

PepinNini

Minerals limited

ABN 55 101 714 989

Financial report for the half year
ended 31 December 2011



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Directors' report

The directors of PepinNini Minerals Limited (PepinNini) submit herewith the financial report of the company and its subsidiaries (the Group) for the half-year ended 31 December 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

- Mr Norman Kennedy
- Ms Rebecca Holland-Kennedy
- Mr Christopher Lambert
- Mr Albert Harris resigned as a director of the company 15th August 2011
- Mr Robert WeiSun was appointed a director of the company 1st December 2011

Review of operations

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

1. Musgrave Province Nickel/Copper Project

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

During the period, exploration activity focused on the Cooperinna block of EL4587. A total of 190 vacuum holes for 3,055.4m of drilling were completed and generated 190 samples for multi-element analysis to be used for litho-geochemical mapping. In addition 3 stratigraphic diamond holes were drilled for a total of 499.6m. The diamond holes intersected garnet-bearing quartzo-feldspathic gneiss of the Birksgate Complex with localised intervals of minor pyrite and pyrrhotite. Both vacuum and diamond drilling programmes are incomplete and will be continued in 2012.

The Company commissioned an orientation airborne electromagnetic survey (AEM) of approximately 1,500 line kms over the Caroline Intrusion, the Hanging Knoll Area and the Cooperinna Block. The survey will be undertaken as part of a collaborative funding program with the South Australian Government. PepinNini Minerals has been awarded a \$75,000 grant for the program as part of the South Australian Government's 'Plan for Accelerated Exploration 2020' (PACE 2020) Initiative. The AEM system to be deployed is the new SkyTEM super low moment system which has recently been imported into Australia from Scandinavia. The system which is much higher powered than previous versions is designed to be able to resolve both near surface and deep conductors thus making it highly suitable for use in the Musgrave Province. Equipment failure and unsuitable weather during October and November has caused the survey to be postponed until March, 2012.

2. Curnamona Province Uranium and Base Metals Project

Exploration within the Curnamona Province Project area, which includes the Crocker Well Uranium Deposit, is being managed by Sinosteel PepinNini Curnamona Management Pty Ltd (SPCM) on behalf of the Joint Venture partners Sinosteel Corporation (60%) and PepinNini Minerals (40%).

The 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 (ELA928/04 Mt Victor); the Macdonald Corridor Iron Ore Prospect (EL4375 Bimbowrie); and the Outalpa Iron Ore Prospect (EL4749 Outalpa & ELA928/04 Mt Victor). Each of the prospects identified have the potential to host a very large magnetite iron ore resource which could be beneficiated to a high grade blast furnace feed product at a very competitive cost relative to other magnetite prospects currently under development consideration elsewhere in Australia.

A drilling program of approximately 2,000 metres of RC percussion drilling designed to test interpreted magnetic units of the Braemar Iron Formation within EL4375 at the Macdonald Corridor Iron Ore Prospect commenced in December. Drillholes are approximately 100m deep and located along two planned traverses. Modeling of aeromagnetic data indicates the main magnetic units of the Braemar Iron Formation to be approximately 425-450m wide along Traverse 1 and approximately 750-800m wide along Traverse 2. Five holes were completed during December for a total of 574m. Drilling recommenced in February, 2012.

An extensive aircore drilling program continued during the reporting period to test base metal targets generated through interpretation of aeromagnetic data, geochemical sampling and historical data review. An approximately 300m wide zone

of highly anomalous Cu+Mo+As+(Ba) values was intersected within three 100m spaced boreholes drilled to test an area interpreted as exhibiting similarities to Havilah Resource's Kalkaroo Cu-Au Project (62Mt @ 0.55%Cu & 0.44g/tAu). Results returned an intercept of 44m @ 0.12%Cu, 32ppmMo, 19.5%Fe, 0.47%Ba from 30m to EOH, including 6m @ 0.21%Cu, 42ppmMo, 21%Fe and 0.04g/TAu. Further work is planned to test the strike and depth extent of Cu-Mo mineralization intersected and to test magnetic stratigraphy within EL4239 associated with a folded structure.

