

*PepinNini Minerals Limited*

*ABN 55 101 714 989*

***ANNUAL  
FINANCIAL  
REPORT  
FOR THE YEAR  
ENDED 30 JUNE, 2010***



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## Corporate governance statement

PepinNini Minerals Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement. The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed. A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

### *The board of directors*

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

### *Board composition*

The board currently performs its roles and function, consistent with the above statement of its overall corporate governance responsibility. The board is made up of 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 12 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 2010, and the number of meetings attended by each director is disclosed on page 12.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the board. **No** appointments of this nature were accepted during the year ended 30 June 2010.

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 2010 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 board meetings, the directors discuss and action matters concerning:

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

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

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

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

### **Audit committee**

The Audit Committee meets and reports to the board as required, but in any case at least twice each year. Its members are currently one executive director and one non-executive director. The committee has authority to seek any pertinent information it requires from any employee or external party. The Company's external auditor is invited to attend each meeting of the committee.

The responsibilities of the audit committee include:

- oversee the existence and maintenance of internal controls and accounting systems, including the implementation of mandatory and non-mandatory accounting policies and reporting requirements
- oversee the financial reporting process, including reviewing and reporting to the board on the accuracy of all financial reports lodged with ASX which include the quarterly, half-yearly and annual financial reports
- recommendations to the board regarding the nomination, removal and remuneration of the external auditors
- review the existing external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence and
- assessing the adequacy of external reporting for the needs of shareholders.

In fulfilling its responsibilities, the audit committee:

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

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

### **Remuneration committee**

The Remuneration Committee meets and reports to the board annually. Its members are currently one executive director and one non-executive director. Details of the directors' attendance at the remuneration committee meetings is set out in the directors' report page 12. The remuneration committee advises the board on remuneration and incentive policies and

practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors and employees.

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

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

### Respect the rights of Shareholders

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

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

All information disclosed to the ASX is posted on the Company's website as soon as possible as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have been established for reviewing whether any price sensitive information has been inadvertently disclosed and if so, this information is also immediately released to the market.

All shareholders receive a copy of the Company's annual report. In addition, the Company provides opportunities for shareholders to download from the website, annual and quarterly reports.

### External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Ernst & Young was appointed as the external auditor in 2009 for the year ended 30 June 2010.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 21 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.

#### 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' ('Guidelines') applying to listed entities as published in August 2007 by the ASX Corporate Governance Council. Below is a listing of the Best Practice Recommendations that PepinNini Minerals Limited does not comply with.

BEST PRACTICE RECOMMENDATION	NOTIFICATION OF DEPARTURE	EXPLANATION OF DEPARTURE
Principle 2.1	A majority of directors are not independent	<p>Currently, only 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 the largest shareholder, has been instrumental in the development of the Company, has a comprehensive knowledge of its operations and has successfully built value for shareholders since the Company listed on the ASX. Mr Kennedy's industry experience and his involvement with the Company since its inception are well recognised and viewed positively by shareholders. Clear protocols are in place to deal with conflicts of interest. Mr Albert Harris 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>

BEST PRACTICE RECOMMENDATION	NOTIFICATION OF DEPARTURE	EXPLANATION OF DEPARTURE
Principle 4.2	A majority of members of the Audit Committee are not independent	An Audit Committee of one-executive and one 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.

## 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 trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Yes
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors	No
	• consists of a majority of independent directors	No
	• is chaired by an independent chair, who is not chair of the board	Yes
	• has at least three members	No
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	Yes
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

## Directors' report

The directors of PepinNini Minerals Limited (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 2010. 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
- Albert Harris
- Rebecca Holland-Kennedy
- Christopher Lambert

### Principal activities

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

- Nickel;
- Copper;
- Gold;
- Lead;
- Zinc;
- Uranium; and
- Other mineral commodities.

### Dividends

Dividends paid to members during the financial year were as follows:

No dividends have been paid for the year ended 30 June 2010 (2009 – no dividend paid)

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

2010	2009
\$	\$
-	-

### Review of operations

The Group currently has an interest in 44 exploration tenements covering approximately 16,225 km<sup>2</sup> in the Curnamona and Musgrave Provinces of South Australia, the Georgetown, Woolgar Goldfield and Drummond Basin of North Queensland and the Robinson Range area of Midwest Western Australia. It also holds an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland.

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

#### 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 km<sup>2</sup> and six exploration licence applications (ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, ELA368/09) covering ~3,932 km<sup>2</sup>. PepinNini subsidiary PepinNini Resources Pty Limited is earning a 51% interest in EL3931 and ELA278/82 and ELA491/94 under a Farm-in and Joint Venture Agreement with Rio Tinto Ltd subsidiary Rio Tinto Exploration Pty Limited.

During the reporting period the Company undertook exploration activities within two of the granted tenements primarily focused on targeting nickel-copper sulphides contained within the layered mafic-ultramafic Giles Complex rocks. The base metal potential of felsic and mafic gneisses of the Birksgate Complex was also investigated.

Within EL 4048 Mt Caroline, the Company owned diamond rig completed a further eight diamond boreholes during the reporting period for a total of 3,265m. Disseminated sulphides and favourable lithologies for Ni-Cu sulphide mineralisation were observed in all boreholes. A further three hundred and twenty seven vacuum boreholes totaling 3,836.4m were also completed within EL4048 with 723 regional geochemical samples being submitted for assaying.

## Review of operations (continued)

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

Elevated assay values from the vacuum drilling program include nickel (to 550ppm), copper (to 340ppm) and cobalt (to 385ppm) from boreholes VC558, VC505 and VC550, respectively. Elevated assay values from the diamond drilling program include 0.11% Ni, 0.18% Cr, 142ppm Co (DD09CAR014: 299-302m); 627ppm Ni, 925ppm Cu, 260ppm Co (DD09CAR015: 153.7-153.91m).

In September, 2009 seven Dipole-Dipole Induced Polarisation (IP) traverses were completed over a total distance of 14.1kms within EL 4048. The traverses were selected to investigate the higher priority conductor anomalies identified in historic Tempest AEM data. As most of the conductors identified in the AEM data were deep the objective of the IP program was to test if there were sulphides (chargeable zones) above and/or associated with the conductors.

Within EL 3931 a Work Program Clearance was undertaken by the Traditional Owners during October 2009 in which ~800 vacuum boreholes and 12 diamond boreholes were approved for drilling. Vacuum drilling commenced on 11th November 2009. A total of 532 vacuum boreholes were completed during the reporting period within EL3931, totaling 4,889.5m. Maximum nickel and copper results have been recorded over the interpreted Caroline Intrusion, confirming the prospectivity of the Giles Complex mafic-ultramafic rocks.

Diamond drilling within EL3931 commenced on 28th November, 2009 and ten diamond boreholes were completed during the reporting period, totaling 2,259.49m. The diamond borehole collar locations were selected on the basis of geophysical and geochemical anomalies. The majority of the diamond boreholes are situated in the northeast of the tenement in a region that has not been previously explored. Lithologies intersected in this region included Birksgate Complex felsic and mafic gneisses, Pitjantjatjara Supersuite granite, Giles Complex gabbros and post-Giles Complex mafic rocks. Sulphides were recorded in all boreholes although no economic concentrations were intersected. Elevated nickel, copper and chromium values were assayed for a number of intervals from borehole DD10WOD004, including a 6m interval (217m – 223m) which reported a composite assay of 0.14% nickel, 0.10% copper and 0.12% chromium and a 53m interval (190m – 243m) which reported a composite assay of 0.09% nickel, 0.06% copper and 0.15% chromium.

### 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 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 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 SPCM continued investigation of the potential for both non uranium and uranium mineralisation within the Joint Venture tenements. Under the Joint Venture Agreement Sinosteel Corporation has a commitment to spend \$6million investigating the non uranium mineral potential within the tenements.

At Crocker Well an intensive resource delineation infill drill program continued and was completed on 21<sup>st</sup> July, 2009.

Investigation of regional uranium projects in the vicinity of the Crocker Well Project is currently ongoing. During November/December, 2009 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 2,236m was also completed to investigate other regional prospects including Becaroo, Anomaly A and NE Extension. A total of 1,201 samples, inclusive of standards (42) and duplicates (37), were submitted for multi-element analysis. The drill testing of the regional uranium prospects returned encouraging U<sub>3</sub>O<sub>8</sub> + REE (Ce, La, Y) assay results at the Becaroo Prospect. At Mt Victoria drilling intersected mineralised lodes as defined by handheld scintillometer and downhole geophysical logging. Cutting of drill core was delayed due to restrictions under environmental guidelines and assays have not been received as yet.

On 11<sup>th</sup> December, 2009 the joint venture alliance between Sinosteel Corporation and PepinNini Minerals Limited decided to delay the finalisation of a Bankable Feasibility Study (BFS) for the Crocker Well Project 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 BFS for the development of a uranium mine indicates the Crocker Well project is very sensitive with regard to the price of uranium and the American dollar exchange rate.

On the 28th April, 2010 PepinNini Minerals released an announcement regarding an independent JORC compliant estimate of the mining recoverable uranium resources of the Crocker Well Uranium Project prepared by Hellman & Schofield (H&S). At a cutoff grade of 150ppm U<sub>3</sub>O<sub>8</sub> the combined deposits at Crocker Well consists of an Indicated Resource totaling 13,250,000 tonnes at 283 ppm U<sub>3</sub>O<sub>8</sub> for 3,750 tonnes (8.27 Mlbs) contained 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) contained U<sub>3</sub>O<sub>8</sub>.

