As at 30 June 2012 and 2011, the Group had immaterial exposure to foreign currency. As a result financial assets and financial liabilities outstanding as at balance date are not sensitive to changes in exchange rates.

### (b) Credit risk

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

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

	Consolidated	
	2012 \$	2011 \$
<b>Cash and cash equivalents</b>		
Minimum rating of "A"	1,693,482	4,672,118
	<b>1,693,482</b>	<b>4,672,118</b>
<b>Trade receivables</b>		
Counterparties without external credit rating	344,788	479,312
<b>Total trade receivables</b>	<b>344,788</b>	<b>479,312</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 2012	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (liability)
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	(384,358)	-	-	-	-	(384,358)	(384,358)
<b>Total</b>	<b>(384,358)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(384,358)</b>	<b>(384,358)</b>

Group – At 30 June 2012	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (liability)
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	(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>

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

## NOTE 5 – REVENUE

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

	Consolidated	
	2012 \$	2011 \$
<b>Interest revenue:</b>		
Bank deposits	171,620	471,057
	<b>171,620</b>	<b>471,057</b>
<b>Other revenue:</b>		
Drilling services revenue	550,872	257,529
Other revenue	319,897	143,836
	<b>870,769</b>	<b>401,365</b>
	<b>1,042,389</b>	<b>872,422</b>

## NOTE 6 – EXPENSES

	Consolidated	
	2012 \$	2011 \$
Loss before income tax includes the following specific expenses:		
<b>Depreciation (a)</b>		
Exploration field equipment	14,187	1,026
Drilling equipment	33,561	-
Office computer equipment	21,824	16,221
Field vehicles	35,527	-
Office equipment	7,753	356
<b>Total depreciation expensed</b>	<b>112,852</b>	<b>17,603</b>
<b>Depreciation capitalised (a)</b>	<b>40,231</b>	<b>197,899</b>
<b>Total depreciation</b>	<b>153,083</b>	<b>215,502</b>
<b>Salary &amp; Employment costs</b>		
Salaries & wages	738,501	624,810
Employee options expense	-	-
Defined contribution superannuation expense	55,836	42,156
	<b>794,337</b>	<b>666,966</b>
<b>Operating lease</b>		
Rental expense relating to operating lease	151,644	180,704

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

**NOTE 7 – INCOME TAX EXPENSE**

	Consolidated	
	2012 \$	2011 \$
<b>(a) Income tax expense / (benefit)</b>		
Current tax (benefit) / expense	(200,000)	-
Deferred tax (benefit) / expense	-	(253,363)
Adjustment of tax of prior periods	(217,953)	(331,723)
	<b>(417,953)</b>	<b>(585,086)</b>
Income tax expense / (benefit) is attributable to:		
Loss from continuing operations	(417,953)	(585,086)
Aggregate income tax expense / (benefit)	<b>(417,953)</b>	<b>(585,086)</b>
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	-	(546,430)
(Decrease) increase in deferred tax liabilities (note 15)	-	293,067
	-	<b>(253,363)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	<b>(1,763,780)</b>	<b>(2,590,829)</b>
Tax at the Australian tax rate of 30% (2011 30%)	(529,134)	(777,249)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustment of priors period tax	-	(10,820)
R&D Concession Benefit Received / Receivable	(417,953)	(180,588)
Deferred tax assets not recognised as not probable	529,134	383,571
Income tax (benefit) / expense	<b>(417,953)</b>	<b>(585,086)</b>
<b>(c) Amounts recognised directly in equity</b>		
Net deferred tax – credited directly to equity (note 16)	-	80,744
	-	<b>80,744</b>
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	2,516,250	1,278,570
Unused capital losses for which no deferred tax asset has been recognised	5,840,532	5,840,532
Potential tax benefit @ 30%	<b>2,507,035</b>	<b>2,135,730</b>

#### (e) Tax consolidation legislation

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

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

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

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

#### NOTE 8 – CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 \$	2011 \$
Cash and cash equivalents	1,684,906	4,659,769
Cash on hand	8,576	12,349
	<b>1,693,482</b>	<b>4,672,118</b>

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

Included in cash and cash equivalents is \$156,423 (2011: \$63,447) 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	
	2012 \$	2011 \$
<b>Current</b>		
Trade receivables	142,939	412,637
Sundry debtors	1,849	60,739
Research & Development tax refund	200,000	-
Allowance for doubtful debts	-	-
	<b>344,788</b>	<b>473,376</b>
Goods and services tax recoverable	-	3,936
<i>Trade and other receivables</i>	<b>344,788</b>	<b>477,312</b>
<b>Non-Current</b>		
Refundable bond	-	2,000
<i>Other receivables</i>	-	<b>2,000</b>
	<b>344,788</b>	<b>479,312</b>

**(a) Impaired trade receivables**

There are no other receivables impaired at 30 June 2012 (2011: nil).