3. North Queensland Project

PepinNini is currently in the process of prioritising targets for follow-up exploration for the North Queensland Project. The Company has a 100% interest in 13 exploration tenements and 1 mining lease covering approximately 1,086 sq kms prospective for high grade gold and silver, copper, base metals, uranium, phosphate and potash.

4. Robinson Range Iron Ore Project

During the reporting period PepinNini commenced an extensive reverse circulation (RC) drilling program across the Robinson Range Project located in the Midwest region of WA.

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

The drilling program is 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.

Sixty three boreholes were completed during the reporting period for 3,163 metres of drilling within six prospect areas. Drilling operations were suspended during October due to recurring mechanical problems. Drilling recommenced in February, 2012. Encouraging Hematite, Hematite-Goethite iron enrichment was encountered at PNN Area C including;

- 26 metres @ 61.2% Fe in borehole RC11RR062 from a depth of 20 metres,
- 10 metres @ 53.9% Fe in borehole RC11RR063 from a depth of 2 metres to the base of hole at 12 metres. (intersection includes an interval of 4 metres @ 57.5% Fe from 4 metres
- 45 metres @ 59.7% Fe in borehole RC11RR030 from a depth of 6 metres to the base of hole at 51 metres. (intersection includes an interval of 39 metres @ 61.1% Fe from 12 metres to base of hole),
- Two other holes, RC11RR032 and RC11RR033, each located approximately 200m from borehole RC11RR030 also intersected reportable iron mineralisation. (RC11RR032 included 4 metres @ 53.6% Fe from 16 metres to base of hole at 20 metres, RC11RR033 intersected 45 metres @ 51.3% Fe from 12 metres to base of hole at 57 metres including 6 metres @ 59.5% Fe from 16 metres),
- Borehole RC11RR029 located approximately 100 metres from borehole RC11RR030 intersected 10 metres @ 58.0% Fe from 12 metres depth.

Independent technical specialists, Hellman & Schofield Pty Ltd, were commissioned to undertake a resource estimation of PNN Area C mineralisation and 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.

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

With the granting of 4 cateos (Exploration Licences) and 1 minas (Mining Lease) during the quarter PepinNini now have five granted cateos, one granted minas and one application for a cateo covering approximately 330 sq kms 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. The area is being targeted by PepinNini for copper-gold-silver mineralization.

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

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

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 4 of the half-year financial report.

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

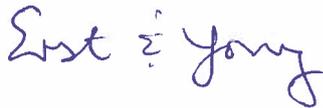
On behalf of the Directors

A handwritten signature in black ink, appearing to be 'N. Kennedy', written over a light blue horizontal line.

Norman Kennedy
Managing Director
Sydney, 9th March 2012

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

In relation to our review of the financial report of PepinNini Minerals Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

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

Nigel Stevenson
Partner
Adelaide
9 March 2012

Independent review report to members of PepinNini Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PepinNini Minerals Limited, which comprises the balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PepinNini Minerals Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

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

Nigel Stevenson
Partner
Adelaide
9 March 2012

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standard AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Norman Kennedy
Managing Director
Sydney, 9th March 2012

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2011**

	Consolidated	Consolidated
	Half-year ended	Half-year ended
	31 Dec 2011	31 Dec 2010
	\$	\$
Continuing operations		
Revenue	690,300	323,874
Expenses		
Depreciation expense	82,863	31,808
Salary and employment costs	511,317	319,025
Operating expenses	501,051	407,280
Professional fees	64,564	43,590
Impairment of exploration asset	383,834	838,933
Legal fees	53,208	30,579
Other expenses	2,392	(1,874)
Total expenses	1,599,229	1,671,215
Loss before tax	(908,929)	(1,345,467)
Income tax benefit	217,953	310,359
Loss for the period from continuing operations	(690,976)	(1,035,108)
Loss for the period	(690,976)	(1,035,108)
Other comprehensive income	-	-
Total comprehensive loss for the half-year	(690,976)	(1,035,108)
Earnings per share for loss attributable to members of PepinNini Minerals Limited		
Basic (cents per share)	(0.8)	(1.3)
Diluted (cents per share)	(0.8)	(1.3)