The combined Indicated and Inferred Uranium Recoverable Resource estimate for the Crocker Well Project at a cutoff grade of 150ppm U<sub>3</sub>O<sub>8</sub> is 18,840,000 tonnes at 281 ppm U<sub>3</sub>O<sub>8</sub> for 5,290 tonnes (11.66 Mlbs) contained U<sub>3</sub>O<sub>8</sub>.

Combined deposit resource includes resources in four separate deposits namely Crocker East, Crocker Central, Crocker Original and Crocker Junction. This resource has been estimated using data from 31 diamond drill holes and 542 reverse circulation (RC) holes across the four deposits in a combined area totaling approximately 45 hectares to an approximate

## Review of operations (continued)

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

depth of 160m. A bulk density SG (Specific Gravity) of 2.65gms/cc has been estimated for the granodiorite, alaskite, adamellite and biotite-alaskite lithologies at Crocker Well.

During May, 2010 a detailed airborne magnetic and radiometric survey was completed within EL4239 (Kalabity). Historical airborne magnetic and radiometric data within the tenement area were considered to be of insufficient resolution to resolve current prospective areas. The newly acquired radiometric data has defined significant uranium channel anomalies that warrant reconnaissance and further testing.

Tenements held by the Joint Venture are considered prospective for Iron Oxide Copper-Gold-Uranium (IOCG-U), disseminated stratabound copper and/or gold mineralisation, supergene copper-gold mineralisation, Broken Hill type Pb-Zn-Ag deposits and stratabound/sediment hosted base metal mineralisation of the Mt Isa and Century Zinc type deposits. Previous exploration has identified at least 30 prospects, with a number reporting encouraging intersections such as 10m @ 2.07g/t Au, 0.74% Cu, 5.6m @ 8.5% Cu and 32m @ 0.66% Zn.

A detailed ground gravity survey was undertaken during March/April, 2010 within EL 3587 Scott Hill and the new data has identified a number of discrete positive gravity anomalies as well as enabling the identification of regional structures and the mapping of potential palaeo-channels. Airborne magnetic data acquired in May, 2010 has significantly enhanced structural and stratigraphic interpretations within EL4239 and other tenements held by the Joint Venture and is expected to generate high priority exploration targets for further testing within the tenement package.

### 3. North Queensland Project

In North Queensland PepinNini Minerals have a 100% interest in 22 exploration tenements (EPMs) and 1 mining lease covering approximately 2,146 km<sup>2</sup>. Initial priority exploration targets have been identified as gold and base metals in EPM 15440 Percyville and EPM 15547 The Return.

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.

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 radiometric survey was flown over both EPM 15440 and EPM 15547 during August, 2009. The resultant data significantly improved the structural definition of both areas. The radiometric data has also highlighted several anomalies that could represent potential uranium mineralisation targets.

A detailed field mapping exercise at a scale of 1:2,000 primarily focused on mineralised structures which have previously returned high grade gold results was undertaken during August and September 2009 and has assisted in locating priority drill targets. 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.

A reconnaissance survey conducted during June, 2010 confirmed drill targets and located borehole sites for a drilling program designed to investigate high grade gold and copper mineralisation within EPM15547 and EPM15440. Heritage clearances have been conducted since the end of the reporting period and drilling will commence following construction of access tracks and drill pads.

### 4. Robinson Range Iron Ore Project

The Robinson Range Iron Ore Project lies in the Midwest region of Western Australia. The project is located 850kms north of Perth and 550kms north east of the planned Oakajee Port and Rail development near Geraldton. The region has emerged as Western Australia's next major iron ore province (second to the Pilbara) and holds considerable potential for the discovery of significant iron-ore deposits.

The project comprises seven tenements covering approximately 700 km<sup>2</sup> which contain approximately 40kms strike length of Robinson Range Formation considered highly prospective for iron ore. The sequence includes banded iron and granular iron formation units which variably outcrop within the tenements. Supergene enriched Hematite and Hematite-Goethite mineralisation associated with these units form the primary target of the project.

Initial reconnaissance surface sampling and preliminary geological mapping conducted by PepinNini in November, 2009 confirmed strong iron mineralisation at twelve prospect sites investigated within the project area. Rock chip sample results of up to 67.3% Fe have been returned with all areas sampled returning some values in excess of 60% Fe.

The reconnaissance investigations identified considerable areas of outcropping and sub-cropping surface iron mineralisation at most of the prospect sites. Indications are encouraging that substantial bodies of mineralised rock will lie beneath the surface veneer and drilling is being planned to resolve this.

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. Since completion of farm-in obligations in November, 2009 the Company has been negotiating Joint Venture

## Review of operations (continued)

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

documentation to facilitate progressing the exploration and development of the identified Direct Shipping Ore (DSO) potential within the 7 tenements comprising the Project. Following execution of legal documentation on 20 August 2010, PepinNini now holds a 50% interest in the iron ore contained within three tenements and a 40% interest in the other four tenements.

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

Other than the signing of a Joint Venture Agreement for the Robinson Range Project on 20th August, 2010 no matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

The Group intends to continue actively exploring its tenements for mineral potential. Field exploration and drilling programs are in progress for the Musgrave Province and North Queensland projects and are planned for the Curnamona Province and the Robinson Range projects. The programs are designed to investigate targets with potential for the discovery of a major new Australian mineral deposit.

Further information on the likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

### Environmental regulations

The mining tenements granted to the Group pursuant to Mining Acts are granted subject to various conditions which include standard environmental requirements. The Group adheres to these conditions and the directors are not aware of any contraventions of these requirements.

## Information on directors

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

Name	Particulars
Norman Kennedy – Chairman and Managing Director	<p>Qualifications: Bachelor of Science UNSW, MAusIMM</p> <p>Experience: Norman Kennedy was a founding director of PepinNini Minerals Limited and has been a board member since 2002. He was appointed Managing Director in February 2004 and has more than 30 years' experience in exploration program design and management in Australia and overseas. At various times he has been retained as an exploration consultant for companies such as WMC Resources, Caltex, CRA, Meekatharra Minerals Limited, Aurion Energy, NRG Flinders, Shell, BP and ABB Energy Ventures. He has been actively involved in the minerals exploration industry in South Australia for more than 25 years. He is a member of the South Australian Chamber of Mines and Energy (SACOME) and served on the Gawler Craton Infrastructure Committee. He is also a member of the Corporate Governance Committee. He is a Director of Arckaringa Energy Pty Ltd, PepinNini Resources Pty Ltd, PepinNini Robinson Range Pty Ltd, Rank Geological Services Pty Ltd and Sinosteel PepinNini Curnamona Management Pty Ltd.</p>
Albert Harris – Non-Executive Director	<p>Qualifications: M.Inst.M.C, F.Energy Institute</p> <p>Experience: Albert Harris joined the company as a director on January 31<sup>st</sup>, 2005. He has been involved in the international petroleum and resource industries for over 50 years. He has had senior management responsibility for exploration operations and development of major mineral and petroleum resource projects in Australia, West Africa, the Middle East and USA. He has been a director of Australian private and public companies for over 20 years. He is also a member of the Corporate Governance Committee, the Audit Committee and the Remuneration Committee. He is currently a director of Takoradi Ltd and Goldsearch Ltd which are both ASX listed public companies.</p>
Rebecca Holland-Kennedy – Executive Director-Administration and Company Secretary	<p>Qualifications: Bachelor of Science UNSW, MAusIMM, Bachelor of Arts(Humanities) Macquarie University</p> <p>Experience: Rebecca Holland-Kennedy was a founding director of PepinNini Minerals Limited and has been a board member and company secretary since 2002. She has more than 30 years' experience in exploration company administration and data management. She has held positions with Robertson Research, Macquarie University, NSW Department of Mines and Energy as well as acting as exploration and data management consultant to AGL, Amax, BHP, AGIP, Shell, CRA, Caltex and Meekatharra Mineral Limited. She is a Director of Arckaringa Energy Pty Ltd, PepinNini Resources Pty Ltd, PepinNini Robinson Range Pty Ltd, Rank Geological Services Pty Ltd and Sinosteel PepinNini Curnamona Management Pty Ltd.</p>
Christopher Lambert – Non-Executive Director	<p>Experience: Mr Lambert was appointed a director of the company on October 12<sup>th</sup> 2006. He brings to the company financial and capital raising expertise and a close association with major investment institutions based in London and Asia. His financial background is predominantly commodity based specialising in base and precious metals. Over a period of 17 years, Mr Lambert headed up the London and global precious and base metals trading for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA). During his time at these companies, he was responsible for the managing of global dealing operations in the world's major financial centres and structuring of corporate and project finance transactions for governments, central banks, industrial companies and mining houses. He currently holds the position of Chairman of Altona Resources Plc</p>

## 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
Albert Harris	Takoradi Limited	Jan 1992 to present	ASX
	Goldsearch Limited	Oct 1995 to present	ASX
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

## Directors' shareholdings

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

Directors	PepinNini Minerals Limited	
	Fully paid ordinary shares (Number)	Share options (Number)
Norman Kennedy	9,515,000	-
Rebecca Holland-Kennedy	9,515,000	-
Albert Harris	829,334	-
Christopher Lambert	-	500,000

Christopher Lambert's 500,000 options were vested as at 30 June 2010 but have not yet been exercised.

## 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	100,000	Ordinary	\$0.35	31 December 2011
PepinNini Minerals Limited	500,000	Ordinary	\$1.38	30 November 2010

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

There were no shares or interests issued during or since the end of the financial year as a result of exercise of an option.

## Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 13 to 20.

