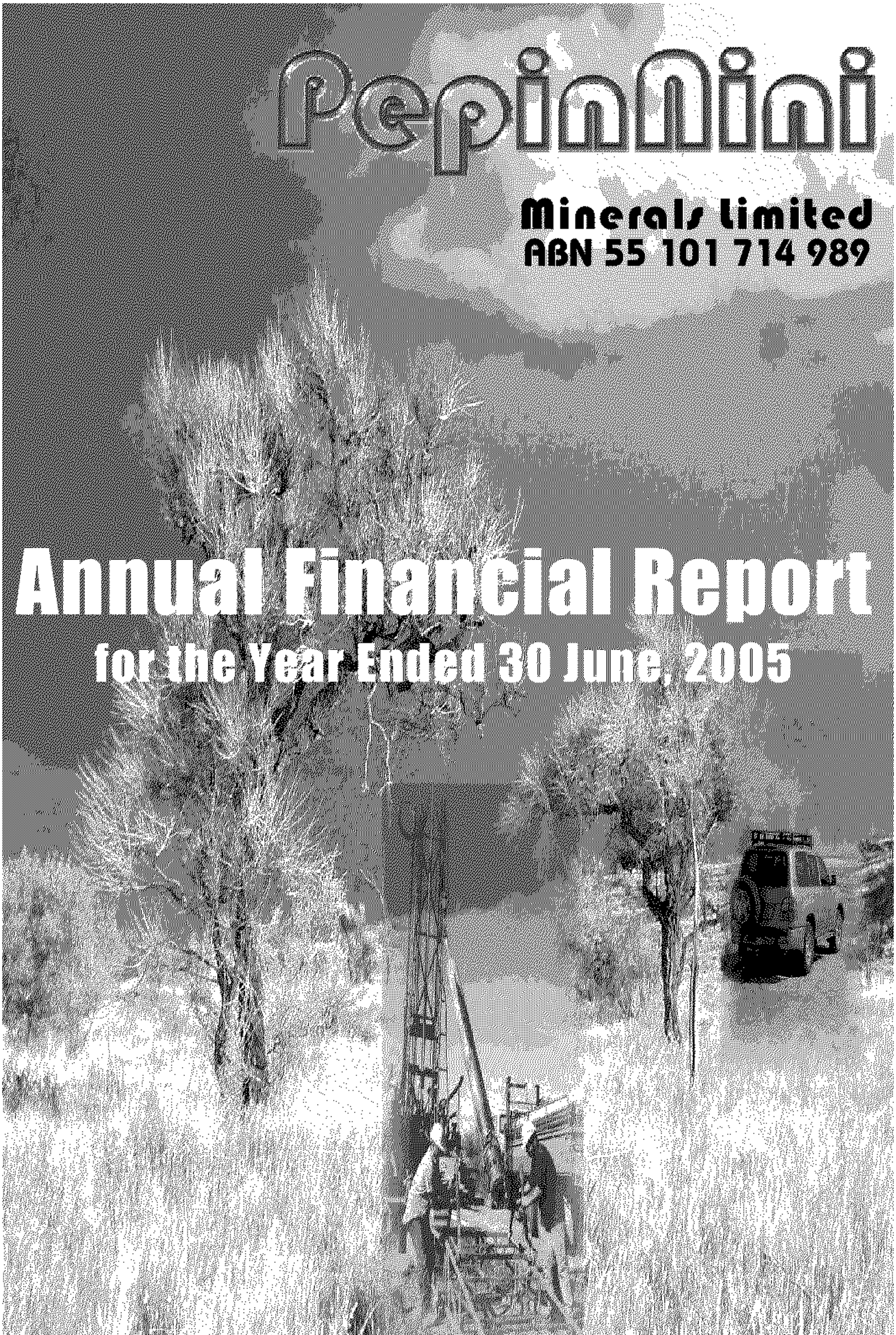
PepinNini Minerals Limited

ABN 55 101 714 989



Annual Financial Report

for the Year Ended 30 June, 2005

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2005.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated

Names, qualifications, experience and special responsibilities

William Murphy	—	Non-executive Chairman
Qualifications	—	Bachelor of Laws Queensland University of Technology
Experience	—	William Murphy joined the company as chairman in January 2004; he has extensive exploration company experience principally through Murphyores Holding Ltd, which was once the world's largest mineral sands producer. He has been past Chairman of Pan Palladium Ltd, Managing Director of Augold NL, Zapopan NL, Gold Copper Exploration Ltd, Paut Resources Ltd and Pacific Silica Pty Ltd and a Director of SMC Gold Ltd.
Norman Kennedy	—	Managing Director
Qualifications	—	Bachelor of Science UNSW, MAusIMM
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 25 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 20 years. He is a member of the South Australian Chamber of Mines & Energy (SACOME) and served on the Gawler Craton Infrastructure Committee. He has been a Director of Rank Geological Services Pty Ltd from 1986 to the present.
Albert Harris	—	Non-Executive Director
Qualifications	—	M.Inst.M.C, F.Energy Institute
Experience	—	Albert Harris joined the company as a director on the 31st January 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 currently a director of the following ASX listed public companies: 1. Takoradi Limited 2. Goldsearch Limited
Rebecca Holland-Kennedy	—	Non-executive Director **Company Secretary**
Qualifications	—	Bachelor of Science UNSW, MAusIMM

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 25 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 Meekatharrra Minerals Limited. She has been a Director of Rank Geological Services Pty Ltd from 1986 to the present.

Interests in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of Pepinnini Minerals Limited were:

Director	Ordinary Shares	Options over ordinary shares	Indirect Share Holding	Indirect Option Holding
William Murphy	-	-	6,225,000	2,075,000
Norman Kennedy	7,015,000	3,000,000	9,215,000	3,000,000
Rebecca Holland-Kennedy	7,015,000	3,000,000	10,037,774	3,333,333
Albert Harris	-	1,000,000	-	-

Earnings per share

	Cents
Basic earnings(loss) per share	(1.01)

There are no potential ordinary shares on issue which are dilutive at 30 June 2005.