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

**Consolidated balance sheet as at 31
December 2011**

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$
Current assets		
Cash and cash equivalents	3,163,747	4,672,118
Trade and other receivables	311,458	477,312
Total current assets	3,475,205	5,149,430
Non-current assets		
Other receivables	-	2,000
Exploration expenditure	20,522,379	19,640,410
Exploration bonds	30,750	35,752
Property, plant and equipment	436,126	494,293
Total non-current assets	20,989,255	20,172,455
Total assets	24,464,460	25,321,885
Current liabilities		
Trade and other payables	235,873	335,533
Provisions	313,311	366,333
Total current liabilities	549,184	701,866
Non-current liabilities		
Provisions	13,701	27,468
Total non-current liabilities	13,701	27,468
Total liabilities	562,885	729,334
Net assets	23,901,575	24,592,551
Equity		
Issued capital	19,214,080	19,214,080
Reserves	362,035	362,035
Retained earnings	4,325,460	5,016,436
Total equity attributable to equity holders of the parent	23,901,575	24,592,551

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

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

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

**Consolidated statement of changes in equity
 for the half-year ended 31 December 2010**

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital	Reserves (Equity settled employee benefits reserve)	Retained earnings	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2010	16,297,481	362,035	7,022,179	23,681,695
Loss for the period	-	-	(1,035,108)	(1,035,108)
Other comprehensive Income	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2010	-	-	(1,035,108)	(1,035,108)
Balance at 31 December 2010	16,297,481	362,035	5,987,071	22,646,587

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

Consolidated cash flow statement for the half-year ended 31 December 2011

	Consolidated	Consolidated
	Half-year ended	
	31 Dec 2011	31 Dec 2010
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,146,204)	(951,411)
Receipts in the course of business	753,564	26,472
Net cash used in operating activities	(392,640)	(924,939)
Cash flows from investing activities		
Payment for exploration activities	(1,282,090)	(1,910,216)
Payments for property, plant and equipment	(3,406)	(7,533)
Interest received	169,765	270,478
Net cash used in investing activities	(1,115,731)	(1,647,271)
Cash flows from financing activities		
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(1,508,371)	(2,572,210)
Cash and cash equivalents at the beginning of the period	4,672,118	6,019,452
Cash and cash equivalents at the end of the period	3,163,747	3,447,242

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

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

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

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements by PepinNini during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

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

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

2. Segment information

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

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

3. Dividends

During the period, PepinNini Minerals Limited paid no dividends:

	Half-year ended 31 Dec 2011		Half-year ended 31 Dec 2010	
	Cents per share	Total \$	Cents per share	Total \$
Fully paid ordinary shares				
Final dividend	-	-	-	-

4. Impairment

During the half-year reporting period ended 31 December 2011, an application to surrender a Queensland tenement in full was lodged with the Department of Mines and Energy; the tenement has been evaluated as having no potential for mineral deposit discovery. Cumulative expenditure for the tenement totals \$383,834, this expenditure has been fully impaired in the financial statements at 31 December 2011. There are no known rehabilitation requirements for the tenement being surrendered.

5. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, PepinNini Minerals Limited issued no ordinary shares (2010 – no ordinary shares issued) and no share options issued under its executive share option plan were exercised (2010 – no share options exercised). As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital.

PepinNini Minerals Limited issued zero share options (2010: zero share options) over ordinary shares under its executive share option plan during the half-year reporting period.

The company did not purchase or cancel any ordinary shares during the period (2010 – no ordinary shares purchased or cancelled).

6. Investments in subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		December 2011	June 2011
		%	%
PepinNini Resources Pty Ltd	Australia	100%	100%
NiCul Minerals Limited (<i>formerly PepinNini Resources Curnomona Pty Ltd</i>)	Australia	100%	100%
PepinNini Robinson Range Pty Ltd	Australia	100%	100%
PepinNini Minerals International Pty Ltd	Australia	100%	100%
PepinNini QLD Pty Ltd	Australia	100%	100%
PepinNini Sociedad Anonima	Argentine Republic	100%	100%

7. Interests In Joint Ventures

PepinNini has an interest in the following joint ventures:

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

8. Subsequent Events

No matters or circumstances have arisen since 31 December 2011 that has significantly affected, or may substantially affect:

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