



Pepinini

Lithium Limited

ABN 55 101 714 989

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018



Contents	Page
Directors' report	1
Auditor's independence declaration	5
Independent auditor's review report	6
Directors' declaration	8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11
Consolidated cash flow statement	12
Notes to the consolidated financial statements	13

Directors' report

The Directors of PepinNini Lithium Limited (PNN, the Company) submit herewith the financial report of the Company and its subsidiaries (the Group) for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report

Ms Rebecca Holland-Kennedy

Mr Phil Clifford

Ms Sarah Clifton-Brown

Review of operations

During the reporting period, the Company continued to focus on the exploration for battery minerals; lithium in Argentina and Nickel- Cobalt in Australia. In Argentina at 31 December 2018 the Company held nine mining leases (mina) totalling 20,840 hectares (ha) or 208km² in the western part of Salta Province, NW Argentina. The properties are all considered prospective for lithium brine aquifers associated with dry salt lakes (Salares).

In Australia PNN holds two granted exploration tenement (ELs) and 8 exploration licence applications (ELAs) covering 14,003km² located in the Musgrave Province of South Australia. In addition PNN through a Farm-in Joint Venture Agreement with Rio Tinto Exploration Pty Ltd has the right to earn up to 51% interest in four (4) Exploration Licence Applications in the Musgrave Province.

1. Argentina Salta Project

PNN under its wholly owned subsidiary and Argentine registered PepinNini SA (PNN SA) continued active exploration during the period. PNN has established an exploration team in Salta who have undertaken exploration on the Rincon and Incahuasi Projects during the reporting period. The exploration undertaken was geophysical TEM (time domain electromagnetic) survey over Incahuasi Salar surface was carried out. The survey indicates two distinct zones; firstly a halite surface layer with a conductive potential brine bearing layer below and a saturated conductive zone from the surface and potentially brine bearing. The survey penetrated to 200m in depth with the interpreted brine bearing zone continuing beyond 200m. This type of exploration environment indicates that high resistivity values in the surface are due to halite materials in salar surface, and the more conductive materials below it matches brines that may be rich in lithium. Drilling permits were granted during the period and drilling is planned in the first quarter of 2019. On Rincon Salar planning was undertaken for pumping test of brine recharge rates as well as planning for brine re-sampling from monitoring wells.

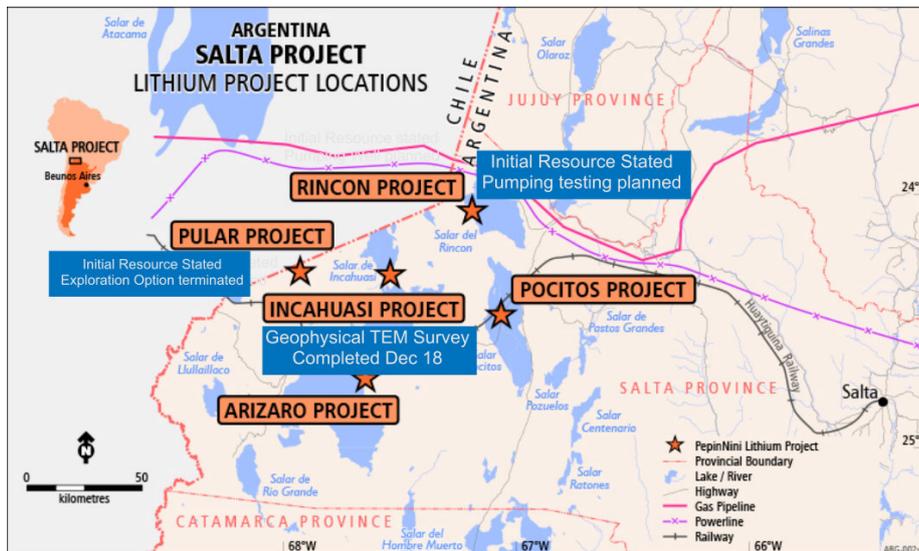


Figure 1 – Lithium Brine Projects Salta Province Argentina

During the period the Company announced the discontinuation of the exploration purchase option covering Patilla Mina on Salar de Pular entered into with Lithia Inc, wholly owned subsidiary of Lithium S(TSX-V:LSC) announced as Transaction 1;ASX:22 Feb 2018. The Company has withdrawn from the option agreement after undertaking appropriate investigations across Patilla Mina in conjunction with its broader exploration activities across its 100% owned Sulfa 1 and Moncho Minas which combined had covered the entire Argentine portion of Salar de Pular. The Company retains 2,785 hectares(ha) of the 4,131ha of the salar or 70%. By withdrawing from the transaction the Company avoided further payments of US\$775,000.