Dividends

No dividends were paid for the year ended 30 June 2005 (2004: nil).

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings		Committee Meetings			
			Audit		Corporate Governance**	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
William Murphy	14	14	1	1	-	-
Norman Kennedy	14	14	-	-	-	-
Rebecca Holland-Kennedy	14	14	1	1	-	-
Albert Harris	7	7	1	1	-	-

** *The Corporate Governance committee will meet annually after the date of ASX listing 16 April 2005.*

Principal Activities

The principal activity of PepinNini Minerals Limited from the beginning of the year to December 2004 was the evaluation of previously obtained exploration data over 7 exploration tenements in South Australia and 1 mining lease in Queensland. From January to 16 April 2005 activities have been to raise funds through an Initial public offer of shares on the Australian Stock Exchange (ASX). Following a successful ASX listing and fund raising PepinNini Minerals Limited has been involved in exploration and evaluation of mineral resources within its tenements.

DIRECTORS' REPORT

Review and Results of Operations

The company currently holds 100% interest in eight exploration tenements covering approximately 10,018sq kms in the Curnamona and Musgrave Provinces of SA. It also holds a 100% interest in an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland. The South Australian tenements are currently being explored for Nickel, Copper, Gold and Uranium Deposits.

During the year PepinNini purchased exploration licence EL 3171 Kalabity in the Curnamona Province of South Australia from Rio Tinto Exploration. Mining Lease ML 2720 Gooligoomba located in the Woolgar Goldfield of Queensland was also acquired from Fairfield Copper and Gold Pty Ltd and Rank Geological Services Pty Ltd. On 3 November, 2004 EL 3278 Bimbowrie located in the Curnamona Province was granted to the Company and applications have subsequently been submitted for two adjacent areas referred to as ELA 928/04 Mt Victor and ELA 251/05 Outalpa.

On 6 June, 2005 PepinNini announced it had secured the services of a drilling contractor enabling exploration drilling to commence in the Curnamona Province on four priority Copper Gold Molybdenum targets and an Olympic Dam style Copper Gold Uranium target. On 22 June, 2005 Haines Surveys, gravity survey specialists, completed a detailed gravity survey over the Willow Prospect an iron oxide copper-gold-uranium target with potential for Olympic Dam style mineralization. The singular gravity high feature previously identified in the regional data was confirmed by the detail survey data which also suggested the anomaly is most likely to be attributed to mineralisation within the background lithology rather than a change in lithology.

Independent Resource Consultants, Hellman & Schofield were commissioned during June, 2005 to undertake a JORC compliant resource estimate of the uranium resource contained within the Crocker Well and Mt Victoria Uranium Deposits located within the Company's tenements.

Negotiations are continuing with Anangu Pitjantjatjarra Yunkunytjatjara (APY) for permission to explore three tenement applications in the Musgrave province of northern South Australia. On 27 June, 2005 the Company executed an Exploration Deed with the traditional owners and was granted an exploration licence EL 3368 covering 1,607 sq. kms. EL 3368 is the first new exploration licence to be granted in this under explored region for more than 3 years. The licence area is prospective for a number of commodities. PepinNini's initial exploration focus will be on two priority nickel targets that have the potential for mineralisation similar to that discovered at Voisey's Bay in Canada.

The company has successfully applied for funding from the South Australian Government under the PACE 2 initiative for drilling partnerships and has been awarded a total of $80,000 towards a drilling program for the Willow Prospect. The South Australian Government has also agreed to contribute $128,250 towards drilling two nickel targets located in EL 3368 in the Musgrave Province.

SRK Consulting completed a field reconnaissance survey at ML 2720 - Gooligoomba in the Woolgar Goldfield of north Queensland on 3 June, 2005 and recommended a series of shallow angle holes be drilled to investigate gold mineralisation in three different environments.

During the year the Company expended and capitalized $506,516 on exploration activities.

Significant changes in the State of Affairs

On 16th August 2004 Pepinnini Minerals Limited raised $250,000 working capital through an issue 2,500,000 ordinary shares @ $0.10c per share to seed capital investors. On 20th December 2004 the company approved a third seed capital share and option issue to the original seed capital shareholders of 1,025,000 ordinary shares and attached options @ $0.10c per share raising $102,500 and 8,999,999 options raising $90,000.

PepinNini Minerals Limited listed on the Australian Stock Exchange on 15 April 2005 after raising $4.03million through the issue of 20,157,500 shares under a prospectus dated 16 February, 2005

During the year the Company expended $438,140 on capital raising activities. This amount has been applied against the share capital of the company.

Significant Events After the Balance Date

On 23 July, 2005 The Company commenced an exploration drilling program comprising both reverse circulation and diamond core drilling which will investigate the Birthday Well, Johnaroo, Waukaloo Syncline, South Koolka and Willow Prospects located within Exploration Licences 3171 and 3278.

Clearance surveys conducted by the traditional owners have been completed for two nickel targets in EL 3368 located in the Musgrave Province.

Likely Developments and Expected Results

The Company intends to continue actively exploring its tenements for mineral potential. An exploration drilling program is in progress in the Curnamona Province tenements and laboratory reports for the analysis of samples collected are awaited.

A JORC Compliant estimate of the uranium resource contained within previously identified uranium deposits located within EL 3278 is in progress

Aerial and ground EM surveys have been commissioned to be undertaken in EL 3368 during September, 2005 and will be followed by a drilling program

Environmental Regulation

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

Share Options

Unissued shares

As at the date of this report, there were 12,524,999 unissued ordinary shares under option.