## Company secretary

The company secretary is Rebecca Holland-Kennedy. Her qualifications and experience have been detailed above.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board of directors		Corporate governance committee		Audit committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Norman Kennedy	12	12	1	1	NA	1NA	NA	NA
Rebecca Holland-Kennedy*	12	12	1	1	4	4	1	1
Albert Harris*	12	12	1	1	4	4	1	1
Christopher Lambert	12	10	1	1	NA	NA	NA	NA

\* audit and remuneration committee members,

## Remuneration report - audited

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2010:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	455	901	2,103	471	117
Net (loss) / profit before tax	(1,136)	(822)	(12,399)	25,702	(410)
Net (loss) / profit after tax	(960)	(348)	(10,718)	18,224	(518)
Attributable to members of PepinNini Minerals Limited	(960)	(348)	(5,487)	18,224	(518)

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at start of year	\$0.35	\$0.67	\$1.73	\$0.36	\$0.20
Share price at end of year	\$0.14	\$0.35	\$0.67	\$1.73	\$0.36
Interim dividend	-	-	-	-	-
Final dividend*	-	-	-	5 cps	-
Basic (loss) / earnings per share	(1.2) cps	(0.5) cps	(8.2) cps	32.6 cps	(0.84) cps
Diluted (loss) / earnings per share	(1.2) cps	(0.5) cps	(8.2) cps	30.7 cps	(0.84) cps
Short term incentive (% of maximum)	<b>1.66%</b>	<b>1.59%</b>	<b>2.22%</b>	<b>0.66%</b>	<b>0%</b>

The Performance Incentive Program for the 2009/10 year is based on the achievement of Corporate Objectives as well as Individual Objectives. The Corporate objectives include QHSE (quality, health and safety, environmental) targets. The performance measures do not take into account the performance of the Company over more than the current year. The payment of the short term incentive is at the discretion of the Board. The short-term incentive (Cash Bonus) as a percentage of the maximum available and the earnings per share for the current year and the previous four years are set out in the table above.

\* Franked at 100% at the 30% corporate income tax rate. This dividend was declared after the 2007 balance date and hence was not included in the 2007 accounts.

During the 2009 year the Group repurchased and cancelled 405,000 shares for \$271,078 (2008 – 1,500,000 shares for \$1,373,371) inclusive of associated costs. No such repurchases took place during the 2010 year.

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

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

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

## Remuneration report (continued)

### (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 2010 (2009: 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) Details of remuneration

#### *Amounts of remuneration*

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

- Phil Clifford – Exploration Consultant – PepinNini Minerals Limited
- Lachlan Rutherford – Exploration Manager – Musgrave Project – PepinNini Minerals Limited
- Gary Ferris – Exploration Manager – Queensland Project – PepinNini Minerals Limited - ceased employment 30 September 2009
- Colin Skidmore – Exploration Manager – Uranium & New Projects – PepinNini Minerals Limited

## Remuneration report (continued)

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

2010	Short-term employee benefits				Post employment benefit	Long-term benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super annuation	Long service leave	Termination benefits	Options	Total
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Directors</i>									
Norman Kennedy	182,000	-	-	-	18,000	-	-	-	200,000
Rebecca Holland-Kennedy	165,138	-	-	-	14,862	-	-	-	180,000
Albert Harris	40,000	-	-	-	-	-	-	-	40,000
Christopher Lambert	40,000	-	-	-	-	-	-	-	40,000
<b>Sub-total directors</b>	<b>427,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460,000</b>
<i>Executives</i>									
Phil Clifford	118,045	2,000	-	-	10,624	-	-	-	130,669
Lachlan Rutherford	116,116	2,000	-	-	10,450	-	-	(914)	127,653
Gary Ferris (ceased 30 September 2009)	30,689	-	-	-	2,400	-	-	(8,558)	27,820
Colin Skidmore	170,000	2,000	-	-	15,300	-	-	-	187,300
<b>Sub- total Executives</b>	<b>434,850</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>34,752</b>	<b>-</b>	<b>-</b>	<b>(9,472)</b>	<b>473,442</b>
<b>Total Key Management Personnel Compensation (Group)</b>	<b>810,770</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>71,636</b>	<b>-</b>	<b>-</b>	<b>(9,472)</b>	<b>933,442</b>
2009	Short-term employee benefits				Post employment benefit	Long-term benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super annuation	Long service leave	Termination benefits	Options	Total
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Directors</i>									
Norman Kennedy	182,000	-	-	-	18,000	-	-	-	200,000
Rebecca Holland-Kennedy	165,138	-	-	-	14,862	-	-	-	180,000
Albert Harris	40,000	-	-	-	-	-	-	-	40,000
Christopher Lambert	40,000	-	-	-	-	-	-	-	40,000
<b>Sub-total directors</b>	<b>427,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460,000</b>
<i>Executives</i>									
Phil Clifford	68,766	2,000	-	-	6,369	-	-	-	77,135
Lachlan Rutherford	111,529	-	-	-	10,038	-	-	28,328	149,895
Gary Ferris (commenced 1 September 2008)	133,333	2,000	-	-	12,180	-	-	46,678	194,191
Colin Skidmore (commenced 1 June 2009)	14,167	-	-	-	1,275	-	-	-	15,442
<b>Sub- total Executives</b>	<b>327,795</b>	<b>4,000</b>	<b>-</b>	<b>-</b>	<b>29,862</b>	<b>-</b>	<b>-</b>	<b>75,006</b>	<b>436,663</b>
<b>Total Key Management Personnel Compensation (Group)</b>	<b>754,933</b>	<b>4,000</b>	<b>-</b>	<b>-</b>	<b>62,724</b>	<b>-</b>	<b>-</b>	<b>75,006</b>	<b>896,663</b>

## Remuneration report (continued)

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

### (C) Service agreements

Norman Kennedy (Managing Director & Chairman) has a contract for service, details of which are outlined as follows:

- He is required to work four days a week;
- His current salary inclusive of superannuation is \$200,000 per year;
- The contract commenced on 1 February 2004;
- Termination may be made by either party on providing six months' notice;
- Termination benefits payable upon termination to Mr Kennedy are six months' pay.

Rebecca Holland-Kennedy (Executive Director of Administration & Company Secretary) has a contract for service, details of which are outlined as follows:

- She is required to work four days a week;
- Her current salary inclusive of superannuation is \$180,000 per year;
- Her contract commenced on 1 January 2008;
- Termination may be made by either party on providing six months' notice;
- Termination benefits payable upon termination to Mrs Holland-Kennedy are three months' pay.

## Remuneration report (continued)

### (D) Share-based compensation

#### Options

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

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
(1) 30 November 2007	30 November 2007	30 November 2010	\$1.38	\$0.46
(2) 21 February 2008	1 July 2008	31 January 2011	\$1.30	\$0.29
(3) 21 February 2008	1 July 2009	31 January 2011	\$1.80	\$0.12
(4) 21 February 2008	1 July 2010	31 January 2011	\$2.30	\$0.01
(5) 1 October 2008	1 January 2009	1 September 2011	\$0.80	\$0.19
(6) 1 October 2008	1 January 2010	1 September 2011	\$1.30	\$0.07
(7) 1 October 2008	1 January 2011	1 September 2011	\$1.80	\$0.004
(8) 4 December 2008	4 December 2008	31 December 2011	\$0.35	\$0.10

Options granted under the plan carry no dividend or voting rights.

Each option is convertible into one ordinary share on exercise. Options may be exercised at any time from the date of vesting to the date of their expiry.

Details of options over ordinary shares in the Group provided as remuneration to each director of PepinNini Minerals Limited and each of the key management personnel of the Group are set out below. Further information on the options is set out in note 29 to the financial statements.

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

(3), (4), (6) & (7) Options in this series are entitled to beneficial interest at vesting date only if the recipients continue to be employed by the company at that date.

Remuneration report (continued)

Name	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
<b>Directors of PepinNini Minerals Limited</b>				
Norman Kennedy	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-
Albert Harris	-	-	-	-
Christopher Lambert	-	-	-	-
<b>Other key management personnel of the Group</b>				
Phil Clifford	-	-	-	-
Lachlan Rutherford	-	100,000	<b>200,000</b>	300,000
Bob Markovich	-	-	-	-
Gary Ferris	-	600,000	-	200,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

The model inputs for options granted during the year ended 30 June 2009 were within the ranges specified below.

- (a) options are granted for no consideration and either vest immediately or based on a required term of service (depending on the individual issuance terms). Vested options are exercisable for varying periods after vesting, the minimum being 2.5 years and the maximum being 3 years.
- (b) exercise price: (2009: \$0.35 to \$2.30)
- (c) grant date: (2009: 1 October 2008 to 4 December 2008)
- (d) expiry date: (2009: 1 September 2011 to 31 December 2011)
- (e) share price at grant date: (2009: \$0.23 - \$0.47)
- (f) expected price volatility of the company's shares: (2009: 79.04%)
- (g) expected dividend yield: % (2009: 0%)
- (h) risk-free interest rate: (2009: 3.67% to 5.24%)

## Remuneration report (continued)

### Shares provided on exercise of remuneration options

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 2010 or 30 June 2009 financial year.

### (E) Additional information

#### Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on page 15 the percentage of the available bonus or grant that was paid, or that vested or forfeited, in the financial year is set out below. No part of the bonuses is payable in future years. The only unvested options at 30 June 2010 are those granted to Lachlan Rutherford. Lachlan Rutherford has 200,000 options that are unvested, vesting on 1 July 2010. Lachlan Rutherford has requested these options be cancelled. No options will vest if the conditions are not satisfied (being continued employment by PepinNini Minerals Limited up to and including the vesting date), hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Cash bonus		Options		
	% of remuneration paid	Financial year granted	Vested	Forfeited	Financial years in which options may vest
	%		%	%	
Norman Kennedy	0%	2005	100	-	-
Rebecca Holland-Kennedy	0%	2005	100	-	-
Albert Harris	0%	2005	100	-	-
Chris Lambert	0%	2008	100	-	-
Phil Clifford	2%	2005	100	-	-
Lachlan Rutherford	2%	2008	79	100	-
Gary Ferris	0%	2009	-	100	
Lachlan Rutherford	0%	2009	100	-	-

## Remuneration report (continued)

### Share-based compensation: Options

Further details relating to options are set out below.

