

Pepinini

Minerals Limited

ABN 55 101 714 989

Financial report for the half year
ended 31 December 2009



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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 2009. 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
- Mr Christopher Lambert
- Ms Rebecca Holland-Kennedy
- Mr Albert George Harris

Review of operations

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

1. Musgrave Province Nickel/Copper Project

PepinNini Minerals Limited is currently undertaking exploration programs designed to target nickel-copper sulphide mineralisation and base metal mineralisation in the Musgrave Province, South Australia. PepinNini has four granted exploration licences (EL3368, EL3536, EL4048, EL3931) covering ~5,669 km² and four exploration licence applications (ELA118/96, ELA185/96, ELA278/82, ELA491/94) covering ~3,852 km². PepinNini subsidiary PepinNini Resources Pty Limited is earning a 51% interest in EL3931 and ELAs 278/82 and 491/94 under a Farm-in and Joint Venture Agreement with Rio Tinto Ltd subsidiary Rio Tinto Exploration Pty Limited.

During the reporting period, exploration activity focused on EL4048 'Mt Caroline' and EL3931 'Woodroffe', predominantly within the vicinity of the Giles Complex layered mafic-ultramafic Caroline Intrusion. The Giles Complex is considered highly prospective for nickel-copper sulphide and platinum group element mineralisation following the discovery of the Nebo-Babel deposit in Western Australia by WMC (392Mt @ 0.3%Ni and 0.33%Cu).

Exploration activities within EL4048 during the reporting period included reinterpretation of historic Tempest electromagnetic (EM) data and aeromagnetic data, seven dipole-dipole induced polarisation traverses (14.1 line kilometres), shallow vacuum drilling and diamond drilling. A total of 389 vacuum boreholes were completed within EL4048, totalling 4,453.4m. Eight diamond boreholes (3,265.38m) were also completed within EL4048. Disseminated sulphides and favourable lithologies for Ni-Cu sulphide mineralisation were observed in all boreholes.

Field exploration activities commenced within EL 3931 during the reporting period. A Work Program Clearance was undertaken during October 2009 in which ~800 vacuum boreholes and 12 diamond boreholes were approved for drilling by Traditional Owners. Vacuum drilling commenced on 11th November 2009. Seventy-three vacuum boreholes totaling 656.7m were completed to 31 December, 2009. Diamond drilling within EL3931 commenced on 28th November, 2009 and the first borehole had attained a depth of 128.56m before the field crew went on break.

The regional vacuum drilling over the Caroline Intrusion has been successful in identifying areas prospective for Ni-Cu-Co sulphide mineralisation. It has been determined that the regolith geochemistry is affected by the presence of palaeochannels, which partly obscures the geochemical footprint of the underlying bedrock. This observation provides encouragement where the margins of the palaeochannels are flanked by anomalies such as within EL3931. The magnitude of geochemical anomalies identified within EL3931 and their spatial relationship to the Caroline Intrusion stratigraphy is considered highly encouraging. This is because the anomalous results are associated with a region of relatively low magnetic resonance which is likely reflecting low-Fe, high-Mg magmatic differentiates. These differentiates are more likely to be Ni-Cu enriched. Several priority targets have been identified and will be tested by infill vacuum drilling and diamond drilling.

2. Curnamona Province Uranium and Base Metals Project

PepinNini Minerals Limited has a 40% interest in four granted exploration licences and one exploration licence application covering approximately 3,778 sq. kms. 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 and Mt Victoria Uranium Deposits and explore for other commodities within the Joint Venture tenements. The development of the Crocker Well Uranium Deposit is being managed by Sinosteel PepinNini Curnamona Management Pty Limited (SPCM) on behalf of the Joint Venture partners.

During the reporting period the joint venture alliance between Sinosteel Corporation and PepinNini Minerals Limited decided to delay the completion of a BFS until there is a substantial sustained increase in the price of uranium and a substantial sustained improvement in the American dollar. Preliminary financial modeling of the Crocker Well Uranium

Project undertaken as part of a Bankable Feasibility Study (BFS) for the development of a uranium mine indicated the Crocker Well project is very sensitive with regard to the price of uranium and the American dollar exchange rate.

A drill program to investigate regional uranium targets in the vicinity of Crocker Well commenced during the reporting period. Five fully cored diamond drill holes were completed for a total of 648.1m to verify the previously identified resource at the historic Mt Victoria Uranium Deposit. A reverse circulation drilling program of 23 boreholes for 2236m was also completed during the quarter to investigate other regional prospects in the vicinity of Crocker Well including Becaroo, Anomaly A and NE Extension located within EL 4239 and EL 3278. Results from laboratory analysis of core and RC samples are awaited. A total of 1201 samples, inclusive of standards (42) and duplicates (37), were submitted for multi-element analysis. All holes were geophysically logged for total gamma as well as magnetic deviation and magnetic susceptibility.