Option Category	Options	Price Paid $	Exercise Date	Exercise Price $	Expiry Date	Exercised during the period	Balance Outstanding
Phil Clifford Options	500,000	-	30 June 2005	0.20	31 Dec 2007	-	500,000
Phil Clifford Options	500,000	-	30 June 2006	0.30	31 Dec 2007	-	500,000
Phil Clifford Options	500,000	-	30 June 2007	0.40	31 Dec 2007	-	500,000
Albert Harris	1,000,000	-	16 April 2007	0.20	31 Dec 2007	-	1,000,000
Directors paid options	10,024,999	0.01	16 April 2007	0.20	31 Dec 2007	-	10,024,999
Total	**12,524,999**						**12,524,999**

DIRECTORS' REPORT

Corporate Governance Report

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

PRINCIPLE	ASSESSMENT
Principle 1 - Lay solid foundations for management and oversight	The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. PepinNini complies with the Guidelines in this area.
Principle 2 – Structure the Board to add value	Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company. Collectively, the Directors have solid experience in the exploration and mining industry. Currently, only one of the four Directors satisfies the criteria for independence. This does not comply with the Guidelines in that a majority of directors are not independent. The Company considers that the recruitment and employment of independent directors would be too expensive at present. It is intended that, subject to the performance of the Company, new candidates for the Board will be considered.
Principle 3 - Promote ethical and responsible decision making	The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.
Principle 4 – Safeguard integrity in financial reporting	The Managing Director is required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. An Audit Committee of three non-executive Directors 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.
Principle 5 - Make timely and balanced disclosure	Policies and procedures for compliance with Listing Rule disclosure requirement are included in the Company's policy and procedures document and are consistent with the Guidelines.
Principle 6 - Respect the rights of Shareholders	The Board recognises the importance of this principle and 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 Company's auditors will be requested to attend the annual general meeting and to be available to answer Shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of Shareholders.
Principle 7 - Recognise and manage risks	The Board, together with management, will seek to identify, monitor and mitigate risk. Internal controls will be monitored on a continuous basis and, wherever possible improved. The whole issue of risk management is formalised in the Company's policy and procedures document (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review.

Principle 8 - Encourage enhanced performance	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 to take place after the completion of previous financial year audit and prior to the convening of the next annual general meeting, and this external review process will be repeated on a regular basis (at 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.
Principle 9 - Remunerate fairly and responsibly	PepinNini's current practices in this area are reviewed regularly and comply with the Guidelines. Remuneration of Directors and executives will be fully disclosed in the annual report. It is Company policy that remuneration of non-executive Directors and payment of equity-based executive remuneration requires approval by shareholders.
Principle 10 - Recognise the legitimate interests of stakeholders	The Board recognises the importance of this principle (which it believes represents not only sound ethics but also good business sense and commercial practice) and continues to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Company and its policies and practices comply with the Guidelines in this area.

Remuneration Report

The Company's size is not sufficient to warrant the establishment of a separate Remuneration Committee. Remuneration policy is discussed and reviewed by all Directors within the Company's Corporate Governance Committee. This annual review involves an evaluation of market practices and trends on remuneration matters to establish and then add to policy criteria to assess the performance of each Director and of senior management. It is Company policy that remuneration of non-executive Directors and payment of equity-based executive remuneration requires approval by Shareholders.

The Company's constitution states that Directors are to be paid out of Company funds as remuneration for their services, such sum as accrues on a daily basis as the Company in general meeting determines to be divided among them as agreed, or failing agreement, equally. The Company at its Annual General Meeting in 2004 resolved to fix the annual aggregate amount of fees payable to its Directors at $125,000.

Directors' remuneration for their services as Directors is 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. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as Directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

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

DIRECTORS' REPORT

Details of the nature and amount of each element of remuneration of each Director and Executive officers of the Company are listed in the following table.

Director	Fee/Salary	Superannuation	Equity based remuneration	Amortised Cost of options	Total	Remuneration due to Equity
	$	$	# options	$	$	%
William Murphy	35,000	n/a	n/a	-	35,000	-
Norman Kennedy	154,700	15,300	n/a	-	170,000	-
Albert Harris	12,500	n/a	1,000,000 (1)	13,918	26,418	53
Rebecca Holland-Kennedy	26,940	2,700	n/a	-	29,640	-
Total	**229,140**	**18,000**	**1,000,000**	**13,918**	**261,058**	

(1) *Options to purchase ordinary shares held by Albert Harris are held in escrow until 16 Apr 2007*

Executive Officer						
Phil Clifford – Exploration Manager	100,917	9,082	1,500,000 (2)	45,663	155,662	29

(2) *Options to purchase ordinary shares held by Phil Clifford are as follows:*

500,000 options to acquire 1 ordinary share @ 20c exercisable after 30 June 2005	Expiry 31 Dec 2007
500,000 options to acquire 1 ordinary share @ 30c exercisable after 30 June 2006	Expiry 31 Dec 2007
500,000 options to acquire 1 ordinary share @ 40c exercisable after 30 June 2007	Expiry 31 Dec 2007

Rank Geological Services Pty Ltd a Company controlled by Rebecca Holland-Kennedy & Norman Kennedy has since 1 February 2005, supplied, administrative services and facilities to PepinNini Minerals Limited on an as required basis at cost or normal commercial rates. These services include the supply of office facilities and general administration, secretarial, bookkeeping and accounting services. Prior to 1 February 2005 a formal services agreement was in place at the rate of $7,200 per month.

In consideration for the assignment of the Musgrave Province tenements PepinNini Minerals Limited has agreed to retain Rank Geological Services Pty Ltd as exploration managers under normal commercial terms and their consent must be obtained before disposing of any interest in the licences.

Committee Membership

As of the date of this report, the Company had an Audit Committee and a Corporate Governance Committee.

Members acting on the committees of the board

Audit Committee	Corporate Governance Committee
Albert Harris ©	Albert Harris ©
Rebecca Holland-Kennedy	William Murphy
William Murphy	Rebecca Holland-Kennedy
	Norman Kennedy

© designates Chairman of the committee

DIRECTORS' REPORT

Indemnification and Insurance of Directors

There are no proceedings on behalf of the Company as at the date of this report.

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, 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 also undertakes with each Director to maintain a complete set of the Company's board papers and to make them available to the Director for seven years after the Director has ceased to be a Director.