Name	A	B
	Remuneration consisting of options	Value at grant date
		\$
Norman Kennedy	0%	N/A
Rebecca Holland-Kennedy	0%	N/A
Albert Harris	0%	N/A
Christopher Lambert	0%	N/A
Phil Clifford	0%	N/A
Lachlan Rutherford	0%	N/A
Gary Ferris	0%	N/A

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

No options were granted during the current financial year.

### Shares under option

Unissued ordinary shares of PepinNini Minerals Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
30 November 2007	30 November 2010	\$1.38	500,000
4 December 2008	31 December 2011	\$0.35	100,000
			<b>600,000</b>

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

### Shares issued on the exercise of options

There were no ordinary shares of PepinNini Minerals Limited issued during the year ended 30 June 2010 on the exercise of options granted under the option plan.

### 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 2009 to 13 October 2010 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 21 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 21 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 commenced in office in accordance with section 327 of the *Corporations Act 2001*.

### Auditor's independence declaration

The auditor's independence declaration is included on page 22 of the annual report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

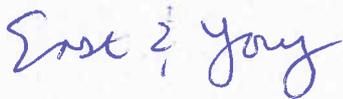
On behalf of the directors



Norman Kennedy  
Director  
Sydney, 17 September 2010

## 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 2010, 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, appearing to be 'Nigel Stevenson'.

Nigel Stevenson  
Partner  
17 September 2010

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### **Financial Report**

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**Statement of comprehensive income  
for the financial year ended 30 June 2010**

	Note	Consolidated	
		2010 \$	2009 \$
<b>Revenue from Continuing Operations</b>	5	<b>454,986</b>	<b>900,879</b>
<b>Expenses</b>			
Depreciation expense	6	(21,842)	(8,346)
Salary & employment costs	6	(498,497)	(523,996)
Operating expenses		(646,294)	(729,226)
Professional fees		(143,333)	(186,444)
Administration expenses		(173)	(276)
Legal fees		(71,727)	(36,772)
Impairment of investment		-	(139,449)
Impairment of exploration asset		(206,591)	(94,962)
Other expenses		(484)	(3,816)
<b>Total expenses</b>		<b>(1,588,941)</b>	<b>(1,723,287)</b>
<b>Loss before tax</b>		<b>(1,135,955)</b>	<b>(822,408)</b>
Income tax benefit	7	176,386	474,311
<b>Loss for the year</b>		<b>(959,569)</b>	<b>(348,097)</b>
Other comprehensive income		-	-
<b>Total comprehensive Loss for the year</b>		<b>(959,569)</b>	<b>(348,097)</b>
Attributable to:			
Members of PepinNini Mineral Limited		(959,569)	(348,097)
Non-controlling interest	18	-	-
		<b>(959,569)</b>	<b>(348,097)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic loss (cents per share)	28	(1.2)	(0.5)
Diluted loss (cents per share)	28	(1.2)	(0.5)

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

## Balance sheet as at 30 June 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	8	6,019,452	12,379,847
Trade and other receivables	9	142,910	191,441
<b>Total current assets</b>		<b>6,162,362</b>	<b>12,571,288</b>
<b>Non-current assets</b>			
Other receivables	9	4,700	2,000
Exploration expenditure	10	18,042,867	13,024,586
Exploration bonds	10	40,754	43,254
Property, plant and equipment	11	636,302	757,585
<b>Total non-current assets</b>		<b>18,724,623</b>	<b>13,827,426</b>
<b>Total assets</b>		<b>24,866,985</b>	<b>26,398,713</b>
<b>Current liabilities</b>			
Trade and other payables	13	579,696	1,074,727
Current tax liability		-	52,868
Provisions	14	283,646	182,853
<b>Total current liabilities</b>		<b>863,342</b>	<b>1,310,448</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	334,107	436,172
Provisions	14	7,841	1,694
<b>Total non-current liabilities</b>		<b>341,948</b>	<b>437,866</b>
<b>Total liabilities</b>		<b>1,205,290</b>	<b>1,748,314</b>
<b>Net assets</b>		<b>23,681,695</b>	<b>24,650,399</b>
<b>Equity</b>			
Issued capital	16	16,297,481	16,297,481
Reserves	17	362,035	371,170
Retained earnings	17	7,022,179	7,981,748
		<b>23,681,695</b>	<b>24,650,399</b>
Equity attributable to equity holders of the Company		23,681,695	24,650,399
Non-controlling interest	18	-	-
<b>Total equity</b>		<b>23,681,695</b>	<b>24,650,399</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 2010**

<b>Consolidated</b>	<b>Fully paid ordinary shares \$</b>	<b>Equity settled employee benefits reserve \$</b>	<b>Foreign exchange translation reserve \$</b>	<b>Retained earnings \$</b>	<b>Attributable to equity holders of the Company \$</b>	<b>Non Controlling Interest \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2008</b>	<b>13,111,366</b>	<b>296,164</b>	<b>(5,408)</b>	<b>8,329,845</b>	<b>21,731,967</b>	<b>57,727</b>	<b>21,789,694</b>
(loss) for year	-	-	-	(348,097)	(348,097)	-	(348,097)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(348,097)</b>	<b>(348,097)</b>	<b>-</b>	<b>(348,097)</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares (note 16(b))	3,500,000	-	-	-	3,500,000	-	3,500,000
Share issue costs net of tax (note 16(b))	(195,690)	-	-	-	(195,690)	-	(195,690)
Share buy-back and associated costs net of tax (note 16 (d))	(270,673)	-	-	-	(270,673)	-	(270,673)
Recognition of share- based payments	-	75,006	-	-	75,006	-	75,006
Issue of shares on acquisition of tenements (note 16(b))	152,478	-	-	-	152,478	-	152,478
Effect in foreign currency translation reserve on deconsolidation of subsidiary(note 24)	-	-	5,408	-	5,408	-	5,408
Non controlling interests on deconsolidation of subsidiary(note 24)	-	-	-	-	-	(57,727)	(57,727)
<b>Balance at 30 June 2009</b>	<b>16,297,481</b>	<b>371,170</b>	<b>-</b>	<b>7,981,748</b>	<b>24,650,399</b>	<b>-</b>	<b>24,650,399</b>
<b>Balance at 1 July 2009</b>	<b>16,297,481</b>	<b>371,170</b>		<b>7,981,748</b>	<b>24,650,399</b>	<b>-</b>	<b>24,650,399</b>
(loss) for year	-	-	-	(959,569)	(959,569)	-	(959,569)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(959,569)</b>	<b>(959,569)</b>	<b>-</b>	<b>(959,569)</b>
<b>Transactions with owners in their capacity as owners</b>							
Recognition of share- based payments	-	(9,135)	-	-	(9,135)	-	(9,135)
<b>Balance at 30 June 2010</b>	<b>16,297,481</b>	<b>362,035</b>	<b>-</b>	<b>7,022,179</b>	<b>23,681,695</b>	<b>-</b>	<b>23,681,695</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 2010**

	Note	Consolidated	
		2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(1,753,433)	(901,484)
Receipts in the course of business (inclusive of GST)		153,162	192,809
Interest and other costs of finance paid		-	-
Income taxes paid		-	-
<b>Net cash (used in) operating activities</b>	<b>27</b>	<b>(1,600,270)</b>	<b>(708,676)</b>
<b>Cash flows from investing activities</b>			
Cash disposed on deconsolidation of subsidiary	24	-	(24,555)
Interest received		362,804	1,139,188
Payment for exploration activities		(4,975,946)	(6,588,299)
Payments for property, plant and equipment		(146,983)	(37,772)
<b>Net cash (used in) investing activities</b>		<b>(4,760,125)</b>	<b>(5,511,438)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		-	3,425,500
Payment for share buy-back and associated costs		-	(271,078)
Dividends paid		-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>3,154,422</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,360,395)</b>	<b>(3,065,691)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>12,379,847</b>	<b>15,445,538</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8</b>	<b>6,019,452</b>	<b>12,379,847</b>

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

## **Note 1. General information**

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

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

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

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

### **Exploration office WA:**

56 Kathleen Street  
TRIGG WA 6029  
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 8218 5717  
Email : [admin@pnn-adelaide.com.au](mailto:admin@pnn-adelaide.com.au)

A description of the nature of the consolidated entity’s operations and its principal activities is included in the review of operations and activities in the directors’ report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 17 September 2010. The Group has the power to amend and reissue the financial report.

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

## **Note 2 Significant accounting policies**

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

### **Basis of preparation**

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

#### *Compliance with IFRS*

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

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS 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.

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

### *Functional and presentation currency*

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

### *Financial statement presentation*

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of the statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

### **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.

### **Principles of consolidation**

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and the results of all subsidiaries for the year presented.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 2(d)).

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

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

#### *(ii) Joint ventures*

Interests in joint operations in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with the other venturers) and the Group's share of expenses incurred by or in respect of each joint venture. Further details of the joint venture are set out in note 25.

#### *(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

## Note 2 Significant accounting policies (continued)

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 on a time proportion basis that takes into account the effective yield on the financial asset.

