

PepinNini

Minerals Limited

ABN 55 101 714 989

**Financial report for the half year
ended 31 December 2013**



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Directors' report

The directors of PepinNini Minerals Limited (PepinNini) submit herewith the financial report of the company and its subsidiaries (the Group) for the half-year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

- Ms Rebecca Holland-Kennedy
- Mr Robert Wei Sun
- Mr Phil Clifford

Mr Murray Bailey was appointed as Chairman subsequent to the reporting period (1 January 2014)

Review of operations

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

1. Musgrave Province Nickel/Copper Project

PepinNini is currently undertaking exploration programs designed to target nickel-copper sulphide mineralisation and base metal mineralisation in the Musgrave Province, South Australia. PepinNini has four granted exploration licences (EL4780, EL5185, EL5220, EL4587) covering 5,669 km² and six exploration licence applications (ELA118/96, ELA185/96, ELA278/82, ELA491/94, ELA367/09, ELA368/09) covering 3,932 km². PepinNini subsidiary NiCul Minerals Limited (formerly PepinNini Resources Pty Ltd) is earning a 51% interest in EL5185 and ELA278/82 and ELA491/94 under a Farm-in and Joint Venture Agreement with Rio Tinto Ltd subsidiary Rio Tinto Exploration Pty Limited.

During the period, exploration activity focused on the Cooperinna block of EL4587 and Woodroffe EL5185. Diamond core drilling was undertaken to test bedrock conductors initially identified from the SkyTEM⁵⁰⁸ and V-TEM helicopter electromagnetic survey flown across Cooperinna and Woodroffe during March 2012 and August 2012 respectively. Follow up ground electro-magnetic (EM) surveying undertaken during April-May 2013 confirmed the targets to be robust and worthy of drill testing. A total of six boreholes (~1,150metres) have been completed to investigate modelled targets within the Yagen, Deception, Venus, Cactus and Marrawah Prospects.

Massive to strongly disseminated sulphide accumulations were intersected in borehole DD13WOD017 Marrawah confirming the dependability of AEM (airborne electromagnetic surveying) as a valuable exploration targeting tool in the search for magmatic nickel – copper sulphide deposits.

Sulphide phases present consist of abundant coarse pyrrhotite (iron sulphide) with lesser pyrite (iron sulphide) and chalcopyrite (copper sulphide) which are hosted within pyroxenite and gabbro-norite. Analytical results reported on 16 October 2013 from the sulphide bearing intervals returned maximum results of 2,500ppm copper, 745ppm nickel, 660ppm cobalt, 13ppb gold, 3.5ppb platinum and 6ppb palladium.

2. Curnamona Province Uranium and Base Metals Project

Exploration within the Curnamona Province Project area, which includes the Crocker Well Uranium Deposit, is being managed by Sinosteel PepinNini Curnamona Management Pty Ltd (SPCM) on behalf of the Joint Venture partners Sinosteel Corporation (60%) and PepinNini Minerals (40%). The project comprises five granted exploration licences covering approximately 3,778 km² of the Curnamona Province of South Australia.

The Joint Venture has prioritized the investigation of the iron ore potential of the Braemar Iron Formation within the Mt Victor tenement and coarse magnetite targets within the Kalabity tenement.

During the period analytical testing from drill samples drilled during the previous six months to June 2013 from both tenements indicated highly encouraging results from Davis Tube Recovery (DTR) from Mt Victor Braemar Iron Formation samples (reported 28 August 2013) and significant metallurgical characteristics of the coarse magnetite mineralization on the Kalabity tenement (reported 18 October 2013).

3. North Queensland Project

During the previous reporting period PepinNini Minerals completed the sale of six tenements in North Queensland for a total consideration of \$850,000 as part of a strategy to divest non-core assets. Three of the remaining five tenements held by PepinNini in North Queensland cover 415km² and are prospective for uranium. The Oasis Project contains shear hosted uraninite mineralisation over a strike extent of 300m with an average grade of 0.1% U₃O₈ as delineated by Esso Exploration and Production Australia Inc (1977-1979) and Glengarry (2005/2006). Subsequent work was also undertaken on this prospect by Mega Uranium (2007-2010). The Company is considering options regarding these tenements in view

of the Queensland Government announcement on 22nd October 2012 lifting its ban on uranium mining.