	Consolidated	
	2012 \$	2011 \$
At 1 July	-	59,643
Charged for the year	-	-
Receivables written off during the year	-	(59,643)
At 30 June		-

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

As at 30 June 2012, no trade receivables were past due but not impaired (2011: 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 – EXPLORATION EXPENDITURE AND EXPLORATION BONDS

	Consolidated	
	2012 \$	2011 \$
<b>Non-current:</b>		
Balance at the beginning of the year	<b>19,640,410</b>	18,042,867
Exploration expenditure capitalised	2,545,031	3,297,554
Impairment of exploration assets (i)	(762,911)	(1,700,011)
<b>Balance at the end of the year</b>	<b>21,422,530</b>	<b>19,640,410</b>
<b>Environmental bonds</b>		
<b>Non-current:</b>		
Balance at the beginning of the year	<b>35,752</b>	40,754
Amounts capitalised	-	-
Bonds released during year	(2,502)	(5,002)
<b>Balance at the end of the year</b>	<b>33,250</b>	<b>35,752</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**

	Consolidated					Total
	Drilling Equipment	Field Vehicles	Field Equipment	Computer equipment	Office Equipment	
	\$	\$	\$	\$	\$	
<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	201,364	128,824	74,633	64,773	24,699	494,293
<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	201,364	128,824	74,633	64,773	24,699	494,293
<b>Year ended 30 June 2012</b>						
Opening net book amount	201,364	128,824	74,633	64,773	24,699	494,293
Additions	15,524	-	1,240	7,600	-	24,363
Disposals	(342)	-	(2,879)	(774)	(396)	(4,391)
Depreciation charge	(63,294)	(39,363)	(21,728)	(21,342)	(7,356)	(153,083)
Closing net book amount	153,251	89,461	51,266	50,257	16,947	361,182
<b>At 30 June 2012</b>						
Cost	833,817	411,250	254,953	137,646	62,062	1,699,728
Accumulated depreciation	(680,566)	(321,789)	(203,687)	(87,389)	(45,115)	(1,338,546)
Net book amount	153,251	89,461	48,260	50,257	16,947	361,182

## NOTE 12 – INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Country of incorporation	Ownership interest	
		2012 %	2011 %
Nicul Minerals Pty Ltd <sup>^</sup>	Australia	100	100
PepinNini Resources Curnamona Pty Ltd*	Australia	100	100
PepinNini Robinson Range Pty Ltd*	Australia	100	100
PepinNini Minerals International Pty Ltd*	Australia	100	100
PepinNini Sociedad Anonima	Argentine Republic	100	100

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

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

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

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

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

## NOTE 13 – TRADE AND OTHER PAYABLES

	Consolidated	
	2012 \$	2011 \$
Trade payables (i)	320,699	275,108
Sundry creditors and accruals	63,659	60,425
	384,358	335,533

(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	
	2012 \$	2011 \$
<b>Current</b> - Employee benefits	290,345	366,333
<b>Non Current</b> - Employee benefits	9,931	27,468
	<b>300,276</b>	<b>393,801</b>

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

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

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

	Consolidated	
	2012 \$	2011 \$
<b>The net deferred tax liability comprises temporary differences attributable to:</b>		
<i>Deferred tax assets:</i>		
Fundraising costs	<b>(63,579)</b>	(100,308)
Provisions and accruals	<b>(90,083)</b>	(119,425)
Unused tax losses	<b>(7,143,116)</b>	(6,060,673)
Impairment of investment	-	(1,653,194)
Deferred tax assets not recognised	754,875	2,036,765
Deferred tax assets:	(6,541,903)	(5,896,835)
<i>Deferred tax liabilities</i>		
Property, plant and equipment	115,144	148,288
Exploration expenditure, Resource exploration / potential, Mining information	6,426,759	5,748,547
	6,541,903	5,896,835
Total net deferred tax liabilities	-	-
<b>Movements - Consolidated</b>		<b>Total</b>
<b>At 1 July 2010</b>		334,107
Charged/(credited) to the statement of comprehensive income		(253,363)
Charged directly to equity		(80,744)
<b>At 30 June 2011</b>		-
Charged/(credited) to the statement of comprehensive income		-
Charged directly to equity		-
<b>At 30 June 2012</b>		-