Mt Victoria has a previously announced (4th October, 2005) Inferred JORC compliant resource of 250,000 tonnes at an average U₃O₈ grade of 0.16% using a cutoff grade of 300ppm. High grade surface samples of up to 2.6% U₃O₈ have been reported for the Becaroo Prospect and 2.4% U₃O₈ for Anomaly A.

All of the prospects investigated have extensive surface radiometric anomalies.

3. North Queensland Project

PepinNini has established a significant presence in North Queensland with 23 exploration tenements and 1 mining lease covering approximately 2,773 sq kms.

Exploration activities during the reporting period focussed on gold and base metals in EPM 15440 Percyville and EPM 15547 The Return.

Several new vein systems have been identified by PepinNini within EPM 15547 and rock chip samples have returned gold grades ranging from 0.1 g/t (country rock) up to 1,710 g/t (55 oz/t). Significant silver grades of up to 20 oz/t have also been assayed for surface samples collected by PepinNini from within the tenement.

A detailed heli-mag survey was flown over the tenement during August, 2009. The survey was flown at a nominal height of 30m with a NS flight line spacing of 25m. The resultant data has assisted greatly in accurately defining structural targets for drilling. The radiometric data has highlighted several anomalies that could represent potential uranium mineralisation targets.

A detailed field mapping exercise at a scale of 1:2,000 primarily focussed on mineralised structures which have returned high grade gold results was also undertaken during August and September 2009. Apart from accurately locating corridors of well defined lodes the mapping has also defined several zones of stockwork veining which may have potential for an open pit resource.

Previous rock chip and soil sampling programs have defined two priority gold/copper prospects in EPM 15440. Gold grades of up to 65g/t and copper grades of up to 20.3% have previously been reported for The Union Prospect. At the Spring Valley Prospect gold grades of up to 335 g/t and copper grades of up to 32.8% have been reported.

A detailed heli-mag survey was flown over both prospects during August, 2009. The survey was flown at a nominal height of 30m with a NS flight line spacing of 25m. The resultant data has significantly improved the structural definition of both prospects and together with the detailed geological mapping conducted during the reporting period will assist in locating priority drill targets. The radiometric data has also highlighted several anomalies that could represent potential uranium mineralisation targets.

4. Robinson Range Iron Ore Project

During the reporting period PepinNini continued to maintain the status of the Robinson Range Iron Ore Farm-In and Joint Venture notwithstanding disagreement between PepinNini and the Receiver and Manager of Grosvenor Gold Pty Limited on that issue.

The seven tenements subject of the Farm-In Agreement contain a significant portion of the area within the Bryah-Padbury Basin deemed prospective for iron ore. The potential iron ore deposits have grades of up to 65% Fe with low phosphorous content suitable for exploitation as Direct Shipping Ore (DSO). The prospects have never been drilled, and exploration for iron ore has not been conducted over this ground since 1974.

PepinNini Minerals has identified approximately 40 kms strike length of the prospective Robinson Range Formation within the JV tenements and has completed a detailed 250m grid gravity survey to assist in identifying priority drill targets. An extensive reconnaissance surface mapping and sampling program to investigate prospective targets was undertaken in November, 2009. The field program included the collection of 302 surface samples from 12 outcropping iron ore prospects.

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

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

Auditor's independence declaration

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

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

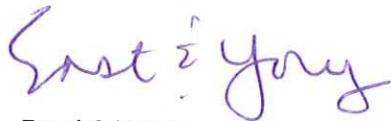
On behalf of the Directors

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

Norman Kennedy
Managing Director
Adelaide, 3rd March 2010

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 2009, 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.