##### *Dividend income*

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

#### (b) Government grants

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

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

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

#### (c) Income tax

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

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

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

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

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

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

## Note 2 Significant accounting policies (continued)

### (c) Income tax (continued)

#### *Tax consolidation legislation*

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

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

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

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) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's shares of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiaries acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

### (e) 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.

### (f) Cash and cash equivalents

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

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

### **(g) 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.

Collectibility 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.

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

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

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

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

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

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

### **(i) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

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

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

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

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

### **(i) Plant and equipment (continued)**

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

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

### **(j) 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.

### **(k) Financial liabilities**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivatives and derivatives embedded in financial assets or liabilities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives which were held during the year did not qualify for hedge accounting. Changes in fair value were therefore recognised immediately in the profit or loss.

### **(l) Provisions**

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

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

#### **(i) Site restoration**

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

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

## Note 2 Significant accounting policies (continued)

### (m) Employee benefits

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

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

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

#### (ii) Defined contribution plans

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

### (n) 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.

### (o) 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.

### (p) Share-based payments

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

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

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

**(q) 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.

**(r) 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.

**(s) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

**(t) Leases**

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

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

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

**(u) Parent entity information**

The financial information for the parent entity, PepinNini Minerals Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

**(ii) Tax consolidation legislation**

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

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

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

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

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

## Note 2 Significant accounting policies (continued)

### (v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

*AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Sharebased Payment Transactions [AASB 2]* (effective from 1 January 2010)

The amendments made to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing 1 July 2010.

*AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

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

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

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

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

*AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

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

**(v) New accounting standards and interpretations (continued)**

*AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)*

In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The group will apply the revised standards from 01 July 2010. The group is still assessing the implications of the improvements to Australian Accounting Standards but does not expect any major changes resulting from the revised rules.

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

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

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

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

**Note 3 Critical accounting estimates and judgements**

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

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

*(i) Reserves and resources*

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

*(ii) Impairment*

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

**Note 4 Financial risk management**

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

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

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2010</b>	2009
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	6,019,452	12,379,847
Trade and other receivables	147,610	193,441
	<b>6,167,062</b>	<b>12,573,288</b>
<b>Financial liabilities</b>		
Trade and other payables	(579,696)	(1,074,727)
	<b>(579,696)</b>	<b>(1,074,727)</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 2010 and 30 June 2009 financial years.

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

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

As at 30 June 2010 and 30 June 2009, 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 2010:

Consolidated	30 June 2010		30 June 2009	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash	3.00	206,784	2.32	1,068,626
At call deposits	5.00	1,784,626	3.00	3,259,568
Term deposits	5.40	4,028,042	4.08	8,051,653
Trade and other receivables	N/A	147,610	N/A	193,441
<b>Total financial assets</b>		<b>6,167,062</b>		<b>12,573,288</b>
Trade creditors	N/A	(579,696)	N/A	(1,074,727)
<b>Total financial liabilities</b>		<b>(579,696)</b>		<b>(1,074,727)</b>

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

Sensitivity analysis – interest rates

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

*Group sensitivity*

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

Consolidated	Interest rate risk				
	Carrying amount	+ 1.0%		- 1.0%	
30 June 2010		Profit	Other Equity	Profit	Other Equity
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash	354,394	35,439		(35,439)	
At call deposits	1,784,626	178,463		(178,463)	
Term deposits	4,028,042	-	-	-	-
Trade and other receivables	147,610	-	-	-	-
<b>Financial liabilities</b>					
Trade payables and other payables	(579,696)	-	-	-	-
<b>Total increase/ (decrease)</b>		213,902		(213,902)	

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

<b>Consolidated</b>  <b>30 June 2009</b>	Interest rate risk				
	Carrying amount	- 1.0%		+ 1.0%	
		Profit	Other Equity	Profit	Other Equity
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash	<b>1,068,626</b>	(10,686)	-	10,686	-
At call deposits	<b>3,259,568</b>	(32,596)	-	32,596	-
Term deposits	<b>8,051,653</b>	-	-	-	-
Trade and other receivables	<b>193,441</b>	-	-	-	-
<b>Financial liabilities</b>					
Trade payables and other payables	<b>(1,074,727)</b>	-	-	-	-
<b>Total increase/ (decrease)</b>		(43,282)	-	43,282	-

*(iii) Foreign exchange risk*

As at 30 June 2010 and 30 June 2009, the Company had no exposure to foreign currency. As a result financial assets and financial liabilities outstanding as at balance date are not sensitive to changes in exchange rates.

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

**(b) Credit risk**

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

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

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents</b>		
Minimum rating of "A"	6,019,452	12,379,847
	<b>6,019,452</b>	12,379,847
<b>Trade receivables</b>		
Counterparties without external credit rating	147,610	12,650
<b>Total trade receivables</b>	<b>147,610</b>	12,650

**(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 and 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 2010	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	(579,696)	-	-	-	-	-	(579,696)
<b>Total</b>	<b>(579,696)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(579,696)</b>

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

Group – At 30 June 2009	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	(1,074,727)	-	-	-	-	(1,074,727)	(1,074,727)
<b>Total</b>	(1,074,727)	-	-	-	-	(1,074,727)	(1,074,727)

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

**Note 5 Revenue**

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

	Consolidated	
	2010 \$	2009 \$
<b>Interest revenue:</b>		
Bank deposits	363,065	891,238
	<b>363,065</b>	<b>891,238</b>
<b>Other revenue:</b>		
Other revenue	91,921	9,641
	<b>91,921</b>	<b>9,641</b>
	<b>454,986</b>	<b>900,879</b>

**Note 6 Expenses**

	Consolidated	
	2010 \$	2009 \$
<b>Loss before income tax includes the following specific expenses:</b>		
<i>Depreciation (a)</i>		
Exploration field equipment	-	-
Drilling equipment	-	-
Office computer equipment	10,794	204
Field vehicles	-	-
Office equipment	11,048	8,142
<b>Total depreciation expensed</b>	<b>21,842</b>	<b>8,346</b>
Depreciation capitalised (a)	258,028	317,857
<b>Total depreciation</b>	<b>279,870</b>	<b>326,203</b>
<i>Salary &amp; Employment costs</i>		
Salaries & wages	369,573	332,563
On costs	106,035	92,669
Employee options expense	(9,135)	75,006
Defined contribution superannuation expense	32,025	23,758
	<b>498,497</b>	<b>523,996</b>
<i>Operating lease</i>		
Rental expense relating to operating lease	125,557	28,375

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

**Note 7 Income tax expense**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Income tax expense / (benefit)</b>		
Current tax (benefit) / expense	(218,253)	395,320
Deferred tax (benefit) / expense	(102,065)	(566,789)
Adjustment of current tax of prior periods	143,932	(302,842)
	<b>(176,386)</b>	<b>(474,311)</b>
Income tax expense / (benefit) is attributable to:		
Profit from continuing operations	(176,386)	(474,311)
Profit from discontinued operations	-	-
Aggregate income tax expense / (benefit)	<b>(176,386)</b>	<b>(474,311)</b>
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	(1,558,206)	629,940
(Decrease) increase in deferred tax liabilities (note 15)	1,456,141	(1,196,729)
	<b>(102,065)</b>	<b>(566,789)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	<b>(1,135,955)</b>	<b>(822,408)</b>
Tax at the Australian tax rate of 30% (2009 - 30%)	(340,786)	(246,722)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee options expense	(2,741)	25,501
Non deductible expense	23,209	11,032
Adjustment of current tax of prior periods	143,932	(302,842)
Deferred tax assets not recognised as not probable	-	41,720
Income tax (benefit) / expense	<b>(176,386)</b>	<b>(474,311)</b>
<b>(c) Amounts recognised directly in equity</b>		
Net deferred tax – debited directly to equity (note 15)	-	(70,424)
	<b>-</b>	<b>(70,424)</b>

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

**(d) Tax losses**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	-	-

**(e) Unrecognised temporary differences**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Temporary differences relating to impairment of investments for which deferred tax assets have not been recognised	5,510,265	5,510,265
Potential tax benefit @ 30%	<b>1,653,194</b>	<b>1,653,194</b>

**(f) Tax consolidation legislation**

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

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

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

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

**Note 8 Cash and cash equivalents**

	Consolidated	
	2010 \$	2009 \$
Cash and cash equivalents	6,011,032	12,369,934
Cash on hand	8,420	9,913
	<b>6,019,452</b>	<b>12,379,847</b>

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

Included in cash and cash equivalents is \$ 138,208 (2009: \$988,190) 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	
	2010 \$	2009 \$
<b>Current</b>		
Trade receivables	83,032	12,650
Sundry debtors	112,917	135,426
Allowance for doubtful debts	(59,643)	(59,643)
	136,306	88,433
Goods and services tax recoverable	6,604	103,008
<b>Trade and other receivables</b>	<b>142,910</b>	<b>191,441</b>
<b>Non-Current</b>		
Refundable bond	4,700	2,000
<b>Other receivables</b>	<b>4,700</b>	<b>2,000</b>
	<b>147,610</b>	<b>193,441</b>

**(a) Impaired trade receivables**

As at 30 June 2010 sundry debtors with a nominal value of \$ 59,643 (2009: \$59,643) were fully impaired. There are no other receivables impaired at 30 June 2010 or 30 June 2009.

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

As at 30 June 2010, no trade receivables were past due but not impaired (2009 – nil). The other classes of receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

**(c) Foreign exchange and interest rate risk**

Information about the Group's and the parent entity's exposure to exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 4.