## NOTE 16 – ISSUED AND PAID UP CAPITAL

### (a) Share capital:

	Consolidated	
	2012 \$	2011 \$
89,702,499 (2011:89,702,499) fully paid ordinary shares	19,214,080	19,214,080
	<b>19,214,080</b>	19,214,080

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:

	2012		2011	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	89,702,499	19,214,080	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>
Transfer of amounts from equity-settled employee benefits expiring	-	-	-	-
<b>Balance at end of financial year</b>	<b>89,702,499</b>	<b>19,214,080</b>	<b>89,702,499</b>	<b>19,214,080</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 2012 and 2011 year, there were no options exercised that were issued under the executive share option plan. As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital. During the year, PepinNini Minerals Limited issued no share options (2011: \$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

Equity-settled employee benefits (i)  
 Transfer of amounts from equity-settled employee benefits expiring

Consolidated	
2012 \$	2011 \$
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. The fair value is then expensed over the vesting period of the share options. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

### (b) Retained earnings

Movements in retained earnings were as follows:

Balance at beginning of financial year  
 Net (loss) / profit attributable to members of the Company  
 Dividends provided for or paid (note 18)  
**Balance at end of financial year**

Consolidated	
2012 \$	2011 \$
<b>5,016,436</b>	7,022,179
<b>(1,345,827)</b>	(2,005,743)
-	-
<b>3,670,609</b>	<b>5,016,436</b>

## NOTE 18 - DIVIDENDS

No dividends have been paid for the year ended 30 June 2012 or 30 June 2011

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

### Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%)

Company	
2012 \$	2011 \$
-	-
-	-

Company	
2012 \$	2011 \$
4,709,476	4,709,476
<b>4,709,476</b>	<b>4,709,476</b>

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

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

## NOTE 19 – KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Directors

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

- + Norman Kennedy – Chairman & Managing Director
- + Rebecca Holland-Kennedy – Director & Company Secretary
- + Albert Harris – Director (resigned 15 August 2011)
- + Christopher Lambert – Director
- + Robert (Wei) Sun – Director (commenced 1 December 2011)

### (b) Other key management personnel

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

### (c) Key management personnel compensation

	Consolidated	
	2012 \$	2011 \$
Short term employee benefits	413,521	958,699
Post employment benefits	34,789	80,297
Other Long term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	<b>448,310</b>	<b>1,038,996</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 32 to 37.

### (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

There were no options over ordinary shares in the company held during the financial year by the directors of PepinNini Minerals Limited and other key management personnel of the Group, including their personally related parties.

2011							
Name	Balance at start of the year (#)	Granted as compensation (#)	Exercised (#)	Other changes (#)	Balance at end of the year (#)	Vested and exercisable (#)	Unvested (#)

**Directors of PepinNini Minerals Limited**
**Ordinary shares**

Norman Kennedy	-	-	-	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Albert Harris	-	-	-	-	-	-	-
Christopher Lambert	500,000	-	-	(500,000)	-	-	-

**Other key management personnel of the Group**
**Ordinary shares**

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

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

*(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.

2012				
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 #

**Directors of PepinNini Minerals Limited**
**Ordinary shares**

Norman Kennedy	9,680,000	-	-	9,680,000
Rebecca Holland-Kennedy	9,987,805			9,987,805
Albert Harris (resigned 15 August 2011)	749,334		(749,334)	-
Christopher Lambert	-	-	-	-
Robert (Wei) Sun (commenced 1 December 2011)	30,000	-	-	30,000

**Other key management personnel of the Group**
**Ordinary shares**

-	-	-	-	-
---	---	---	---	---

Close family members of the Key management personnel also hold 2,000,000 shares at balance date in their own names.

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 #
--------------	--	---	---------------------------------------	--

#### Directors of PepinNini Minerals Limited

##### Ordinary shares

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	-	-	-	-

#### Other key management personnel of the Group

##### Ordinary shares

-	-	-	-	-

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

There were no other transactions with key management personnel.