The resource for the Pular Project area was re-stated for PepinNini mining leases only:

Resource Category	Brine Volume (m ³)	Avg. Li (mg/L)	In situ Li (tonnes)	Li ₂ CO ₃ Equivalent (tonnes)LCE	Avg. K (mg/L)	In situ K (tonnes)	KCI Equivalent (tonnes)
Measured	2.0 x 10 ⁸	87	17,100	91,000	4,510	888,700	1,695,000
Inferred	2.0 x 10 ⁸	77	15,400	82,000	4,280	853,400	1,627,000

Attendance at community meetings continued to maintain communication and understanding of the field activities and community members were welcomed to visit field operations to ensure understanding and good relations. The employment of local community members in field positions continued.



Figure 2 - Community Visit to Pular Project

PNN SA also retains its existing copper-gold project in the Salta, the Santa Ines project. The Santa Ines project of four minas covering 6,840 ha is situated approximately 80km to the southeast along the same lineament as BHP's giant Escondida Copper(Cu)-Gold(Au) porphyry in Chile and containing 5 billion tonnes at 1% Cu and 0.25 g/t Au this deposit formed contemporaneously with the Santa Ines Formation event during the Late Eocene-Oligocene.

2. Musgrave Province Nickel-Copper-Cobalt Project

During the period PNN maintained its exploration program targeting nickel-copper-cobalt sulphide, platinum group elements, and base metal mineralisation within the Musgrave Province of central Australia.

The Company has refined its focus to concentrate on the Central Musgrave Project (SA) which incorporates two granted exploration licences (EL5220, EL5735) and eight exploration licence applications (ELA118/96, ELA185/96, ELA367-368/09, ELA189-191/15 and ELA197/15) covering 14,003 km² which are held 100% by PNN wholly owned subsidiary NiCul Minerals Limited (NCL). During the period exploration activities focused on negotiations with the APY Executive Board to progress tenement granting of ELA197/15– Ironwood Bore.

Rio Tinto Joint Venture Musgrave Province, SA

Negotiations with Anangu Pitjantjatjara Yankunytjatjara(APY) continued during the reporting period for the granting of Exploration Licence Application(ELA) 2015/00214 –Pink Slipper target. This ELA is one of four in the farm-in and joint venture between Rio Tinto Exploration Pty Ltd (RTX) and NiCul (NCL) which was amended and restated and signed in November 2017.

The Agreement will continue to focus on the granting of tenure with the exploration of targets considered highly prospective for magmatic nickel-copper-cobalt-PGE sulphide mineralisation.

3. Toondulya Bluff Gold Project - Gawler Craton - SA

During the reporting period EL5897 Toondulya Bluff expired and was not renewed. The Company continue to retain focus on battery mineral exploration.

4. Project Generation

During the period, the Company continued to pursue additional tenure for the lithium brine project in Argentina. In Australia opportunities to improve, prioritise, and expand, the Company's project base focused on battery minerals Nickel- Copper and Cobalt.

5. Company Focus

The commodity target for PNN is battery minerals firstly lithium in Argentina and then nickel-copper-cobalt in Australia.

The Company focus is the lithium brine project in Argentina. Lithium carbonate equivalent (LCE) resources have been defined on two project and the focus for the next six months is defining a resource on a third project at the same time commencing a scoping study for LCE production utilising all three projects in a blended production model with the target of production before 2021.

The Company has continued to focus on cost reduction by minimising overheads where possible and after testing projects divesting those with limited or low potential. The management and staff have remained committed to the company on reduced salaries to ensure the maximum funds possible are directed towards exploration.

We explore, we persist, we find aggressively remains the focus for PepinNini Lithium Ltd and shareholder value our mission.

