

Pepinini

Minerals Limited

ABN 55 101 714 989

A large yellow tracked drilling rig is the central focus, positioned in a field of dry grass and scrub. The rig has a tall mast with a drilling bit at the top. In the background, a person is visible near some equipment. The sky is clear and blue.

***FINANCIAL
REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER, 2006***

Directors' Report

The directors of PepinNini Minerals Limited submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001 the directors report as follows:

Directors

The names of the directors of the Company during or since the end of the half-year are:

Mr Norman Kennedy y

Mr Christopher Lambert

Ms Rebecca Holland-Kennedy

Mr Albert George Harris

The above named directors held office during and since the end of the half year except for:

- **Mr Christopher Lambert** – appointed 12th October 2006

Review & Results of Operations

The principal activity of the consolidated entity during the reporting period has been exploration for base metals, uranium and gold in South Australia and Queensland. Exploration has progressed in all four project areas.

1. Curnamona Province Uranium Project

On 8th September, 2006 PepinNini Minerals signed a Memorandum of Understanding with a Chinese state owned enterprise Sinosteel Corporation to enter a strategic alliance for the joint participation and co-operation in the development and operation of the Crocker Well and Mt Victoria Uranium Deposits and other mineral commodities in the Curnamona Province of South Australia.

Under the terms of the MOU PepinNini granted Sinosteel an exclusivity period of 3 calendar months (extendable to 5 months) in order to permit the entry into legally binding documentation subject to such Australian and PRC Government and other regulatory approvals as may be required (including the approval of the Australian FIRB). In consideration of the exclusive arrangement Sinosteel made a non-refundable payment to PepinNini of \$A1.5 million.

Sinosteel also invested \$A1.65 million for a placement of 3.3 million shares in PepinNini and became a substantial shareholder of the Company on 18th September, 2006.

On the 11th December the Company announced that Sinosteel Corporation had paid A\$1million and extended the exclusivity period for a further two months to complete due diligence and allow legal documentation to be finalised and approvals to be obtained from the Chinese and Australian Governments.

Subject to completion of appropriate legally binding agreements and government approvals, Sinosteel will pay PepinNini \$A28.5 million for a 60% stake in the Curnamona Province project and tenements. In addition Sinosteel will contribute \$A6 million exploration expenditure over a 2 year period for commodities other than uranium. Sinosteel will also contribute \$A5 million towards a bankable feasibility study to develop the uranium prospects. Subject to the successful completion of a bankable feasibility study to develop the uranium prospects, Sinosteel shall enter into an offtake agreement for 100% of the projected output on normal commercial terms to underpin an appropriate level of project debt.

Eighty seven surface rock chip samples were collected from ten Uranium Prospect areas in the vicinity of the Crocker Well and Mt Victoria Uranium Deposits during a field exploration program completed in October.

The samples were collected as part of reconnaissance investigations in conjunction with detail scintillometer surveys across airborne radiometric anomalies. Samples collected include both representative rock types from each of the prospect areas as well as suspected uranium mineralised samples. Samples generally comprise granites, gneiss or schist.

Twenty of the samples collected returned anomalous uranium values in excess of 100ppm U3O8. Seven samples returned very high grades in excess of 1kg/t U3O8 (1,000ppm or 0.1%).

Significant Results

Very high grade samples were returned from three prospect areas (Becaroo, Anomaly A, and Anomaly H)

- Three samples from the Becaroo Prospect returned the following very high grades:
26.2kg/t U3O8 (2.62%) 1.30kg/t U3O8 (0.13%) 1.26 kg/t U3O8 (0.13%)

Two samples from Anomaly A returned the following very high grades:

24.1 kg/t U3O8 (2.41%) 14.8 kg/t U3O8 (1.48%)

- Two samples from Anomaly H returned the following very high grades:
8.9 kg/t U3O8 (0.89%) 5.6 kg/t U3O8 (0.56%)

2. Curnamona Province Base Metal Project

During the quarter a reconnaissance survey including a field mapping exercise was undertaken within EL 3472 and primarily targeted the Black Hill IOCG Prospect. Environmental monitoring and rehabilitation was continued within ELs 3171 and 3278 and a native title mining agreement pursuant to Part 9B of the SA Mining Act covering all current tenements in the Curnamona Province was negotiated with the traditional owners of the area, the Adnyamathanha No. 1 native title claim group.

3. Musgrave Province Nickel/Copper Project

An extensive surface geochemical sampling program and ground magnetometer survey was completed over the full seven kilometre strike length of the Marcus Nickel Prospect in November and December to define areas of elevated nickel and copper. Eighty three line kilometres of ground magnetic surveying (200m traverses, 5m station spacing) with some infill traverses at 100m and 50m was completed and five hundred and seventy four hand auger soil samples were also collected from across the Prospect for multi element geochemical analysis.

4. Georgetown Inlier/Woolgar Goldfield Project

Pepinini has established a substantial presence in the Georgetown Inlier/Woolgar Goldfield region in north Queensland with 100% interest in seven tenements covering more than 900 square kilometres of prospective ground with potential for uranium and large intrusion related gold deposits. A preliminary reconnaissance survey of the North Queensland tenements was completed in December. Approximately 150 surface samples were submitted to a laboratory for analysis. Gold, copper, lead and uranium mineralisation was visually evident in some samples.