Non-audit services

During the financial year to 30 June 2005 the amount of $12,000 was paid to William Buck Financial Services (VIC) Pty Ltd for the Investigating Accountants Report included in the Prospectus dated 16 February 2005. The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence imposed by the Corporations Act for the following reasons:

- all non audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the company, acting as an advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

An independence declaration has been provided by the company's auditor, William Buck. This is set out on page 9 of this annual report.

Signed in accordance with a resolution of the Board of Directors.

Norman Kennedy
Director
Dated this 22nd Day of September 2005.

William Buck
Business Advisors
Chartered Accountants

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

I declare that, to the best of my knowledge and belief, in relation to our audit of PepinNini Minerals Limited for the year ended 30 June 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and

(ii) no contraventions of any applicable code of professional conduct.

William Buck
William Buck
Chartered Accountants

Gerard Belleville
Gerard Belleville
Lead Audit Partner

Dated this 19th day of September 2006.
Melbourne, Australia.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $	2004 $
Revenues from ordinary activities	2	52,625	8,631
Depreciation & Amortisation Expenses	3	3,754	-
Salary costs		39,004	26,106
Operating expenses		125,154	34,008
Professional fees		99,815	31,320
Borrowing cost expense	3	560	436
Administration expenses	3	48,901	38,844
Exploration expenses	3	611	14,788
Legal fees		34,116	11,455
Other expenses		22,198	6,621
Total expenses from ordinary activities		374,113	163,578
Profit (Loss) from ordinary activities before income tax expense		(321,488)	(154,947)
Income tax expense relating to ordinary activities	4	-	-
Profit (Loss) from ordinary activities after related income tax expense		(321,488)	(154,947)
Net profit (loss) attributable to members of PepinNini Minerals Limited		**(321,488)**	**(154,947)**
Total revenues expenses and valuation adjustments attributable to members of PepinNini Minerals Limited and recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to PepinNini Minerals Limited		(321,488)	(154,947)
Basic earnings(loss) per share (cents per share)	16	(1.01)	(1.34)

The accompanying notes form part of these financial statements..

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 $	2004 $
CURRENT ASSETS			
Cash assets	5	3,281,216	339,404
Receivables	6	74,964	17,726
TOTAL CURRENT ASSETS		3,356,180	357,130
NON-CURRENT ASSETS			
Exploration expenditure capitalised	7	960,159	201,776
Property, Plant & Equipment	8	57,547	-
TOTAL NON-CURRENT ASSETS		1,017,706	201,776
TOTAL ASSETS		**4,373,886**	**558,906**
CURRENT LIABILITIES			
Payables	9	110,355	59,051
Provisions	10	15,254	5,950
TOTAL CURRENT LIABILITIES		125,609	65,001
TOTAL LIABILITIES		125,609	65,001
NET ASSETS		**4,248,277**	**493,905**
EQUITY			
Contributed equity	11	4,725,862	650,002
Accumulated losses	12	(477,585)	(156,097)
TOTAL EQUITY		**4,248,277**	**493,905**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $	2004 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(377,244)	(117,354)
Interest received		20,361	8,631
Borrowing costs		(560)	(436)
Net cash provided by (used in) operating activities	13a	(357,443)	(109,159)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for exploration activities		(718,383)	(201,776)
Purchase of property, plant and equipment		(18,222)	-
Net cash provided by (used in) investing activities		(736,605)	(201,776)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,384,000	650,000
Proceeds from issue of options		90,000	-
Payment of share issue costs		(438,140)	-
Net cash provided by (used in) financing activities		4,035,860	650,000
Net increase(decrease) in cash held		2,941,812	339,065
Cash at 1 July		339,404	339
Cash at 30 June	13b	3,281,216	339,404

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 including applicable Accounting Standards. Other mandatory Professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers ***Pepinnini Minerals Limited*** a public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

b Changes in accounting policies

The accounting policies are consistent with those of the previous year.

c Plant and Equipment

Cost and valuation

At each reporting date, the value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value.

All other classes of property, plant and equipment are measured at cost. Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment.

Major depreciation periods are:	2005	2004
Plant and equipment: - office computer equipment	3 years	3 years
Field exploration equipment including vehicles	3 years	3 years

d. Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

e. Exploration and Development Expenditure and Exploration Tenements

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.

Accumulated costs in relation to an abandoned area are written off in full against the result 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.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. 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. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

f Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense.

g Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

h. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

i. Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

j. Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

k. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

l. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

m **Earnings per share**

Basic EPS is calculated as net profit (loss) attributable to members, adjusted to exclude costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit(loss) attributable to members, adjusted for costs of servicing equity; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. There are no potential ordinary shares on issue which are dilutive at 30 June 2005.

n **Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency within current year's disclosures.

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

	2005 $	2004 $
Interest received – other persons	51,261	8,631
Other revenue	1,364	-
Total revenues from ordinary activities	52,625	8,631

NOTE 3: EXPENSES AND LOSS FROM ORDINARY ACTIVITIES

	2005	2004
Expenses		
Depreciation of non-current assets		
Exploration field equipment	442	-
Office computer equipment	3,312	-
Total depreciation of non-current assets	3,754	-
Administration Expenses		
Administration Fees	16,151	38,844
Administration - services	32,750	-
Total Administration costs	48,901	38,844
Borrowing costs expense		
Interest paid – other persons	560	436
Total borrowing costs expense	560	436
Exploration Expenses	611	14,788
Total Exploration expense	611	14,788

NOTE 4: INCOME TAX EXPENSE

Subject to the provisions of the Income Tax Assessment Act, if the company derives assessable income it will be able to utilise carry-forward tax losses. As at 30 June 2005, the company has estimated carry forward tax losses after adjusting for permanent and timing differences of approximately $1,437,750 (2004: $352,300) which amounts to an income tax benefit of $431,325(2004:$105,690). The company has estimated carry forward capital losses of Nil (2004 Nil) of which income tax benefit of Nil (2004 Nil) has not been brought to account.