Ernst & Young



Nigel Stevenson
Partner
Adelaide
3 March 2010

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

We have reviewed the accompanying half year financial report of PepinNini Minerals Limited (the Group), which comprises the consolidated balance sheet as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the half year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 2009 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PepinNini Minerals Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

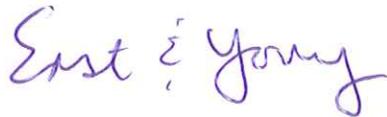
Independence

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

Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

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

Nigel Stevenson
Partner
Adelaide
3 March 2010

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
Adelaide, 3rd March 2010

Consolidated statement of comprehensive income for the half-year ended 31 December 2009

	Consolidated Half-year ended 31 Dec 2009 \$	Consolidated Half-year ended 31 Dec 2008 \$
Continuing operations		
Revenue	221,891	598,140
Expenses		
Depreciation expense	3,826	4,966
Salary and employment costs	217,042	236,175
Operating expenses	444,340	377,608
Professional fees	56,598	75,323
Impairment of investment in subsidiary	-	139,449
Impairment of exploration asset	134,656	-
Legal fees	15,498	26,353
Other expenses	545	3,464
Total expenses	872,505	863,338
(Loss) before tax	(650,614)	(265,198)
Income tax benefit	193,140	11,747
(Loss) for the period from continuing operations	(457,474)	(253,451)
(Loss) for the period	(457,474)	(253,451)
Other comprehensive income	-	-
Total comprehensive loss for the half year	(457,474)	(253,451)
Earnings per share for profit attributable to members of PepinNini Minerals Limited		
Basic (cents per share)	(0.57)	(0.37)
Diluted (cents per share)	(0.57)	(0.37)

Notes to the consolidated financial statements are included on pages 12 to 14.

Consolidated balance sheet as at 31 December 2009

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Current assets		
Cash and cash equivalents	7,982,511	12,379,847
Trade and other receivables	115,876	191,441
Total current assets	8,098,387	12,571,288
Non-current assets		
Other receivables	4,700	2,000
Exploration expenditure	16,441,276	13,024,586
Exploration bonds	43,254	43,254
Plant and equipment	744,037	757,585
Total non-current assets	17,233,267	13,827,426
Total assets	25,331,654	26,398,713
Current liabilities		
Trade and other payables	583,990	1,074,727
Current tax liability	-	52,868
Provisions	233,652	182,853
Total current liabilities	817,642	1,310,448
Non-current liabilities		
Net deferred tax liabilities	295,900	436,172
Rehabilitation provisions	33,408	1,694
Total non-current liabilities	329,308	437,866
Total liabilities	1,146,950	1,748,314
Net assets	24,184,704	24,650,399
Equity		
Issued capital	16,297,481	16,297,481
Reserves	362,949	371,170
Retained earnings	7,524,274	7,981,748
Total equity attributable to equity holders of the parent	24,184,704	24,650,399

Notes to the consolidated financial statements are included on pages 12 to 14.

Consolidated statement of changes in equity for the half-year ended 31 December 2008

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital \$	Reserves \$	Retained earnings \$	Total \$
Consolidated				
Balance at 1 Jul 2008	13,111,366	290,756	8,329,845	21,731,967
Loss for the period	-	-	(253,451)	(253,451)
Other comprehensive Income	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2008	-	-	(253,451)	(253,451)
Recognition of share-based payments	-	60,239	-	60,239
Effect in foreign currency translation reserve on deconsolidation of subsidiary	-	5,408	-	5,408
Share buy-back and associated costs	(271,078)	-	-	(271,078)
Tax effect on share issue costs	405	-	-	405
Balance at 31 Dec 2008	12,840,693	356,403	8,076,394	21,273,490

Consolidated statement of changes in equity for the half-year ended 31 December 2009

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital \$	Reserves \$	Retained earnings \$	Total \$
Consolidated				
Balance at 1 Jul 2009	16,297,481	371,170	7,981,748	24,650,399
Loss for the period	-	-	(457,474)	(457,474)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2009	-	-	(457,474)	(457,474)
Recognition of share-based payments	-	(8,221)	-	(8,221)
Effect in foreign currency translation reserve on deconsolidation of subsidiary	-	-	-	-
Share buy-back and associated costs	-	-	-	-
Tax effect on share issue costs	-	-	-	-
Balance at 31 Dec 2009	16,297,481	362,949	7,524,274	24,184,704

Notes to the consolidated financial statements are included on pages 12 to 14.

**Consolidated cash flow statement
for the half-year ended 31 December 2009**

	Consolidated	
	Half-year ended	
	31 Dec 2009	31 Dec 2008
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,183,876)	(632,954)
Receipts in the course of business	73,053	169,264
Net cash used in operating activities	(1,110,823)	(463,690)
Cash flows from investing activities		
Payment for exploration activities	(3,378,644)	(3,153,336)
Payments for property, plant and equipment	(129,572)	(25,552)
Cash disposed on deconsolidation of subsidiary	-	(24,555)
Interest received	221,703	516,912
Net cash used in investing activities	(3,286,513)	(2,686,531)
Cash flows from financing activities		
Payment for share buy-back and associated costs	-	(271,078)
Net cash used in financing activities	-	(271,078)
Net decrease in cash and cash equivalents	(4,397,336)	(3,421,299)
Cash and cash equivalents at the beginning of the period	12,379,847	15,445,538
Cash and cash equivalents at the end of the period	7,982,511	12,024,239

Notes to the consolidated financial statements are included on pages 12 to 14.