4. Robinson Range Iron Ore Project

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

The joint venture has delineated an Inferred Mineral Resource for PNN Area C of 17.7million tonnes grading 49.7% Fe in the Inferred Category including 4.3million tonnes grading 55.2% Fe in the Inferred Category as announced on 6th June, 2012. PepinNini Minerals Limited is continuing its divestment strategy for non-core assets with this project.

5. Argentina Salta Project

PepinNini has one granted cateo (exploration leases), two granted minas (mining lease) and six applications for a cateo to mina conversion covering approximately 280 kms² in the Argentine province of Salta. The Salta Project comprises two separate areas designated as Santa Ines and Chivinar.

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

Significant assay results for grab samples collected from a historic mine working in April 2012 confirms potential for high grade copper and gold mineralization within the Santa Ines Project Area. During December 2013 exploration commenced on the Santa Ines Project involving field mapping, rock chip sampling and geophysical surveying. The results from the assay of rock chip samples is pending.

6. Non-renounceable entitlements issue of options

PepinNini announced a pro-rata non-renounceable entitlements issue of options on 24 June 2013. The issue, under a prospectus, was for two options for every three shares held by eligible shareholders at Record Date (2 July 2013). The issue offered 76,785,329 options to raise approximately \$767,853. The issue price was \$0.01 per option with an exercise price of \$0.05 up to 30 June 2015 to raise up to \$3,839,266.

The offer closed on 22 July 2013 and a shortfall period for the non-renounceable issue closed 22 October 2013. The issue raised \$323,171.53 and 32,317,153 options were issued, representing a 42% take up of the entitlements on offer. Equity raising costs totalled \$38,845.26. 5,259,048 options were exercised from this rights issue during the half year raising an additional \$262,952.40.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Phil Clifford BSc MAusIMM. Phil Clifford is the Technical Director of PepinNini Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Phil Clifford consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

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

Auditor's independence declaration

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

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

On behalf of the Directors

A handwritten signature in black ink that reads "Rebecca Holland-Kennedy". The signature is written in a cursive, flowing style.

Rebecca Holland-Kennedy

Managing Director

27 February 2014



Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com

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

In relation to our review of the financial report of PepinNini Minerals Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Nigel Stevenson
Partner
Adelaide
27 February 2014

Independent review report to members of PepinNini Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PepinNini Minerals Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PepinNini Minerals Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

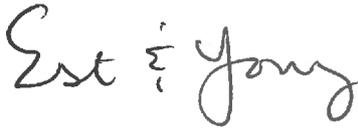
Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Nigel Stevenson
Partner
Adelaide
27 February 2014

Directors' declaration

The directors declare that:

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

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

On behalf of the Directors

A handwritten signature in black ink that reads "R. A. Holland-Kennedy". The signature is written in a cursive, flowing style.

Rebecca Holland-Kennedy
Managing Director
27 February 2014

**Consolidated statement of comprehensive income
 for the half-year ended 31 December 2013**

	Consolidated	Consolidated
	Half-year ended	Half-year ended
	31 Dec 2013	31 Dec 2012
	\$	\$
Continuing operations		
Revenue	119,398	248,002
Other Income	54,499	-
Expenses		
Depreciation expense	8,828	24,812
Salary and employment costs	99,503	269,821
Operating expenses	238,063	278,611
Professional fees	38,818	41,405
Impairment of exploration asset	-	-
Impairment of tenements held for sale	-	905,747
Legal fees	38,259	5,925
Other expenses	-	189
Total expenses	423,471	1,526,510
Loss before tax	(249,574)	(1,278,508)
Income tax benefit	-	222,825
Loss for the period from continuing operations	(249,574)	(1,055,683)
Loss for the period	(249,574)	(1,055,683)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>	-	-
<i>Items that will not be reclassified to profit or loss</i>	-	-
Total comprehensive loss for the half-year	(249,574)	(1,055,683)
Earnings per share for loss attributable to members of PepinNini Minerals Limited		
Basic (cents per share)	(0.21)	(0.95)
Diluted (cents per share)	(0.21)	(0.95)