The Benefit only will be obtained if:

a The company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised

b The company continues to comply with the conditions for deductibility imposed by law; and

c No changes in tax legislation adversely affect the Company in realising the benefit from the deduction of the loss

NOTE 5: CASH ASSETS	Note	2005 $	2004 $
Cash at bank		776,670	339,402
Cash on hand		4,546	2
Deposits at call		2,500,000	-
		3,281,216	339,404

NOTE 6: RECEIVABLES CURRENT			
Trade debtors	(a)	30,900	-
GST refund receivable		44,064	17,726
		74,964	17,726

(a) Trade debtors represent interest receivable on term deposit funds

Interest receivable on Term deposit	12,501	-
Interest receivable on commercial bill	18,399	-
	30,900	-

NOTE 7: EXPLORATION EXPENDITURE CAPITALIZED	2005 $	2004 $
Balance at 1 July	201,776	-
Exploration expenditure capitalised	758,383	201,776
Exploration expenditure written off	-	-
Balance at 30 June	960,159	201,776

NOTE 8: PROPERTY PLANT AND EQUIPMENT

	2005	2004
	$	**$**
Field equipment at cost	6,754	-
Less accumulated depreciation	(442)	-
	6,312	-
Computer equipment at cost	11,468	-
Less accumulated depreciation	(3,312)	-
	8,156	-
Field vehicles at cost	43,079	-
Less accumulated depreciation	-	-
	43,079	-
Total Property, plant & equipment	57,547	-
Movements in carrying amounts		
Cost – Field equipment		
Balance at the beginning of the year	-	-
Additions during the year	6,754	-
Depreciation expense	(442)	-
Balance at the end of the year	6,312	-
Cost – Computer equipment		
Balance at the beginning of the year	-	-
Additions during the year	11,468	-
Depreciation expense	(3,312)	-
Balance at the end of the year	8,156	-
Cost – Field Vehicles		
Balance at the beginning of the year	-	-
Additions during the year	43,079	-
Balance at the end of the year	43,079	-

NOTE 9: PAYABLES CURRENT	**2005**	**2004**
	$	**$**
Trade creditors[a]	97,842	50,624
Withholding tax payable	12,513	8,427
	110,355	59,051
[a] trade creditors are non-interest bearing and usually settled on 30 day terms		
Aggregate of amounts payable to related parties	5,734	42,386

NOTE 10: PROVISIONS CURRENT

Employee entitlements	15,524	5,950
a. Aggregate employee benefits liability	15,524	-
b. Number of employees at year-end	2	1

NOTE 11: CONTRIBUTED EQUITY		2005	2004
		$	$
a Issued & paid up capital			
Ordinary fully paid shares	(b)	4,635,862	650,002
Options over ordinary shares fully paid	(c)	90,000	-
		4,725,862	650,002

	2005	2005	2004	2004
	Number of shares	$	Number of shares	$
b Movements in shares on issue				
At the beginning of the financial year	24,500,000	650,002	2	2
Shares issued during the year				
Issued to seed investors	3,525,000	352,500	6,500,000	650,000
Initial public offering	20,157,500	4,031,500		-
less capital raising costs	-	(438,140)		-
Final purchase settlement ML 2720 Gooligoomba QLD equity exchange	200,000	40,000		-
Share split	-	-	17,999,998	-
At the end of the financial year	48,382,500	4,635,862	24,500,000	650,002

	2005	2005	2004	2004
c Options	Number of options	$	Number of options	$
Options over ordinary shares				
At the beginning of the financial year			-	-
Options issued during the year as capital raising	10,024,999	90,000	-	-
At the end of the financial year	10,024,999	90,000	-	-

Employee share remuneration details

During the financial year, 2,500,000 options over ordinary shares were issued as follows:

To Albert Harris, Director

1,000,000 options to acquire 1 ordinary share ea @ 20c Held in escrow until 16/04/2007 Expiry 9 Dec 2007

To Phil Clifford, Exploration Manager

500,000 options to acquire 1 ordinary share @ 20c exercisable after 30 June 2005 Expiry 31 Dec 2007

500,000 options to acquire 1 ordinary share @ 30c exercisable after 30 June 2006 Expiry 31 Dec 2007

500,000 options to acquire 1 ordinary share @ 40c exercisable after 30 June 2007 Expiry 31 Dec 2007

d Terms and conditions of contributed equity

Ordinary fully paid shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTE 12: ACCUMULATED LOSSES	**2005 $**	**2004 $**
Accumulated losses at the beginning of the financial year	(156,097)	(1,150)
Net profit(loss) attributable to the members of the company	(321,488)	(154,947)
Accumulated losses at the end of the financial year	(477,585)	(156,097)

NOTE 13: STATEMENT OF CASH FLOWS	**2005 $**	**2004 $**
a. Reconciliation of the profit(loss) after tax to the net cash flows from operations		
Profit(loss) from ordinary activities after income tax	(321,488)	(154,947)
Non-Cash Items		
Depreciation of non-current assets	3,754	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(57,238)	(17,726)
(decrease)/ Increase in trade and other creditors	3,869	49,137
(decrease)/ Increase in withholding tax payable	4,086	8,427
Increase/(decrease) in employment entitlements	9,574	5,950
Net cash flow from operating activities	(357,443)	(109,159)
b. Reconciliation of cash		
Cash balance comprises:		
Cash assets	3,281,216	339,404

c. Financing facilities available

At reporting date, the Company has no facilities in place for bank overdrafts or bank loans

d. Non-Cash Financing and Investing Activities

At reporting date, the Company has no financial leases in place for plant and equipment.

NOTE 14: EXPENDITURE COMMITMENTS

a Capital Expenditure Commitments		
Mining tenement acquisitions:		
- not later than 1 year	-	250,000
b Exploration tenement expenditure commitments(1):		
- not later than 1 year	405,000	-
- later than 1 year but not later than 5 years	1,510,000	-

(1) Exploration tenement expenditure commitments are indicative figures only. An Exploration tenement is not a financial lease.