**(d) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 4 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

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

	Consolidated	
	2010 \$	2009 \$
<b>Exploration expenditure</b>		
Non-current:		
Balance at the beginning of the year	13,024,586	7,197,778
Exploration expenditure capitalised	5,224,872	6,891,901
Transfer of tenements to subsidiaries	-	-
Impairment of exploration assets (i)	(206,591)	(94,962)
Amounts derecognised due to deconsolidation of subsidiary	-	(970,131)
<b>Balance at the end of the year</b>	<b>18,042,867</b>	<b>13,024,586</b>
<b>Environmental bonds</b>		
Non-current:		
Balance at the beginning of the year	43,254	1,623,000
Amounts capitalised	-	14,254
Bonds released during year	(2,500)	-
Amounts derecognised due to deconsolidation of subsidiary	-	(1,594,000)
<b>Balance at the end of the year</b>	<b>40,754</b>	<b>43,254</b>
<b>Resource / exploration potential</b>		
Non-current:		
Balance at the beginning of the year	-	8,776,532
Amounts capitalised through acquisition of subsidiary	-	-
Amounts derecognised due deconsolidation of subsidiary	-	(8,776,532)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<b>Mining information, agreements and data</b>		
Non-current:		
Balance at the beginning of the year	-	774,000
Amounts capitalised through acquisition of subsidiary	-	-
Amounts derecognised due to deconsolidation of subsidiary	-	(774,000)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**(i) Impairment of exploration assets**

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

**Note 11 Property, plant and equipment**

	<b>Consolidated</b>						<b>Total</b>
	<b>Drilling Equipment</b>	<b>Field Vehicles</b>	<b>Field Equipment</b>	<b>Mine Equipment</b>	<b>Computer equipment</b>	<b>Office Equipment</b>	
	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2008</b>							
Cost	862,253	293,793	248,530	9,000,000	70,394	28,999	7,503,967
Accumulated depreciation	(279,989)	(95,647)	(51,566)	(3,000,000)	(25,047)	(5,704)	(457,951)
Net book amount	<u>582,264</u>	<u>198,146</u>	<u>196,964</u>	<u>6,000,000</u>	<u>45,347</u>	<u>23,295</u>	<u>7,046,016</u>
<b>Year ended 30 June 2009</b>							
Opening net book amount	582,264	198,146	196,964	6,000,000	45,347	23,295	7,046,016
Additions	-	-	15,752	-	20,320	1,700	37,772
Amounts derecognised due deconsolidation of subsidiary	-	-	-	(6,000,000)	-	-	(6,000,000)
Depreciation charge	(177,914)	(60,545)	(62,628)	-	(16,974)	(8,142)	(326,203)
Closing net book amount	<u>404,350</u>	<u>137,601</u>	<u>150,088</u>	<u>-</u>	<u>48,693</u>	<u>16,853</u>	<u>757,585</u>
<b>At 30 June 2009</b>							
Cost	862,253	293,793	264,283	-	90,714	30,699	1,541,742
Accumulated depreciation and impairment	(457,903)	(156,192)	(114,195)	-	(42,021)	(13,846)	(784,157)
Net book amount	<u>404,350</u>	<u>137,601</u>	<u>150,088</u>	<u>-</u>	<u>48,693</u>	<u>16,853</u>	<u>757,585</u>
<b>Year ended 30 June 2010</b>							
Opening net book amount	404,350	137,601	150,088	-	48,693	16,853	757,585
Additions	10,362	111,271	1,136	-	20,645	15,173	158,587
Depreciation charge	(123,915)	(71,653)	(45,981)	-	(27,273)	(11,048)	(279,870)
Closing net book amount	<u>290,797</u>	<u>177,219</u>	<u>105,243</u>	<u>-</u>	<u>42,065</u>	<u>20,978</u>	<u>636,302</u>
<b>At 30 June 2010</b>							
Cost	872,614	405,062	266,074	-	101,628	42,119	1,687,497
Accumulated depreciation	(581,817)	(227,843)	(160,831)	-	(59,563)	(21,141)	(1,051,195)
Net book amount	<u>290,797</u>	<u>177,219</u>	<u>105,243</u>	<u>-</u>	<u>42,065</u>	<u>20,978</u>	<u>636,302</u>

**Note 12 Investments in subsidiaries**

Name of subsidiary	Country of incorporation	Ownership interest	
		2010 %	2009 %
PepinNini Resources Pty Ltd*	Australia	100	100
PepinNini Resources Curnamona Pty Ltd*	Australia	100	100
PepinNini Robinson Range Pty Ltd*	Australia	100	-
Eagle Gold Mines Limited	United Kingdom	-	49

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.

PepinNini Minerals Limited also has a 40% interest in Sinosteel PepinNini Curnamona Management Pty Ltd, a company created so as to conduct joint operations with Sinosteel Corporation. Refer to note 25 for further information.

**Note 13 Trade and other payables**

	Consolidated	
	2010 \$	2009 \$
Trade payables (i)	563,548	955,090
Sundry creditors and accruals	16,148	119,637
	<b>579,696</b>	<b>1,074,727</b>

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

**(a) Risk exposure**

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

**Note 14 Provisions**

	Consolidated	
	2010 \$	2009 \$
Current - Employee benefits	283,646	182,853
Non Current - Employee benefits	7,841	1,694
	<b>291,487</b>	<b>184,547</b>

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

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

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

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	\$
<b>The net deferred tax liability comprises temporary differences attributable to:</b>		
<i>Deferred tax assets:</i>		
Fundraising costs	<b>(103,247)</b>	(178,667)
Provisions and accruals	<b>(87,446)</b>	(89,150)
Unused tax losses	<b>(5,078,968)</b>	(3,443,638)
Impairment of investment	<b>(1,653,194)</b>	(1,653,194)
Timing differences for which no deferred tax assets have been recognised	<b>1,653,194</b>	1,653,194
Deferred tax assets:	<b>(5,269,661)</b>	(3,711,455)
<i>Deferred tax liabilities</i>		
Property, plant and equipment	<b>190,908</b>	227,276
Exploration expenditure, Resource exploration / potential, Mining information	<b>5,412,860</b>	3,920,351
	<b>5,603,768</b>	4,147,627
<b>Total net deferred tax liabilities</b>	<b>334,107</b>	436,172
<b>Movements - Consolidated</b>		<b>Total</b>
<b>At 1 July 2008</b>		1,073,386
Charged/(credited) to the statement of comprehensive income		(566,789)
Charged directly to equity		(70,424)
<b>At 30 June 2009</b>		436,172
Charged/(credited) to the statement of comprehensive income		(102,065)
Charged directly to equity		-
<b>At 30 June 2010</b>		334,107

**Note 16 Issued and paid up capital**

**(a) Share capital:**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
78,202,499 fully paid ordinary shares	16,297,481	16,297,481
	<b>16,297,481</b>	<b>16,297,481</b>

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

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

	<b>2010</b>		<b>2009</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	78,202,499	16,297,481	68,404,195	13,111,366
Issue of shares	-	-	10,000,000	3,500,000
Share issue costs net of tax	-	-	-	(195,690)
Share buy-back and buy back costs net of tax	-	-	(405,000)	(270,673)
Shares issued on acquisition of tenements	-	-	203,304	152,478
<b>Balance at end of financial year</b>	<b>78,202,499</b>	<b>16,297,481</b>	<b>78,202,499</b>	<b>16,297,481</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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

During the 2010 and 2009 year, there were no exercises of share options issued under the executive share option plan. As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital. During the year, PepinNini Minerals Limited issued no share options (2009: 700,000) over ordinary shares under its executive share option plan. These share options had a fair value at grant date of \$ nil (2009: \$59,893). For further details on share options issued under the executive share option plan, refer to note 29.

**(d) Share buy-back**

During 2010, the company purchased and cancelled no ordinary shares (2009: 405,000) on-market. The shares were acquired at an average price of (2009: \$0.67) with prices ranging from (2009: \$0.65 to \$0.67). The total cost of (2009: \$271,078 including \$1,349 of after-tax incidentals) was deducted from shareholder equity.

**(e) Capital risk management**

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

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

**Note 17 Reserves and retained earnings**

**(a) Reserves**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Equity-settled employee benefits (a)	362,035	371,170
Foreign currency translation reserve (b)	-	-
	<b>362,035</b>	<b>371,170</b>

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

(b) The foreign currency translation reserve was used to record exchange movements relating to the translation of PepinNini Minerals Limited's foreign subsidiary, Eagle Gold Mines Limited, which operates in Great Britain. As indicated in Note 24 this entity was deconsolidated from the Group in the year ended 30 June 2009.

**(b) Retained earnings**

Movements in retained earnings were as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	7,981,748	8,329,845
Net (loss) / profit attributable to members of the Company	(959,569)	(348,097)
Dividends provided for or paid (note 19)	-	-
Balance at end of financial year	<b>7,022,179</b>	<b>7,981,748</b>

**Note 18 Non controlling interest**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Interest in:		
Share capital	-	-
Reserves	-	-
Retained profits	-	-
	<b>-</b>	<b>-</b>

As indicated in Note 24 the entity giving rise to non-controlling interest in the prior year was deconsolidated from the Group in the year ended 30 June 2009.

**Note 19 Dividends**

No dividends have been paid for the year ended 30 June 2010 (2009 – no dividends were paid for the year ended 30 June 2009)

Company	
2010 \$	2009 \$
-	-
-	-

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% (2009 - 30%)

Company	
2010 \$	2009 \$
5,472,450	5,472,450
<b>5,472,450</b>	<b>5,472,450</b>

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

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

**Note 20 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
- Christopher Lambert – Director

**(b) Other key management personnel**

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Philip Clifford	Exploration Consultant	PepinNini Minerals Limited
Lachlan Rutherford	Exploration Manager – Musgrave Project	PepinNini Minerals Limited
Gary Ferris (commenced 1 September 2008 – ceased employment 30 September 2009)	Exploration Manager - QLD	PepinNini Minerals Limited
Colin Skidmore (commenced 1 June 2009)	Exploration Manager – Uranium and New Projects	PepinNini Minerals Limited

All of the above persons were also key management persons during the year ended 30 June 2010 or 2009.