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. 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.

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, except as set out below:

Changes in accounting policy

The Group had to change an accounting policy as a result of a revised accounting standard which became operative for the annual reporting period commencing 1 July 2009.

The affected policy and standard is:

Segment Reporting

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 product 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.

2. Dividends

During the period, PepinNini Minerals Limited paid no dividends:

	Half-year ended 31 Dec 2009		Half-year ended 31 Dec 2008	
	Cents per share	Total \$	Cents per share	Total \$'000
Fully paid ordinary shares				
Final dividend	-	-	-	-

3. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, PepinNini minerals Limited issued no ordinary shares (2008 – no ordinary shares issued) and did not exercise any share options issued under its executive share option plan (2008 – 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 (2008: 700,000 valued at \$59,893) 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 (2008 - 405,000 shares were purchased and cancelled at a total cost of \$271,078).

4. Deconsolidation of Previously Controlled Entities

During the 2008 financial year the Group held a 51% interest in Eagle Gold Mines Limited. Eagle Gold Mines Pty Limited, a wholly owned Australian subsidiary of Eagle Gold Mines Limited, obtained financing for its Peak Hill Gold Project and Fortnum Gold Mine by way of a gold loan. This gold loan was called by its counterparty on 30 June 2008 due to an alleged technical breach in the loan agreement.

On 8 July 2008, Eagle Gold Mines Pty Limited was placed into receivership by the counterparty. As a result, the effective control of Eagle Gold Mines Pty Limited passed to the appointed receivers, and as a result Eagle Gold Mines Pty Ltd was deconsolidated from the Group effective 8 July 2008.

On 16 December 2008 the company's interest in Eagle Gold Mines Ltd reduced to 49%. As a result the company no longer controlled Eagle Gold Mines Ltd and it was deconsolidated from the group effective 16 December 2008. Subsequent to

deconsolidation, the investment in Eagle Gold Mines Ltd was fully impaired resulting in an expense of \$139,449 being recognised. Financial information relating to the operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

During the December 2008 half year, Eagle Gold Mines Ltd and Eagle Gold Mines Pty Limited had no impact to profit nor cash flow in the financial performance of the PepinNini Minerals Limited Group prior to their deconsolidation.

5. Interests In Joint Ventures

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 jointly controlled operations through Sinosteel PepinNini Curnamona Management Pty Ltd, an operation in which it has a 40% interest.

During the half year the group was subject to a cash calls of \$1,376,710 (2008: \$2,380,000) in accordance with the joint venture agreement.

The Group is a venture in the following jointly controlled operations and assets:

Name of venture	Principal activity	Output interest	
		2009 %	2008 %
Uranium Resource and Mineral Resources Joint Venture	Management and operation of development of Crocker Well and Mt Victoria uranium deposits and explore for other commodities	40	40

Uranium Resource and Mineral Resources Joint Venture assets recognised in the consolidated financial statements	31 Dec 2009	30 Jun 2009
	\$	\$
Current assets		
Cash and cash equivalents	225,519	988,190
Trade and other receivables	72,470	120,049
Total current assets	297,989	1,108,239
Non-current assets		
Other receivables	2,000	2,000
Exploration expenditure	4,982,938	3,264,528
Exploration bonds	10,255	10,255
Plant and equipment	5,926	7,437
Total non-current assets	5,001,119	3,284,220
Total assets	5,299,108	4,392,459
Current liabilities		
Trade and other payables	268,194	676,499
Provisions	47,736	13,221
Borrowings		
Total current liabilities	315,930	689,720
Non-current liabilities		
Deferred tax liabilities	1,483,811	984,666
Total non-current liabilities	1,483,811	984,666
Total liabilities	1,799,741	1,674,386
Net assets	3,499,367	2,718,073

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 Uranium Resource and Mineral Resources Joint Venture.

	31 Dec 2009	30 Jun 2009
	\$	\$
(a) Capital expenditure commitments		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	350,000	350,000
Longer than 1 year and not longer than 5 years	350,000	350,000
Longer than 5 years	-	-
	700,000	700,000