NOTE 15: EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

a Employee Benefits

The aggregate employee benefit liability is comprised of:

- Provisions(current)	15,254	5,950

b Employee Share Incentive Scheme

An employee share scheme has been established where 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 details of the options are outlined below:

	Date granted	Exercise Price	Exercise Date	Maturity Date	Indicative Value per option	Employee benefit to 30 Jun 05
		cents			cents	$
1,000,000 options to Mr. A Harris (Director)	15 Feb 2005	20	Escrow to 16 Apr 2007	9 Dec 2007	8.1	13,918
500,000 options to Mr. Clifford (Exploration Manager)	13 May 2005	20	30 June 2005	31 Dec 2007	8.04	40,200
500,000 options to Mr. Clifford (Exploration Manager)	13 May 2005	30	30 June 2006	31 Dec 2007	6.42	3,796
500,000 options to Mr. Clifford (Exploration Manager)	13 May 2005	40	30 June 2007	31 Dec 2007	5.3	1,667

No options were exercised to 30 June 2005

Superannuation Commitments

The company contributes to individual employee superannuation plans to 9% of employees wages. This contribution rate is legally enforcable in Australia. Contributions are made monthly. Funds for contribution are selected by individual employees. The superannuation plans provide accumulated benefits based on contributions received.The company does not have a preferred fund.

There is no scheme to provide retirement benefits other than statutory superannuation requirements to non-executive directors.

NOTE 16: EARNINGS PER SHARE

	2005	2004
	$	$
The following reflects the income and share data used in the calculations of basis and diluted earnings per share.		
Net profit/(loss)	(321,488)	(154,947)
Weighted average number of ordinary shares outstanding during the year	31,934,006	11,546,449

There are no potential ordinary shares on issue which are dilutive at 30 June 2005.

NOTE 17: AUDITORS' REMUNERATION

	2005	2004
Remuneration of the auditor of the company for:		
- auditing or reviewing the financial report	18,750	7,500
- investigating accountants report	12,000	-
	30,750	7,500

NOTE 18: DIRECTORS AND EXECUTIVE DISCLOSURE

a Details of Specified Directors and Specified Executives

Specified Directors

William Murphy	Chairman — (non-executive)
Norman Kennedy	Director and Chief Executive Officer
Rebecca Holland-Kennedy	Director and Company Secretary— (non-executive)
Albert Harris	Director — (non-executive) elected 31 January 2005

Specified Executives

Philip Clifford	Exploration Manager

b Remuneration of Specified Directors and Executives

Remuneration Policy

The Company's size is not sufficient to warrant the establishment of a separate Remuneration Committee. Remuneration policy is discussed and reviewed by all Directors within the Company's Corporate Governance Committee. This annual review involves an evaluation of market practices and trends on remuneration matters to establish and then add to policy criteria to assess the performance of each Director and of senior management. It is Company policy that remuneration of non-executive Directors and payment of equity-based executive remuneration requires approval by Shareholders.

The Company's constitution states that Directors are to be paid out of Company funds as remuneration for their services, such sum as accrues on a daily basis as the Company in general meeting determines to be divided among them as agreed, or failing agreement, equally. The Company at its Annual General Meeting in 2004 resolved to fix the annual aggregate amount of fees payable to its Directors at $125,000.

Directors' remuneration for their services as Directors is 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. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as Directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

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

Remuneration of Specified Directors and Executives(cont)

	Primary				Post Employment	Equity	Other	Total
Specified Directors	Salary& Fees	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
	$	$	$	$	$	$	$	$
William Murphy								
2004	16,041	-	-	-	-	-	-	16,041
2005	35,000	-	-	-	-	-	-	35,000
Norman Kennedy								
2004	64,457	6,375	-	-	-	-	-	70,832
2005	154,700	15,300	-	-	-	-	-	170,000
Rebecca Holland-Kennedy								
2004	11,225	1,125	-	-	-	-	-	12,350
2005	26,940	2,700	-	-	-	-	-	29,640
Albert Harris								
2005	12,500	-	-	-	-	13,918(1)	-	26,418
Total Remuneration Specified Directors								
2004	91,723	7500	-	-	-	-	-	99,223
2005	229,140	18,000	-	-	-	13,918	-	261,058
Specified Executives								
Phillip Clifford								
2005	100,917	9,082	-	-	-	45,663(2)	-	155,662
Total Remuneration Specified Executives								
2004	-	-	-	-	-	-	-	-
2005	100,917	9,082	-	-	-	45,663	-	155,662

(1) *The options(1,000,000) held by Albert Harris are held in escrow until 16 Apr 2007*

(2) *The options held by Phil Clifford are as follows:*

500,000 options to acquire 1 ordinary share @ 20c exercisable after 30 June 2005 Expiry 31 Dec 2007

500,000 options to acquire 1 ordinary share @ 30c exercisable after 30 June 2006 Expiry 31 Dec 2007

500,000 options to acquire 1 ordinary share @ 40c exercisable after 30 June 2007 Expiry 31 Dec 2007

c Remuneration Options

There are no performance criteria related to the granting of options to specified directors and executives. The options were part of an employment package negotiated with the individual before commencement of employment and will cease when employee leaves the company.

d Shares issued on exercise of remuneration options

There were no options exercised during the year. The options held by Albert Harris are held in escrow until 16 Apr 2007. The options held by Phil Clifford are exercisable from 30 June 2005.

e Option holdings of specified directors and specified executives

Specified Directors	Balance at beginning of period	Granted as remuneration	Options Purchased	Net Change	Balance at end of period 30 June 2005	Total	Not exercisable	Exercisable
William Murphy	-	-	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	-
Norman Kennedy	-	-	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	-
Rebecca Holland-Kennedy	-	-	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	-
Albert Harris	-	1,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	-
Specified Executives								
Phillip Clifford	-	1,500,000	-	1,500,000	1,500,000	1,500,000	1,000,000	500,000
Totals	-	2,500,000	8,075,000	10,575,000	10,575,000	10,575,000	10,075,000	500,000

f Share holdings of specified directors and specified executives

Specified Directors	Balance at beginning of period	Granted as remuneration	Shares Purchased	Net Change	On Exercise of Options	Balance at end of period 30 June 2005
William Murphy	4,500,000	-	1,725,000	1,725,000	-	6,225,000
Norman Kennedy	7,000,000	-	15,000	15,000	-	7,015,000
Rebecca Holland-Kennedy	7,000,000	-	15,000	15,000	-	7,015,000
Albert Harris	-	-	-	-	-	-
Specified Executives						
Phillip Clifford	-	-	152,000	152,000	-	152,000
Totals	**18,500,000**	**-**	**1,907,000**	**1,907,000**	**-**	**20,407,000**