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

**Consolidated statement of financial
position as at
31 December 2013**

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Current assets		
Cash and cash equivalents	657,487	945,493
Trade and other receivables	409,312	526,678
Other assets	72,059	55,273
Total current assets	1,138,858	1,527,444
Non-current assets		
Exploration expenditure 8	22,344,535	21,442,398
Exploration bonds	35,750	35,750
Property, plant and equipment	209,964	263,217
Total non-current assets	22,590,249	21,741,365
Total assets	23,729,107	23,268,809
Current liabilities		
Trade and other payables	194,436	264,437
Provisions	205,533	183,582
Total current liabilities	399,969	448,019
Non-current liabilities		
Provisions	8,292	6,442
Borrowings 7	200,000	-
Total non-current liabilities	208,292	6,442
Total liabilities	608,261	454,461
Net assets	23,120,846	22,814,348
Equity		
Issued capital 4	20,480,724	19,931,989
Reserves	400,105	392,768
Retained earnings	2,240,017	2,489,591
Total equity attributable to equity holders of the parent	23,120,846	22,814,348

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

Consolidated statement of changes in equity for the half-year ended 31 December 2013

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital	Reserves (Equity settled employee benefits reserve)	Retained earnings	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2013	19,931,989	392,768	2,489,591	22,814,348
Loss for the period	-	-	(249,574)	(249,574)
Other comprehensive Income	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2013	-	-	(249,574)	(249,574)
Issue of shares, net of transactions costs and tax (note 4)	548,735	-	-	548,735
Employee share options	-	7,337	-	7,337
Balance at 31 December 2013	20,480,724	400,105	2,240,017	23,120,846

Consolidated statement of changes in equity for the half-year ended 31 December 2012

	Attributable to members of PepinNini Minerals Limited			
	Issued and paid up capital	Reserves (Equity settled employee benefits reserve)	Retained earnings	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2012	19,214,080	362,035	3,670,609	23,246,724
Loss for the period	-	-	(1,055,683)	(1,055,683)
Other comprehensive Income	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2012	-	-	(1,055,683)	(1,055,683)
Issue of shares, net of transactions costs and tax (note 4)	676,207	-	-	676,207
Employee share options	-	585	-	585
Balance at 31 December 2012	19,890,287	362,620	2,614,926	22,867,833

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

Consolidated cash flow statement for the half-year ended 31 December 2013

	Consolidated	Consolidated
	Half-year ended	
	31 Dec 2013	31 Dec 2012
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(518,625)	(835,992)
Receipts in the course of business	273,503	358,301
Net cash used in operating activities	(245,122)	(477,691)
Cash flows from investing activities		
Payment for exploration activities	(940,263)	(899,208)
Payments for property, plant and equipment	(9,340)	(18,739)
Proceeds on disposal of property, plant and equipment	146,390	-
Deposit for asset held for sale	-	600,000
Interest received	11,594	25,818
Net cash used in investing activities	(791,619)	(292,129)
Cash flows from financing activities		
Proceeds from issue of shares	587,580	676,207
Transaction costs for issue of shares	(38,845)	-
Proceeds from directors loan	200,000	-
Net cash provided by financing activities	748,735	676,207
Net decrease in cash and cash equivalents	(288,006)	(93,613)
Cash and cash equivalents at the beginning of the period	945,493	1,693,482
Cash and cash equivalents at the end of the period	657,487	1,599,869

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

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

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

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

Basis of preparation

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

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

The group has considered new accounting standards applicable for the current period. The only standard with likely impact for the group is AASB 11; refer to note 6 for further consideration. AASB 119 has been considered and the impact is not likely to be material.