The section on Salta Lithium project has been reviewed by Marcela Casini, MAusIMM. Marcela Casini is the Exploration Manager-Argentina of PepinNini Lithium 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 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Marcela Casini consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The Resource stated for the Pular project has been prepared with information compiled by Mr. Michael Rosko, M.Sc., C.P.G. of the international hydrogeology firm E.L. Montgomery & Associates, Mr Rosko is a Registered Member of the Society for Mining, Metallurgy and Exploration which is a Recognised Professional Organisation under JORC. Mr. Michael Rosko 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 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Michael Rosko is a Principal Hydrogeologist with E.L. Montgomery & Associates and as such is an independent consultant to PepinNini Lithium Limited Mr. Rosko consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and Mineral Resources for the Australian projects is based on information compiled by Phil Clifford BSc MAusIMM. Phil Clifford is a Non-Executive Director of PepinNini Lithium 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 2012 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.

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 5 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 "R. A. Holland-Kennedy". The signature is written in a cursive, flowing style.

Rebecca Holland-Kennedy
Managing Director

4 March 2019

**DECLARATION OF INDEPENDENCE
BY ANDREW TICKLE
TO THE DIRECTORS OF PEPINNINI LITHIUM LIMITED**

As lead auditor for the review of PepinNini Lithium Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of PepinNini Lithium Limited and the entities it controlled during the period.



Andrew Tickle
Director

BDO Audit (SA) Pty Ltd

Adelaide, 4 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PEPINNINI LITHIUM LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of PepinNini Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 control as the directors determine is 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

A handwritten version of the BDO logo in blue ink, with the letters 'BDO' in a cursive, stylized font.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', written over a light grey rectangular background.

Andrew Tickle
Director

Adelaide, 4 March 2019

Directors' declaration

In accordance with a resolution of the directors of PepinNini Lithium Limited and its Controlled Entities, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
 - (ii) complying with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - (c) signed in accordance with a resolution of Directors pursuant to section 303(5)(a) 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
4 March 2019

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Consolidated Half-year ended 31 Dec 2018 \$	Consolidated Half-year ended 31 Dec 2017 \$
Revenue	152	18,314
Currency Gain	-	41,265
Total	152	59,579
Expenses		
Depreciation expense	1,289	1,842
Salary and employment costs	168,924	309,282
Operating expenses	106,917	138,421
Operating Lease rental expense	7,773	10,221
Share registry	43,837	41,485
Airfares	7,304	18,193
Insurance	16,704	21,913
Bank Charges and State Taxes	12,830	28,480
Professional fees	17,542	54,118
Impairment of exploration asset	462,822	49,957
Legal fees	1,075	7,709
Currency Loss	48,420	-
Total expenses	895,437	681,621
Loss before tax	(895,285)	(622,042)
Income tax benefit	-	-
Loss for the period	(895,285)	(622,042)
Loss for the period	(895,285)	(622,042)
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 income for the half-year	(895,285)	(622,042)
Earnings per share for loss attributable to members of PepinNini Lithium Limited		
Basic (cents per share)	(0.14)	(0.13)
Diluted (cents per share)	3 (0.14)	(0.13)

Notes to the consolidated financial statements are included on pages 13 to 14.

Consolidated statement of financial position as at 31 December 2018

		Consolidated	
		31 December 2018	30 June 2018
		\$	\$
Current assets			
Cash and cash equivalents		116,486	352,079
Trade and other receivables		369,809	355,967
Other assets		29,128	15,329
Total current assets		515,423	723,105
Non-current assets			
Exploration expenditure	5	17,341,540	17,382,328
Exploration bonds	5	3,990	3,990
Property, plant and equipment		5,248	6,591
Total non-current assets		17,350,778	17,392,909
Total assets		17,866,201	18,116,014
Current liabilities			
Trade and other payables		66,462	472,651
Annual and Long Service Leave		170,247	161,824
Total current liabilities		236,709	634,475
Non-current liabilities			
Convertible Notes		-	390,826
Directors Loan		122,000	-
Total non-current liabilities		122,000	390,826
Total liabilities		358,709	1,025,301
Net assets		17,507,492	17,090,713
Equity			
Issued capital	3	29,789,544	28,174,241
Reserves		594,444	897,683
Retained earnings		(12,876,496)	(11,981,211)
Total equity attributable to equity holders of the parent		17,507,492	17,090,713

Notes to the consolidated financial statements are included on pages 13 to 14.