5. Corporate

Mr Christopher Lambert was appointed as an Independent Non Executive Director with the Company on 12th October, 2006. Mr Lambert brings to the Company financial and capital raising expertise and a close association with major investment institutions based in London and Asia.

Mr Norman Kennedy was elected Chairman of the Company on 12th October, 2006. He had been performing the duties as acting Chairman when required since June, 2006. Mr Kennedy is a founding Director of Pepinini Minerals Limited and has been instrumental in the direction and progress of the Company since its inception

On the 31st October the Company announced that Mr Phillip Sutherland had agreed to accept a position of General Manager with the Company commencing in January, 2007. Mr Sutherland is an experienced advocate specializing in resources industry related public policy and public affairs. He has a whole of industry appreciation of the challenges and opportunities facing resources companies particularly those operating in South Australia and is well known in government, media and industry circles. Mr Sutherland was formerly the Chief Executive Officer of the South Australian Chamber of Mines and Energy.

On 14th December, 2006 the Company announced it had agreed to place five million ordinary fully paid shares in the Company, at \$1.05 per share, raising a total of \$5.25 million before costs. The placement represents 8.6% of Pepinini's post placement undiluted capital or 7.3% of post placement capital on a diluted basis.

It is intended the funds will be used for working capital and will allow the Company to substantially expand and accelerate its nickel exploration project in the Musgrave Province of South Australia.

6. PACE Funding

The Company has been awarded \$80,000 under Round Four of this funding initiative of the South Australian Government for drilling completed before 10 December 2007 within EL 3368.

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of Directors made pursuant to S306(3) of the Corporations Act 2001.



On behalf of the directors

Norman Kennedy

Director

Sydney, 7th March 2007

The Board of Directors
PepinNini Minerals Limited
96 Babbage Road
ROSEVILLE CHASE NSW 2069

7 March 2007

Dear Board Members

PepinNini Minerals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ABC Company Limited.

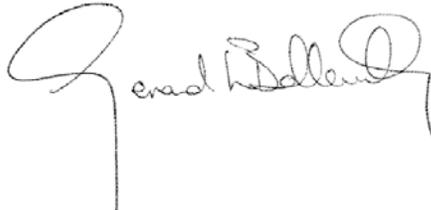
As lead audit partner for the review of the financial statements of PepinNini Minerals Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Gerard Belleville
Partner
Chartered Accountants

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, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the company.

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 designing, implementing and maintaining internal control 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 an Interim 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 PepinNini Minerals Limited's financial position as at 31 December 2006 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, 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.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

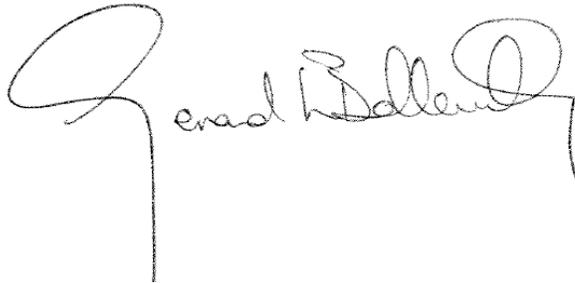
Conclusion

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 company's financial position as at 31 December 2006 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*.



DELOITTE TOUCHE TOHMATSU



Gerard Belleville

Partner

Chartered Accountants

Melbourne, 7 March 2007

**CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED
31 DECEMBER 2006**

	Note	31 Dec 2006 \$	31 Dec 2005 \$
Revenues		90,975	61,233
Depreciation & Amortisation Expenses		13,842	10,566
Salary & employment costs		49,980	69,308
Operating expenses		126,144	92,448
Professional fees		168,784	54,881
Finance costs		1,223	781
Administration expenses		16,500	15,530
Exploration expenses		-	-
Legal fees		6,343	1,468
Other expenses		5,497	481
Total expenses		388,313	245,463
Loss before income tax expense	2	(297,338)	(184,230)
Income tax expense		-	-
Loss after related income tax expense		(297,338)	(184,230)
Net loss attributable to members of PepinNini Minerals Limited		(297,338)	(184,230)
Basic loss per share (cents per share)		(0.57)	(0.38)
Diluted loss per share (cents per share)		(0.57)	(0.38)

Notes to the financial statements are included on pages 11 and 12.