**Note 20 Key management personnel compensation (continued)**

**(c) Key management personnel compensation**

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	812,770	758,933
Post-employment benefits	67,614	62,724
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	(7,889)	75,006
	<b>872,495</b>	<b>896,663</b>

**(d) Equity instrument disclosures relating to key management personnel**

*(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in note 29.

*(ii) Option holdings*

The numbers(#) of options over ordinary shares in the company held during the financial year by each director of PepinNini Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

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

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

**Note 20 Key management personnel compensation (continued)**

2009 Name	Balance at start of the year (#)	Granted as compensati on (#)	Exercised (#)	Other changes (#)	Balance at end of the year (#)	Vested and exercisable (#)	Unvested (#)
<i>Directors of PepinNini Minerals Limited</i>							
Norman Kennedy	-	-	-	-	-	-	-
Rebecca Holland-Kennedy	-	-	-	-	-	-	-
Albert Harris	-	-	-	-	-	-	-
Christopher Lambert	500,000	-	-	-	500,000	500,000	-

*Other key management personnel of the Group*

Philip Clifford	-	-	-	-	-	-	-
Lachlan Rutherford	600,000	100,000	-	-	700,000	300,000	400,000
Gary Ferris	-	600,000	-	-	600,000	200,000	400,000
Colin Skidmore	-	-	-	-	-	-	-

(iii) *Share holdings*

The numbers of shares in the company held during the financial year by each director of PepinNini Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010 Name	Balance at the start of the year #	Received during the year on the exercise of options #	Other changes during the year #	Balance at the end of the year #
<i>Directors of PepinNini Minerals Limited</i>				
<b>Ordinary shares</b>				
Norman Kennedy	9,515,000	-	-	9,515,000
Rebecca Holland-Kennedy	9,515,000	-	-	9,515,000
Albert Harris	889,334	-	(60,000)	829,334
Christopher Lambert	-	-	-	-
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
Philip Clifford	1,286,825	-	-	1,286,825
Lachlan Rutherford	-	-	-	-
Gary Ferris	-	-	-	-
Colin Skidmore	-	-	-	-

**Note 20 Key management personnel compensation (continued)**

2009 Name	Balance at the start of the year #	Received during the year on the exercise of options #	Other changes during the year #	Balance at the end of the year #
<b>Directors of PepinNini Minerals Limited</b>				
<b>Ordinary shares</b>				
Norman Kennedy	9,515,000	-	-	9,515,000
Rebecca Holland-Kennedy	9,515,000	-	-	9,515,000
Albert Harris	1,000,000	-	(110,666)	889,334
Christopher Lambert	-	-	-	-
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
Philip Clifford	1,250,000	-	36,825	1,286,825
Lachlan Rutherford	-	-	-	-
Gary Ferris	-	-	-	-
Colin Skidmore	-	-	-	-

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

In the current reporting period, Rank Geological Services Pty Ltd received fees totalling \$nil (2009: 0) for reimbursement of exploration costs and expenses and for the supply of office and computer facilities, financial administration, geological and technical plan generation, administration and Company secretarial services of Rebecca Holland-Kennedy. The services purchased are made under normal terms and conditions. At reporting date \$nil (2009: 0) remained payable.

**Note 21 Remuneration of auditors**

	Consolidated	
	2010 \$	2009 \$
<b>Auditor of the parent entity</b>		
Ernst & Young Audit and review of the financial reports	40,000	-
Ernst & Young Other non-audit services	6,458	-
Deloitte Audit and review of the financial reports	-	79,930
Deloitte Other non-audit services	-	4,525
	<b>46,458</b>	<b>84,455</b>

The Ernst & Young was appointed auditor of PepinNini Minerals Limited for the 30 June 2010 financial year. Previously Deloitte was the Company auditor.

**Note 22 Commitments for expenditure**

	Consolidated	
	2010 \$	2009 \$
<b>Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	2,471,556	3,590,500
Longer than 1 year and not longer than 5 years	3,775,250	5,368,500
Longer than 5 years	-	-
	<b>6,246,806</b>	<b>8,959,000</b>
<i>Plant and equipment, payable:</i>		
Not longer than 1 year	-	7,688
Longer than 1 year and not longer than 5 years	-	23,064
Longer than 5 years	-	-
	-	<b>30,752</b>
<i>Operating lease commitments:</i>		
Not longer than 1 year	139,448	99,828
Longer than 1 year and not longer than 5 years	626,000	52,575
Longer than 5 years	-	-
	<b>765,448</b>	<b>152,403</b>
<i>Other commitments, payable:</i>		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

**Note 23 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 20.

**(c) Transactions with related parties**

Transactions with Rank Geological Services Pty Ltd have been disclosed in note 20(e). During the year, PepinNini Minerals Limited also received \$90,737 (2009: \$38,723) in rent and reimbursement of expenses from Arckaringa Energy Pty Ltd.

As at 30 June 2009, Alexander George William Kennedy and Luis Fernando Norman Kennedy, who are related to directors of PepinNini Minerals Limited, each owned 1,000,000 shares and George Holland Pty Ltd, a company of which Rebecca Holland-Kennedy is a director held 1,113,333 shares.

During the year ended 30 June 2010 PepinNini Minerals Limited received no dividends from PepinNini Resources Curnamona Pty Ltd (2009: \$12,809,298).

**(d) Terms and conditions**

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

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

Outstanding balances are unsecured and are repayable in cash.

**Note 24 Deconsolidation of previously controlled entities**

At 30 June 2008 the group held a 51% interest in Eagle Gold Mines Limited. During the 2008 financial year, 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. Eagle Gold Mines Limited was dissolved effective 23 February 2010.

On 16 December 2008 the company's interest in Eagle Gold Mines Ltd reduced to 49%. As a result the company no longer controls Eagle Gold Mines Ltd and it has been 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 recognized. Financial information relating to the operation for the period to the date of disposal is set out below.

**(a) Financial performance and cash flow information**

During the year ended 30 June 2009, Eagle Gold Mines Ltd and Eagle Gold Mines Pty Limited contributed the following to the financial performance of the PepinNini Minerals Limited Group prior to their deconsolidation:

	30 June 2009
	\$
Revenue	-
Expenses	-
Loss before income tax	-
Income tax benefit	-
Loss after income tax	-

**(b) Carrying amounts of assets and liabilities**

The carrying value of the investment recognised in the consolidated accounts for Eagle Gold Mines Ltd on deconsolidation was \$139,448.

As Eagle Gold Mines Pty Ltd assets have passed to the control of the receiver and with a period of significant global economic fluctuations, the ultimate recoverable value attributable to these assets are subject to significant uncertainty and there is a risk of a material adjustment to the carrying amounts of assets and liabilities attributable to Eagle Gold Mines Group. As a result management has elected to fully impair the investment in Eagle Gold Mines Ltd with a charge recognised in the statement of comprehensive income of \$139,448 for the year ended 30 June 2009. Should circumstances change this impairment may reverse in future periods.

**(c) Commitments for expenditure**

Eagle Gold Mines Limited held an extensive package of mining and exploration tenements covering 2,500 km<sup>2</sup>. At 30 June 2009 and 30 June 2010 Eagle Gold Mines Limited no longer formed part of the consolidated group.

## Note 25 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 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 \$1,366,920(2009: \$2,883,142) in accordance with the joint venture agreement.

The Group is a venturer in the following joint ventures:

Name of venture	Principal activity	Output interest	
		2010 %	2009 %
Uranium Resource and Mineral Resources Joint Venture	Management and operation of development of Crocker Well and Mt Victoria uranium deposits and exploration for other commodities	40	40

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

	Year ended 30 Jun 2010	Year ended 30 Jun 2009
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	138,208	988,190
Trade and other receivables	-	120,049
<b>Total current assets</b>	<b>138,208</b>	<b>1,108,239</b>
<b>Non-current assets</b>		
Other receivables	2,000	2,000
Exploration expenditure	4,848,251	3,264,528
Exploration bonds	10,255	10,255
Plant and equipment	6,937	7,437
<b>Total non-current assets</b>	<b>4,867,443</b>	<b>3,284,220</b>
<b>Total assets</b>	<b>5,005,651</b>	<b>4,392,459</b>
<b>Current liabilities</b>		
Trade and other payables	155,631	676,499
Provisions	11,495	13,221
<b>Total current liabilities</b>	<b>167,126</b>	<b>689,720</b>
<b>Total Liabilities</b>	<b>167,126</b>	<b>689,720</b>
<b>Net assets</b>	<b>4,838,525</b>	<b>3,702,739</b>

**Note 25 Interests in joint ventures (continued)**

**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, which are included within the consolidated figures disclosed in note 22. The funding for these commitments is supplied by Sinosteel as part of the purchase consideration for 60% of the four tenements forming the Joint Venture in June 2007.

	Year ended 30 Jun 2010 \$	Year ended 30 Jun 2009 \$
<b>(a) Capital expenditure commitments</b>		
<i>Granted exploration tenement statutory expenditure commitments, payable:</i>		
Not longer than 1 year	405,000	405,000
Longer than 1 year and not longer than 5 years	350,000	350,000
Longer than 5 years	-	-
	<b>755,000</b>	<b>755,000</b>

**Note 26 Events occurring after the balance sheet date**

On 20 August 2010 PepinNini executed a Joint Venture Agreement for the Robinson Range Project.

Other than the above, no matters or circumstances have arisen since 30 June 2010 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.