## NOTE 20 - REMUNERATION OF AUDITORS

#### Auditor of the parent entity

Ernst & Young audit and review of the financial reports

Ernst & Young other assurance services

Consolidated	
2012 \$	2011 \$
<b>65,303</b>	46,000
-	4,500
<b>65,303</b>	<b>50,500</b>

## NOTE 21 - COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2012 \$	2011 \$
<b>Capital expenditure commitments</b>		
Granted exploration tenement statutory expenditure commitments, payable:		
Not longer than 1 year	1,695,578	1,300,433
Longer than 1 year and not longer than 5 years	3,850,427	294,583
Longer than 5 years	-	-
	5,546,005	1,595,016
<b>Operating lease commitments:</b>		
Not longer than 1 year	153,000	146,026
Longer than 1 year and not longer than 5 years	327,230	480,230
Longer than 5 years	-	-
	480,230	626,256

## 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 \$0 (2011: \$85,514) in rent and reimbursement of expenses from Arckaringa Energy Pty Ltd (Chris Lambert is a director of Arckaringa Energy Pty Ltd and PepinNini Minerals Limited).

As at 30 June 2012, George Holland Pty Ltd, a company of which Rebecca Holland-Kennedy is a director held 745,528 shares.

### (d) Terms and conditions

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

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

Outstanding balances are unsecured and are repayable in cash.

## NOTE 23 - INTERESTS IN JOINT VENTURES

The Group is a venturer in the following joint ventures:

Name of venture	Resident	Principal activity	Output interest	
			2012 %	2011 %
Uranium Resources and Mineral Resources Joint venture(JV01)	Australia	Management and operation of development of Crocker Well And Mt Victoria(SA) uranium deposits and exploration for other commodities	40	40
Robinson Range Iron Ore Joint Venture (JV03)*	Australia	Management and operation of development of iron ore in three tenements in the Robinson Range region(WA)	50	50
Jackson Iron Ore Joint Venture (JV04)*	Australia	Management and operation of development of iron ore in four tenements in the Robinson Range region(WA)	40	40

During the year the Group was subject to cash calls of \$331,167 (2011: \$202,567) 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 (2011: \$nil) in accordance with the joint venture agreement.

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

#### Current assets

Cash and cash equivalents  
Trade and other receivables

#### Total current assets

#### Non-current assets

Other receivables  
Exploration expenditure  
Exploration bonds  
Plant and equipment

#### Total non-current assets

#### Total assets

#### Current liabilities

Trade and other payables  
Provisions

#### Total current liabilities

#### Total Liabilities

#### Net assets

	Year ended 30 Jun 2012 \$	Year ended 30 Jun 2011 \$
Cash and cash equivalents	-	63,447
Trade and other receivables	-	4,025
<b>Total current assets</b>	-	<b>67,472</b>
Other receivables	-	2,000
Exploration expenditure	4,848,257	4,848,257
Exploration bonds	10,255	10,255
Plant and equipment	1,857	4,800
<b>Total non-current assets</b>	<b>4,860,369</b>	<b>4,865,312</b>
<b>Total assets</b>	<b>4,860,369</b>	<b>4,932,784</b>
Trade and other payables	-	47,673
Provisions	-	11,554
<b>Total current liabilities</b>	-	<b>59,227</b>
<b>Total Liabilities</b>	-	<b>59,227</b>
<b>Net assets</b>	<b>4,860,369</b>	<b>4,873,557</b>

## Robinson Range Iron Ore Joint Ventures

During the 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 net assets recognised in the consolidated financial statements are summarised in the table following:

**Robinson Range Iron Ore (JV03) and Jackson Iron Ore (JV04) joint venture assets recognised in the consolidated financial statements**

	Year ended 30 Jun 2012 \$	Year ended 30 Jun 2011 \$
<b>Current assets</b>		
Cash and cash equivalents	77,339	113,680
Trade and other receivables	3,941	53,099
<b>Total current assets</b>	<b>81,280</b>	<b>166,779</b>
<b>Non-current assets</b>		
Exploration expenditure	300,254	67,171
Total non-current assets	300,254	67,171
<b>Total assets</b>	<b>381,534</b>	<b>233,950</b>
<b>Current liabilities</b>		
Trade and other payables	(10,243)	(32,100)
<b>Total current liabilities</b>	<b>(10,243)</b>	<b>(32,100)</b>
<b>Total Liabilities</b>	<b>(10,243)</b>	<b>(32,100)</b>
<b>Net assets</b>	<b>371,291</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.