All equity transactions with specified executives and directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

g Loans to specified directors and specified executives

During the year there were no loans made between any specified Director or executive and the Company.

h Other transactions and balances with specified directors and specified executives

Purchases

During the year the purchase of ML 2720 Gooligoomba from Rank Geological Services Pty Ltd(49%) and Fairfield Copper Gold Pty Ltd(51%) was finalised by the issue of 200,000 shares to Rank Geological Services Pty Ltd, an entity of which Rebecca Holland-Kennedy and Norman Kennedy are directors.

Sales

During the year there were no sales made between any specified Director or executive and the Company.

Investments

Rank Geological Services Pty Ltd controlled by Rebecca Holland-Kennedy and Norman Kennedy received 200,000 shares as settlement for the transfer of mining lease ML 2720 Gooligoomba QLD. During the 2004 year the company had executed an agreement to purchase mining lease ML2720 and water licences G44878 and G44879 for $80,000. At 30 June 2004, $44,000(GST inc) of the consideration had been paid to Fairfield Copper Gold Pty Ltd and the balance was payable to Rank Geological Services Pty Ltd at a later date. Rank Geological Services Pty Ltd was a party to the purchase agreement as it had an interest of 49% in these licences prior to the purchase by the company. The settlement of this transaction in the form of equity was a condition precedent to admittance to the official list of the ASX.

Services

Rank Geological Services Pty Ltd received fees totalling $193,315 for re-imbursement 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.

Amounts recognised at the reporting date in relation to other transactions

Assets and liabilities	**2005**	**2004**
	$	**$**
Current assets		
Trade Receivables	-	-
Non-Current assets		
Exploration Tenement Investment	-	40,000
Total assets	-	40,000
Current liabilities	-	-
Trade Creditors	5,734	23,907
Non-Current Liabilities		
Total Liabilities	5,734	23,907

NOTE 19: RELATED PARTY DISCLOSURE

Purchases

During the year the purchase of ML 2720 Gooligoomba from Rank Geological Services Pty Ltd(49%) and Fairfield Copper Gold Pty Ltd(51%) was finalised by the issue of 200,000 shares to Rank Geological Services Pty Ltd, a Company controlled by Norman Kennedy & Rebecca Holland-Kennedy, as settlement for the transfer of mining lease ML 2729 Gooligoomba QLD. During the 2004 year the company had executed an agreement to purchase mining lease ML2720 and water licences G44878 and G44879 for $80,000. At 30 June 2004, $44,000(GST inc) of the consideration had been paid to Fairfield Copper Gold Pty Ltd and the balance was payable to Rank Geological Services Pty Ltd at a later date. Rank Geological Services Pty Ltd was a party to the purchase agreement as it had an interest of 49% in these licences prior to the purchase by the company. The settlement of this transaction in the form of equity was a condition precedent to admittance to the official list of the ASX.

Services

During the 2004 financial year the company was assigned Exploration Licence Applications (ELA's) 116/96, 117/96, 118/96 and 185/96, located in the Musgrave Provinces of South Australia, by Rank Geological Services Pty Ltd.

The terms of the assignment were:

- Consideration $ nil
- Rank Geological Services Pty Ltd is to be retained as exploration managers under normal commercial terms and their consent must be obtained before disposing of any interest in the licences; and
- Liabilities Assumed $ nil.

In the current reporting period Rank Geological Services Pty Ltd received fees totalling $193,315($258,734 – 2004) for re-imbursement of exploration costs and expenses and the supply of office and computer facilities, financial administration, geological and technical plan generation, exploration tenement administration and Company secretarial services of Rebecca Holland-Kennedy. Services purchased from associated companies are made under normal commercial terms and conditions. At reporting date the amount of $5,734 remained payable, forming part of the balance of trade creditors.

NOTE 20: SEGMENT REPORTING

The company operates in the Mineral Exploration Industry in Australia.

NOTE 21: FINANCIAL INSTRUMENTS

a Credit Risk

The credit risk on financial assets of PepinNini Minerals Limited which have been recognised on the Statement of Financial Position is the carrying value.

b Interest Rate Risk

PepinNini Minerals Limited's exposure to the effective interest rates on each class of financial instrument is set out below:

Financial Instrument 2005	Floating Interest Rate	Fixed Interest Rate: 1 Year or less	Fixed Interest Rate: Over 1 to 5 years	Non-interest bearing	Total carrying capacity as per the statement of financial position	Weighted average effective interest rate
	$	$	$	$	$	%
Financial Assets						
Cash	776,670	-	-	4,546	781,216	3.9
Trade & other receivables	-	-	-	74,964	74,964	n/a
Short term deposits	-	2,500,000	-	-	2,500,000	5.8
Total Financial Assets	**776,670**	**2,500,000**	**-**	**79,510**	**3,356,180**	
Financial Liabilities						
Trade creditors	-	-	-	92,108	92,108	n/a
Other creditors	-	-	-	12,513	12,513	n/a
Payable – other related parties	-	-	-	5,734	5,734	n/a
Total Financial Liabilities	**-**	**-**	**-**	**110,355**	**110,355**	

Financial Instrument 2004	Floating Interest Rate	Fixed Interest Rate: 1 Year or less	Fixed Interest Rate: Over 1 to 5 years	Non-interest bearing	Total carrying capacity as per the statement of financial position	Weighted average effective interest rate
	$	$	$	$	$	%
Financial Assets						
Cash	339,402	-	-	2	339,404	3.8
Trade & other receivables	-	-	-	17,726	17,726	n/a
Total Financial Assets	**339,402**			**17,728**	**357,130**	
Financial Liabilities						
Trade creditors	-	-	-	26,718	26,718	n/a
Other creditors	-	-	-	8,427	8,427	n/a
Payable – other related parties	-	-	-	23,906	23,906	n/a
Total Financial Liabilities	**-**	**-**	**-**	**59,051**	**59,051**	

c Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

NOTE 22: SUBSEQUENT EVENTS

On 23 July, 2005 The Company commenced an exploration drilling program comprising both reverse circulation and diamond core drilling which will investigate the Birthday Well, Johnaroo, Waukaloo Syncline, South Koolka and Willow Prospects located within Exploration Licences 3171 and 3278.