**Note 27 Reconciliation of loss after income tax to net cash outflow from operating activities and non-cash activities**

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	<b>\$</b>
Loss for the year	(959,569)	(348,097)
<i>Non-cash items</i>		
Depreciation expensed	21,842	8,346
Non-cash employee benefits expense – share-based payments	(9,135)	75,006
Impairment of investment in subsidiary	-	139,449
Impairment of plant and equipment/exploration	-	94,962
Impairment of exploration assets	206,591	-
<i>Items not classified as operating</i>		
Interest income	(363,065)	(879,008)
<i>Changes in net assets and liabilities</i>		
(Increase) / decrease in assets:		
Trade and other receivables	63,241	183,168
Increase / (decrease) in liabilities:		
Trade and other payables	(489,596)	463,802
Deferred tax liability	(102,065)	(605,521)
Current tax liability	(52,868)	52,868
Provisions	84,354	106,350
<b>Net cash outflow from operating activities</b>	<b>(1,600,270)</b>	<b>(708,676)</b>

**Note 28 Earnings per share**

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>Cents</b>	Cents
<b>(a) Basic earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company	(1.2)	(0.5)
Loss from discontinued operation	-	-
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>	<b>(1.2)</b>	<b>(0.5)</b>
<b>(b) Diluted earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the company	(1.2)	(0.5)
Loss from discontinued operation	-	-
<b>Total diluted earnings per share attributable to the ordinary equity holders of the company</b>	<b>(1.2)</b>	<b>(0.5)</b>
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	\$
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
from continuing operations	(959,570)	(348,097)
from discontinued operations attributable to minority interests	-	-
from discontinued operation	-	-
	<b>(959,570)</b>	<b>(348,097)</b>
<i>Diluted earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company		
used in calculating basic earnings per share	(959,570)	(348,097)
adjustments made to earnings	-	-
used in calculating diluted earnings per share	(959,570)	(348,097)
Loss from discontinued operation	-	-
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>(959,570)</b>	<b>(348,097)</b>

**Note 28 Earnings per share (continued)**

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

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>Number</b>	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	78,202,499	68,558,469
Adjustments for calculation of diluted earnings per share:		
Options	1,200,000	1,606,027
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>79,402,499</b>	<b>70,164,496</b>

(1) Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the 2010 and 2009 financial year

**Note 29 Share-based payments**

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

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

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

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited 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 – 2010</b>								
30/11/2007	30/11/2010	\$1.38	500,000	-	-	-	500,000	500,000
21/02/2008	31/01/2011	\$1.30	200,000	-	-	-	200,000	-
21/02/2008	31/01/2011	\$1.80	200,000	-	-	-	200,000	200,000
21/02/2008	31/01/2011	\$2.30	200,000	-	-	-	200,000	200,000
01/10/2008	01/09/2011	\$0.80	200,000	-	-	(200,000)	-	-
01/10/2008	01/09/2011	\$1.30	200,000	-	-	(200,000)	-	-
01/10/2008	01/09/2011	\$1.80	200,000	-	-	(200,000)	-	-
04/12/2008	31/12/2011	\$0.35	100,000	-	-	-	100,000	100,000
			1,800,000	-	-	(600,000)	1,200,000	1,000,000
Weighted average exercise price			\$1.44	-	-	-	\$1.50	\$1.55
<b>Consolidated and company – 2009</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	200,000
21/02/2008	31/01/2011	\$2.30	200,000	-	-	-	200,000	200,000
01/10/2008	01/09/2011	\$0.80	-	200,000	-	-	200,000	-
01/10/2008	01/09/2011	\$1.30	-	200,000	-	-	200,000	200,000
01/10/2008	01/09/2011	\$1.80	-	200,000	-	-	200,000	200,000
04/12/2008	31/12/2011	\$0.35	-	100,000	-	-	100,000	-
			1,100,000	700,000	-	-	1,800,000	800,000
Weighted average exercise price			\$1.61	\$1.16	-	-	\$1.44	\$1.80

No options expired during the periods covered by the above tables.

No options were exercised during the year ended 30 June 2010 and so the weighted average share price at the date of exercise of options was zero (2009 - \$0).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.8 years (2009 – 1.8 years).

## Note 29 Share-based payments (continued)

### *Fair value of options granted*

No options were granted in the 2010 financial year. The assessed fair value at grant date of options granted during the year ended 30 June 2009 ranged from 0.4c to 19c.

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 model inputs for options granted during the year ended 30 June 2009 were within the ranges specified below.

- (a) options are granted for no consideration and either vest immediately or based on a required term of service (depending on the individual issuance terms). Vested options are exercisable for a period of 3 years (2009: vested options were exercisable for a period of 3 years)
- (b) exercise price: \$ (2009: \$0.35 to \$1.80)
- (c) grant date: (2009: 1 October 2008 to 4 December 2008)
- (d) expiry date: (2009: 1 September 2011 to 31 December 2011)
- (e) share price at grant date: \$ (2009: \$0.23 to \$0.47)
- (f) expected price volatility of the company's shares: % (2009: 79.04%)
- (g) expected dividend yield: % (2009: 0%)
- (h) risk-free interest rate: % (2009: 3.67% to 5.24%)

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.

The company also entered into share-based payment transactions as part consideration to purchase 11 tenements located in Queensland. Details are as follows:

Grant date: 9 April 2008;

- Number of shares issued as consideration: 696,696
- The shares were measured at \$0.75, being the volume weighted average price of PepinNini Minerals Limited shares on the ASX at the time the transaction took place. Dividends and other features were not incorporated into the valuation.

Grant date: 21 January 2009;

- Number of shares issued as consideration: 203,304
- The shares were measured at \$0.75, being the volume weighted average price of PepinNini Minerals Limited shares on the ASX at the time the transaction took place. Dividends and other features were not incorporated into the valuation.

The fair value of the tenements purchases is considered to approximate the fair value of the share-based payment.

### Expenses arising from share-based payment transactions

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

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Options issued under employee share option plan	<b>(9,135)</b>	55,750

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

**Note 30 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 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..

**Note 31 Parent entity information**

(a) Summary financial information

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

	Parent	
	2010	2009
<b>Balance sheet</b>		
Current assets	5,133,156	11,456,445
Total assets	<b>31,675,143</b>	36,035,641
Current liabilities	(8,525,368)	(11,923,728)
Total liabilities	<b>(8,837,008)</b>	(12,229,220)
Shareholders equity	16,297,481	16,297,481
Issued capital	362,035	371,170
Reserves	-	-
Share-based payments	-	-
Retained earnings	6,178,618	7,137,770
<b>Total equity</b>	<b>22,838,134</b>	23,806,421
<b>Profit or loss for the year</b>	<b>959,154</b>	8,672,536
<b>Total comprehensive income</b>	<b>959,154</b>	8,672,536

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

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

As at 30 June 2010, the parent entity had nil contractual commitments for the acquisition of property, plant or equipment (30 June 2009 – nil). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

## Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (c) The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

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

On behalf of the Directors

Norman Kennedy  
Director



Sydney, 17<sup>th</sup> September 2009

## Independent audit 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 balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the 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 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Auditor's Opinion**

In our opinion:

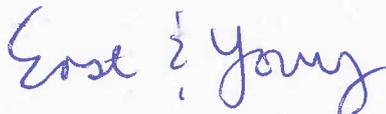
1. the financial report of PepinNini Minerals Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
  
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2010. 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.

### **Auditor's Opinion**

In our opinion the Remuneration Report of PepinNini Minerals Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



Ernst & Young



Nigel Stevenson  
Partner  
Adelaide  
17 September 2010

### Additional securities exchange information

The shareholder information set out below was applicable as at 31 August 2009.

As at 31 August 2009 there were **78,202,499** fully paid ordinary shares held by **1,921** 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	285	191,117
1,001 – 5,000	710	2,101,332
5,001 – 10,000	357	3,066,664
10,001 – 100,000	481	15,723,478
100,001 and over	88	57,119,908
	<b>1,921</b>	<b>78,202,499</b>
Holding less than a marketable parcel	-	-

#### B. Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Percentage	Number
Norman Lee Kennedy	12.15%	9,500,000
Rebecca Ann Holland-Kennedy	12.15%	9,500,000
<b>Total</b>	<b>24.30%</b>	<b>19,000,000</b>

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

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Norman Lee Kennedy	9,500,000	12.15%
Rebecca Ann Holland-Kennedy	9,500,000	12.15%
Sinosteel Australia Pty Ltd	3,300,000	4.22%
HSBC Custody Nominees (Australia) Limited - A/C 3	2,000,000	2.56%
ANZ Nominees Limited	1,411,587	1.81%
Philip Roger Clifford	1,251,800	1.60%
UBS Nominees Pty Ltd	1,159,586	1.48%
George Holland Pty Ltd	1,113,333	1.42%
Citicorp Nominees Pty Ltd	1,069,166	1.37%
Eshan Pty Ltd	1,000,000	1.28%
Alexander George William Kennedy	1,000,000	1.28%
Luis Fernando Norman Kennedy	1,000,000	1.28%
Kathryn Yule	1,000,000	1.28%
Virginie Pepin-Demal	990,000	1.27%
Nicola Jane Khouri	982,000	1.26%
HSBC Custody Nominees (Australia) Limited	902,136	1.15%
Albert George Harris	829,334	1.06%
Ugula Pty Ltd (Hutton Super Fund A/C)	750,000	0.96%
ND Birchmore Pty Ltd	731,929	0.94%
<b>National Nominees</b>	<b>703,785</b>	<b>0.90%</b>
<b>Total</b>	<b>40,194,656</b>	<b>51.40%</b>