**(a) Capital expenditure commitments**

*Granted exploration tenement statutory expenditure commitments, payable:*

	Year ended 30 Jun 2012 \$	Year ended 30 Jun 2011 \$
Not longer than 1 year	132,433	71,058
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>132,433</b>	<b>71,058</b>

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

	Consolidated	
	2012 \$	2011 \$
Loss for the year after tax	(1,345,827)	(2,005,743)
<i>Non-cash items</i>		
Depreciation expensed	112,852	17,603
Loss on disposal of PPE	1,117	
Impairment of exploration assets	762,911	1,700,011
<i>Items not classified as operating</i>		
Interest income	(171,620)	(471,057)
<i>Changes in net assets and liabilities</i>		
(Increase)/ decrease in assets:		
Trade and other receivables	77,019	(364,172)
Increase / (decrease) in liabilities:		
Trade and other payables	3,762	(234,609)
Deferred tax liability	-	(334,107)
Provisions	(93,589)	106,181
Net cash outflow from operating activities	(653,375)	(1,585,889)

**NOTE 25 - EARNINGS PER SHARE**
**(a) Basic earnings per share**

Loss from continuing operations attributable to the ordinary equity holders of the company

Loss from discontinued operation

**Total basic earnings per share attributable to the ordinary equity holders of the company**
**(b) Diluted earnings per share**

Loss from continuing operations attributable to the ordinary equity holders of the company

Loss from discontinued operation

**Total diluted earnings per share attributable to the ordinary equity holders of the company**
**(c) Reconciliations of earnings used in calculating earnings per share**
*Basic earnings per share*

Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share

from continuing operations

*Diluted earnings per share*

Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share

adjustments made to earnings

Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share

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

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

Adjustments for calculation of diluted earnings per share:

Options

*Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share*

Consolidated	
2012 Cents	2011 Cents
(1.5)	(2.4)
-	-
<b>(1.5)</b>	<b>(2.4)</b>
(1.5)	(2.4)
-	-
<b>(1.5)</b>	<b>(2.4)</b>

Consolidated	
2012	2011
(1,345,827)	(2,005,743)
<b>(1,345,827)</b>	<b>(2,005,743)</b>
(1,345,827)	(2,005,743)
-	-
<b>(1,345,827)</b>	<b>(2,005,743)</b>

Consolidated	
2012 Number	2011 Number
89,702,499	82,994,166
-	-
<b>89,702,499</b>	<b>82,994,166</b>

(1) Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the 2012 and 2011 financial year

## NOTE 26 - SHARE-BASED PAYMENTS

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

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

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited/ Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
<b>Consolidated and company – 2012</b>								
			-	-	-	-	-	-
Weighted average exercise price			-					
<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)	-	-
			<b>1,200,000</b>	-	-	<b>(1,200,000)</b>	-	-
Weighted average exercise price			\$1.50	-	-	-	-	-

No options were exercised during the year ended 30 June 2012 and so the weighted average share price at the date of exercise of options was zero (2011:\$nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0 years (2011:0 years).

### Fair value of options granted

No options were granted in the 2012 or 2011 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 arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012 \$	2011 \$
Options issued under employee share option plan	-	-

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:

	Parent	
	2012 \$	2011 \$
<b>Balance sheet</b>		
Current assets	1,993,686	4,813,815
Total assets	<b>23,905,168</b>	<b>31,314,401</b>
Current liabilities	(1,428,977)	(7,716,576)
Total liabilities	<b>(1,438,909)</b>	<b>(7,743,983)</b>
<b>Shareholders equity</b>		
Issued capital	19,214,080	19,214,080
Reserves	362,035	362,035
Retained earnings	2,890,145	3,994,303
<b>Total equity</b>	<b>22,466,259</b>	<b>23,570,418</b>
<b>Profit or loss for the year</b>	<b>(1,104,158)</b>	<b>(2,156,527)</b>
<b>Total comprehensive income</b>	<b>(1,104,158)</b>	<b>(2,156,527)</b>

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

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

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

As at 30 June 2012, the parent entity had nil contractual commitments for the acquisition of property, plant or equipment (30 June 2011: nil). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

## NOTE 29 - SUBSEQUENT EVENTS

PepinNini Minerals Limited announced a pro-rata non-renounceable entitlements issue on 28 June 2012. The issue, under a prospectus was for two shares for every three held by eligible shareholders at Record Date (9 July 2012). The issue price was \$0.032 per share to raise up to \$1,913,653 with the issue of a maximum of 59,801,666 new shares. The offer closed on 26 July 2012 and raised \$815,215.01 with the issue of 25,475,494 shares. This represented a 43% take up of the entitlements on offer. Costs totalling \$139,008 were deducted from the equity with share capital increased by \$676,207. As the company had a loss for the year the issuance would have impacted basic and dilutive earnings per share by \$0.05 if in place for all of the 2012 financial year. Directors are currently evaluating placement of the shortfall in relation to market conditions.