Consolidated statement of changes in equity for the half-year ended 31 December 2018

	Attributable to members of PepinNini Lithium Limited				Total
	Issued and paid up capital	Prepaid share reserve	Reserves (Equity settled employee benefits reserve)	Retained earnings	
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2018	28,174,241	303,239	594,444	(11,981,211)	17,090,713
Loss for the period	-	-	-	(895,285)	(895,285)
Other comprehensive Income	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2018	-	-	-	(895,285)	(895,285)
Issue of shares, net of transactions costs and tax (note 3)	1,615,303	(303,239)	-	-	1,312,064
Employee share options	-	-	-	-	-
Balance at 31 December 2018	29,789,544	-	594,444	(12,876,496)	17,507,492

Consolidated statement of changes in equity for the half-year ended 31 December 2017

	Attributable to members of PepinNini Lithium Limited				Total
	Issued and paid up capital	Prepaid share reserve	Reserves (Equity settled employee benefits reserve)	Retained earnings	
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2017	26,695,248	-	404,150	(10,652,062)	16,447,336
Loss for the period	-	-	-	(622,042)	(622,042)
Other comprehensive Income	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	-	(622,042)	(622,402)
Issue of shares, net of transactions costs and tax (note 3)	-	-	-	-	-
Employee share options	-	-	158,347	-	158,347
Balance at 31 December 2017	26,695,248	-	562,497	(11,274,104)	15,983,641

Notes to the consolidated financial statements are included on pages 13 to 14

Consolidated cash flow statement for the half-year ended 31 December 2018

	Consolidated	
	Half-year ended	
	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(857,003)	(1,056,969)
Receipts in the course of business	-	2,129
Net cash used in operating activities	(857,003)	(1,054,840)
Cash flows from investing activities		
Payment for exploration activities	(421,980)	(1,064,276)
Research and Development concession received	-	197,204
Proceeds from disposal of/payment for property, plant and equipment	-	1,127
Interest received	152	18,314
Net cash provided/(used) in investing activities	(421,828)	(847,631)
Cash flows from financing activities		
Proceeds from issue of shares	921,238	-
Proceeds from loan to Director	122,000	-
Net cash provided by financing activities	1,043,238	-
Net decrease/ increase in cash and cash equivalents	(235,593)	(1,902,471)
Cash and cash equivalents at the beginning of the period	352,079	3,011,200
Net foreign exchange differences on foreign cash balances	-	(1,124)
Cash and cash equivalents at the end of the period	116,486	1,107,605

Notes to the consolidated financial statements are included on pages 13 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 *ASX listing rules*.

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; none of the changes have had an impact on the financial report.

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration expenditure of \$17,341,540 (30 June 2018: \$17,382,328).

The Group has incurred a loss after tax for the period of \$895,285 (2017: \$622,042) and operations were funded by a net cash outflow of \$235,593, (2017: \$1,902,471).

The consolidated entity's ability to continue as a going concern is contingent on raising additional capital and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development. The matters set out above indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that may be necessary if the consolidated entity is unable to continue as a going concern.

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. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, PepinNini Lithium Limited issued 187,433,020 new shares (2017:nil).

PepinNini Lithium Limited issued 1,000,000 shares on the exercise of share options issued under its executive share option plan (2017 – no share options exercised).

PepinNini Lithium Limited did not purchase or cancel any ordinary shares during the period (2017 – no ordinary shares purchased or cancelled).

Potential ordinary shares are not treated as dilutive as to do so would reduce the loss per share for the Half Year ended 31 December 2018 and 2017. The number of options that were not included in the calculation was 11,200,000. (2017 - The number of options that were not included in the calculation was 4,683,588).

4. Investments in subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		December 2018	June 2018
		%	%
PepinNini Resources Curnamona Pty Ltd	Australia	100%	100%
NiCul Minerals Limited	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%

5. Exploration Expenditure

During the half year ended 31 December 2018 exploration expenditure of \$422,033 was capitalised (\$2,466,297 in the six months ended June 2018). Impairment of 462,822 (2017: 49,957) has been recognized in profit or loss.

6. Transactions with Key Management Personnel

During the half year a Directors Loan has been provided to the company by Rebecca Holland-Kennedy, the Loan balance at year end is \$122,000. Interest will be charged annually at 3.5%.

7. Convertible Note

At 30 June 2018 a Convertible note was recognised as a liability in the accounts, During the half year most of the notes were converted and the balance of \$60,000 was repaid to Began Global Opportunity Fund to end the agreement. The balance of this liability is now Zero.

8. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2018.

9. Subsequent Events

Subsequent to 31 December 2018 PepinNini has raised funds through a Private Placement of \$294,981 before costs.

No other matters or circumstances have arisen since 31 December 2018 that have 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.