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2006

	31 Dec 2006	30 Jun 2006
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	9,381,530	1,423,761
Receivables	45,032	36,476
Other Assets	105,000	97,924
TOTAL CURRENT ASSETS	9,531,562	1,558,161
NON-CURRENT ASSETS		
Exploration expenditure capitalized	3,382,460	2,850,256
Property, plant and equipment	109,508	46,762
TOTAL NON-CURRENT ASSETS	3,491,968	2,897,018
TOTAL ASSETS	13,023,530	4,455,179
CURRENT LIABILITIES		
Payables	122,649	119,211
Deposit pending issue of shares	2,500,000	-
Deferred Income	176,226	176,225
Provisions	43,271	30,904
TOTAL CURRENT LIABILITIES	2,842,146	326,340
TOTAL LIABILITIES	2,842,146	326,340
NET ASSETS	10,181,384	4,128,839
EQUITY		
Contributed equity	11,266,891	4,938,055
Reserves – Equity Settled Employee Benefits Reserve	158,678	137,631
Retained earnings	(1,244,185)	(946,847)
TOTAL EQUITY	10,181,384	4,128,839

Notes to the financial statements are included on pages 11 and 12.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Share capital	Equity settled employee benefits reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2005	4,725,862	59,581	(537,166)	4,248,277
Loss for period	-	-	(184,230)	(184,230)
Total recognised income and expense	-	-	(184,230)	(184,230)
Recognition of share based payments	-	39,025	-	39,025
Balance at 31 December 2005	4,725,862	98,606	(721,396)	4,103,072
Balance at 1 July 2006	4,938,055	137,631	(946,847)	4,128,839
Loss for period	-	-	(297,338)	(297,338)
Total recognised income and expense	-	-	(297,338)	(297,338)
Recognition of share based payments	-	21,047	-	21,047
Shares issued under share option plan	160,000	-	-	160,000
Shares issued	6,900,000	-	-	6,900,000
Share issue costs	(731,164)	-	-	(731,164)
Balance at 31 December 2006	11,266,891	158,678	(1,244,185)	10,181,384

Notes to the financial statements are included on pages 11 and 12.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	31 Dec 2006	31 Dec 2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	90,870	62,964
Payments to suppliers and employees	(278,400)	(127,352)
Interest and other costs of finance paid	(1,223)	(781)
Net cash used in operating activities	(188,753)	(65,169)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for exploration activities	(608,793)	(1,046,826)
Purchase of property, plant and equipment	(59,717)	(7,049)
Purchase of investments	-	-
Deposits taken for the sale project equity	2,500,000	-
Net cash provided by (used in) investing activities	1,831,490	(1,053,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares & options	7,060,000	-
Issue expenses paid	(744,968)	-
Net cash provided by financing activities	6,315,032	-
Net (decrease)/increase in cash and cash equivalents	7,957,769	(1,119,044)
Cash and cash equivalents at the beginning of the period	1,423,761	3,281,216
Cash and cash equivalents at the end of the period	9,381,530	2,162,172

Notes to the financial statements are included on pages 11 and 12.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 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 financial 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 condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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 and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below.

NOTE 2: Loss on ordinary activities

	31 Dec 2006	31 Dec 2005
	\$	\$

Loss from ordinary activities before income tax has been determined after:

Related Party Transactions

Fees paid to Rank Geological Services Pty Ltd

	112,867	75,717
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	112,867	75,717
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Rank Geological Services Pty Ltd is controlled by Rebecca Holland-Kennedy and Norman Kennedy both directors of PepinNini Minerals Limited. Fees have been paid for re-imbusement of exploration costs and expenses and the supply of office and computer facilities, financial administration, geological and technical plan generation, exploration tenement administration and Company secretarial services of Rebecca Holland-Kennedy. Services purchased from associated companies are made under normal commercial terms and conditions. At reporting date no amounts remained payable.

NOTE 3: Subsequent events

There have not been any material events subsequent to the end of the half year reporting period other than on 6th February, 2007 Sinosteel Corporation and PepinNini Minerals Limited signed a legally binding Investment CoOperation Agreement in accordance with the non-binding Memorandum of Understanding executed on 8th September, 2006. The Agreement reinforces both parties intention to establish a strategic alliance for the joint participation and co-operation in the possible development and operation of the Crocker Well and Mt Victoria Uranium Deposits and other commodities in the Curnamona Province of South Australia. In accordance with the new agreement Sinosteel Corporation paid a non refundable A\$1million on 15th February for an exclusivity period of 60 days expiring on 7th April, 2007 to obtain approvals from the Chinese and Australian Governments and for both parties to finalise an unincorporated joint venture to manage the project. If required Sinosteel can extend the exclusivity period for one additional period of up to a further 60 days by payment of an additional \$1million. If Government approvals are not received or joint venture documentation not finalised by the end of 120 days the non-refundable payments will be converted into PepinNini shares to be issued to Sinosteel at A\$2.00 per share.

NOTE 4: Segment Reporting

The company operates wholly within the Mineral Exploration Industry in Australia.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 5: Application for quotation of securities

During the half year reporting period PepinNini Minerals Limited applied to ASX for quotation of:

- 3,300,000 fully paid ordinary shares pursuant to a Memorandum of Understanding signed with Sinosteel Corporation 8th Sep 2006.
- 700,000 employee incentive options converted by payment to fully paid ordinary shares held by employees of PepinNini Minerals Limited as part of employment package
- 5,000,000 fully paid ordinary shares issued to sophisticated investors

DIRECTORS' DECLARATION

The directors declare that:

1. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
2. 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.

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



Rebecca Holland-Kennedy

Director

Sydney, 7th March 2007