On 10 September 2012 PepinNini Minerals Limited announced the issue of 250,000 unlisted options to an employee issued according to the Employee Share Option Plan approved at the Annual General Meeting of shareholders on 10 November 2011.

There has been no other matter or circumstance that has arisen since 30th June 2012 that has significantly affected, or may significantly affect:

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

# DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
  - a. The financial statements and notes of PepinNini Minerals Limited for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:
    - i. Giving a true and fair view of its financial position as at 30 June 2012 and performance
    - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
  - b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2
  - c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the board



Norman Kennedy  
Director  
Adelaide  
14 September 2012

## **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 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

#### ***Auditor's responsibility***

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

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

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

#### ***Independence***

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

### Opinion

In our opinion:

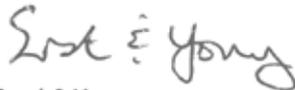
- a. the financial report of PepinNini Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with 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 14 to 20 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Nigel Stevenson  
Partner  
Adelaide  
14 September 2012

# ADDITIONAL SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 31 August 2012.

As at 31 August 2012 there were 115,177,993 fully paid ordinary shares held by 1,764 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	249	146,785
1,001 – 5,000	595	1,797,128
5,001 – 10,000	274	2,301,563
10,001 – 100,000	522	18,100,786
100,001 and over	124	92,831,731
	1,764	115,177,993
Holding less than a marketable parcel	1,188	5,080,083

## B. Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Percentage	Number
Norman Lee Kennedy	14.89%	17,154,010
Rebecca Ann Holland-Kennedy	14.89%	17,154,002
Total	29.78%	34,308,012

## C. Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Norman Lee Kennedy	17,154,010	14.89%
Rebecca Ann Holland-Kennedy	17,154,002	14.89%
Sinosteel Australia Pty Ltd	3,300,000	2.87%
Ulgula Pty Ltd<Hutton Super Fund A/C>	3,210,318	2.79%
George Holland Pty Limited	1,915,880	1.66%
National Nominees Limited	1,811,785	1.57%
Citicorp Nominees Pty Ltd	1,681,699	1.46%
Luis Fernando Norman Kennedy	1,666,667	1.45%
PSZ Nominees Pty Ltd<The PSZ A/C>	1,551,154	1.35%
National Energy Pty Ltd	1,416,279	1.23%
JP Morgan Nominees Australia Limited <Cash Income A/C>	1,327,773	1.15%
Mr Zachary Kalamboyas + Mrs Sophia Kalamboyas <Z & S Kalamboyas S/F A/C>	1,271,000	1.10%
Philip Roger Clifford	1,241,800	1.08%
Mr Spero John Tsapaliaris + Mrs Sophia Tsapaliaris <S & S Tsapaliaris Family A/C>	1,200,000	1.04%
UBS Nominees Pty Ltd	1,159,586	1.01%
Minsk Pty Ltd	1,121,010	0.97%
Leet Investments Pty Ltd	1,100,000	0.96%
Eshan Pty Ltd	1,000,000	0.87%
Kalatana Pty Ltd	1,000,000	0.87%
Alexander George William Kennedy	1,000,000	0.87%
Total	62,282,963	54.08%





# Pepinnini

Minerals Limited

96 Babbage Road  
ROSEVILLE CHASE NSW 2069

PHONE +61 (0)2 9417 6212  
FAX +61 (0)2 9417 3043  
EMAIL [admin@pepinnini.com.au](mailto:admin@pepinnini.com.au)  
WEBSITE [www.pepinnini.com.au](http://www.pepinnini.com.au)

Level 1, 76 Waymouth Street,  
ADELAIDE SA 5000  
GPO Box 403, ADELAIDE, SA 5001

PHONE +61 (0)8 8218 5000  
FAX +61 (0)8 8212 5717  
EMAIL [admin@pnn-adelaide.com.au](mailto:admin@pnn-adelaide.com.au)  
WEBSITE [www.pepinnini.com.au](http://www.pepinnini.com.au)