Clearance surveys conducted by the traditional owners have been completed for two nickel targets in EL 3368 located in the Musgrave Province.

NOTE 23: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January, 2005. The AASB has issued AASB equivalents to IFRS, and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian International Financial Reporting Standards (AIFRSs). The adoption of the AIFRSs will be first reflected in the Company's financial statements for the half-year ending 31 December, 2005 and the year ending 30 June, 2006.

Entities complying with AIFRSs for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRSs to that comparative period. Most adjustments required on transition to AIFRSs will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Major changes identified to date that will be required to the company's existing accounting policies include the following:

Exploration Assets

AASB6 "Exploration and Evaluation of Mineral Resources determines that entities recognising exploration and evaluation assets must perform impairment testing on those assets when fact and circumstances suggest that the carrying amount has been impaired.

AASB6 does not apply to expenditure incurred before the entity has obtained legal rights to explore a specific area (pre-exploration activities). As such pre-licence expenditures may be required to be expensed as incurred. At present the company recognises exploration and evaluation costs as an asset until such time that the area of interest associated with the costs is abandoned or proceeds to development. When the area of interest is abandoned the costs are expensed. As areas of interest reach the development stage, which permits a reasonable assessment of the economically recoverable reserves, these costs are to be amortised over the life of the associated reserves on a unit of production basis.

The recognition criteria adopted by the company is consistent with those required under the new standard AASB6 which is to apply in the future. Accordingly, exploration assets currently carried by the company are not expected to be affected by the introduction of AIFRSs.

Rehabilitation and restoration costs

The accounting treatment for the provision for rehabilitation commitments under AIFRS is prescribed under a combination of AASB 116 Property, Plant and Equipment and AASB 137 Provisions, Contingent Liabilities and Contingent Assets. On transition to AIFRSs an estimate of the present rehabilitation liability will be recorded, on a discounted basis, where a legal and constructive obligation to rehabilitate property exists. To the extent the activity that gives rise to the rehabilitation liability represents the construction of an asset, the corresponding cost is included in the asset and amortised over the life of the mine. Otherwise the provision is expensed as a period cost. The company currently intends, where appropriate, to estimate an amount for the future rehabilitation of exploration sites. The future financial effect of this change in accounting policy is not expected to materially increase in the provision for rehabilitation.

Impairment of Assets

The Company currently assess whether assets are impaired by determining the recoverable amount of the assets on the basis of undiscounted future cash flows. AIFRSs will determine the recoverable amount as the higher of the fair value less costs to sell and value in use. The assessment of value in use will be on the basis of discounted cash flows. The company is not aware of any change to the carrying value of assets which is likely to arise from the application of the impairment of assets requirements.

Income Tax

The Company will adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing differences between taxable income and accounting profit. It is not expected that tax losses will be booked. Other temporary differences will not be brought to account as it is not considered probable that they will be recovered in the foreseeable future.

Share Based Payments

PepinNini Minerals Limited will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. The Company has commenced implementation of this standard see Directors' Report. The cost to the Company of options issued as part of employee remuneration will be recognised in future Statements of Financial Performance. The cost will be amortised over the vesting period for the options resulting in an increase in employee benefits expense of $59,581 for the 2005 year. Equity components to employee remuneration packages are not part of a Company scheme but form part of an employee's employment contract. Future employees are unknown so the details of the impact of future equity based remuneration packages to the Company are also unknown.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to

(a) ongoing work being undertaken by the AIFRS project teams;

(b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC;and

(c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of PepinNini Minerals Limited, I state that:

In the opinion of the directors:

a the financial statements and notes, as set out on pages 10 to 28 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;

b There are reasonable grounds to believe that PepinNini Minerals Limited will be able to pay its debts as and when they become due and payable.

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

Rebecca Holland-Kennedy

Director

Dated this 22nd Day of September 2005.

William Buck
Business Advisors
Chartered Accountants

Independent audit report to members of
PepinNini Minerals Limited
ABN 73 006 645 754

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for PepinNini Minerals Limited (the company), for the year ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001,* Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Statement of Continued Independence

The auditor's independence declaration provided to the directors of PepinNini Minerals Limited dated 19 September 2005 would be unchanged if provided to the directors as at the date of this audit report.

Audit Opinion

In our opinion, the financial report of PepinNini Minerals Limited is in accordance with:

a) the Corporations Act 2001, including:

  i) giving a true and fair view of the financial position of PepinNini Minerals Limited as at 30 June 2005, and of its performance for the year ended on that date; and

  ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Exploration Expenditure & Investment In Unlisted Company

Without qualification to the opinion expressed above, attention is drawn to the following matters.

The Company is involved with the conduct of continuing exploration and evaluation procedures in order to assess the existence and economic recoverability of minerals in its area of interest. In accordance with the Company's accounting policy, exploration expenditure of $960,159 (30 June 2004: $201,776) has been carried as a non current asset. The recovery of these exploration costs is uncertain as it is dependent upon the successful development and exploitation, or sale, of the area of interest.

William Buck
Chartered Accountants

Gerard Belleville
Lead Audit Partner

Dated this 22nd day of September 2005.

Melbourne, Australia.