2. Segment information

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

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

3. Dividends

During the period, PepinNini Minerals Limited paid no dividends:

	Half-year ended 31 Dec 2013		Half-year ended 31 Dec 2012	
	Cents per share	Total \$	Cents per share	Total \$
Fully paid ordinary shares				
Final dividend	-	-	-	-

4. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, PepinNini Minerals Limited issued 32,462,826 options (2012- 25,475,494) under a rights issue announced on 24 June 2013 and closed on 22 July 2013. PepinNini raised \$285,783 net of capital raising costs of \$38,845. 5,259,048 options were exercised from this rights issue during the half year raising an additional \$262,952.

PepinNini Minerals Limited did not issue any shares on the exercise of share options issued under its executive share option plan (2012 – no share options exercised). As a result of this there was no transfer from the equity-settled employee benefits reserve to issued capital.

PepinNini Minerals Limited did not purchase or cancel any ordinary shares during the period (2012 – no ordinary shares purchased or cancelled).

5. Investments in subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		December 2013	June 2013
		%	%
PepinNini Resources Curnamona Pty Ltd	Australia	100%	100%
NiCul Minerals Limited (formerly PepinNini Resources Pty Ltd)	Australia	100%	100%
PepinNini Robinson Range Pty Ltd	Australia	100%	100%
PepinNini Minerals International Pty Ltd	Australia	100%	100%
PepinNini QLD Pty Ltd	Australia	100%	100%
PepinNini Sociedad Anonima	Argentine Republic	100%	100%

6. Interests In Joint Arrangements

PepinNini has an interest in the following joint arrangements:

Name of venture	Resident	Principal activity	Output interest	
			December 2013	June 2013
			%	%
Uranium Resources and Mineral Resources Joint venture	Australia	Management and operation of development of Crocker Well And Mt Victoria uranium deposits and exploration for other commodities	40%	40%
Robinson Range Iron Ore JV03 Joint Venture	Australia	Management and operation of development of iron ore in three tenements in the Robinson Range region	50%	50%
Robinson Range Iron Ore JV04 Joint Venture	Australia	Management and operation of development of iron ore in four tenements in the Robinson Range region	40%	40%

PepinNini Minerals Limited has assessed the classification of the joint arrangements under IFRS 11 *Joint Arrangements* (effective 1 January 2013). Based on the contractual terms of the agreements, all joint arrangements that PepinNini Minerals Limited has interests in are classified as Joint Operations.

7. Related Parties

The following table details the balances with related parties as at 31 December 2013 and June 2013:

		Amounts owed by related parties	Amounts owed to related parties
		\$	\$
Key management personnel of the Group:			
Directors' interests	31 December 2013	-	200,000
	30 June 2013	-	-

There is no interest charged on the related party loan noted above. There have been no sales and purchases between related parties during the six months ended 31 December 2013 and 2012.

8. Exploration Expenditure

During the half year ended 31 December 2013 exploration expenditure of \$902,137 was capitalised (\$852,444 in the six months ended June 2013)

9. Subsequent Events

Subsequent to the end of the reporting period the company received the 30 June 2013 annual R&D tax offset refund which was in excess of the amount accrued to 31 December 2013 by \$182,931. A Chairman was appointed to the company from 1 January 2014, Mr Murray Bailey. Mr Bailey has been issued 7,500,000 unlisted options vesting in three tranches of 2,500,000 options, each tranche expires 2 years after vesting and is exercisable as follows:

- at 5 cents per option from 1 January 2014
- at 6 cents per option from 1 July 2014
- at 7 cents per option from 1 January 2015

The Issue of the options has no dilutive impact on the earnings per share as at 31 December 2013.

No other matters or circumstances have arisen since 31 December 2013 that has significantly affected, or may substantially affect:

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