

Minerals Limited

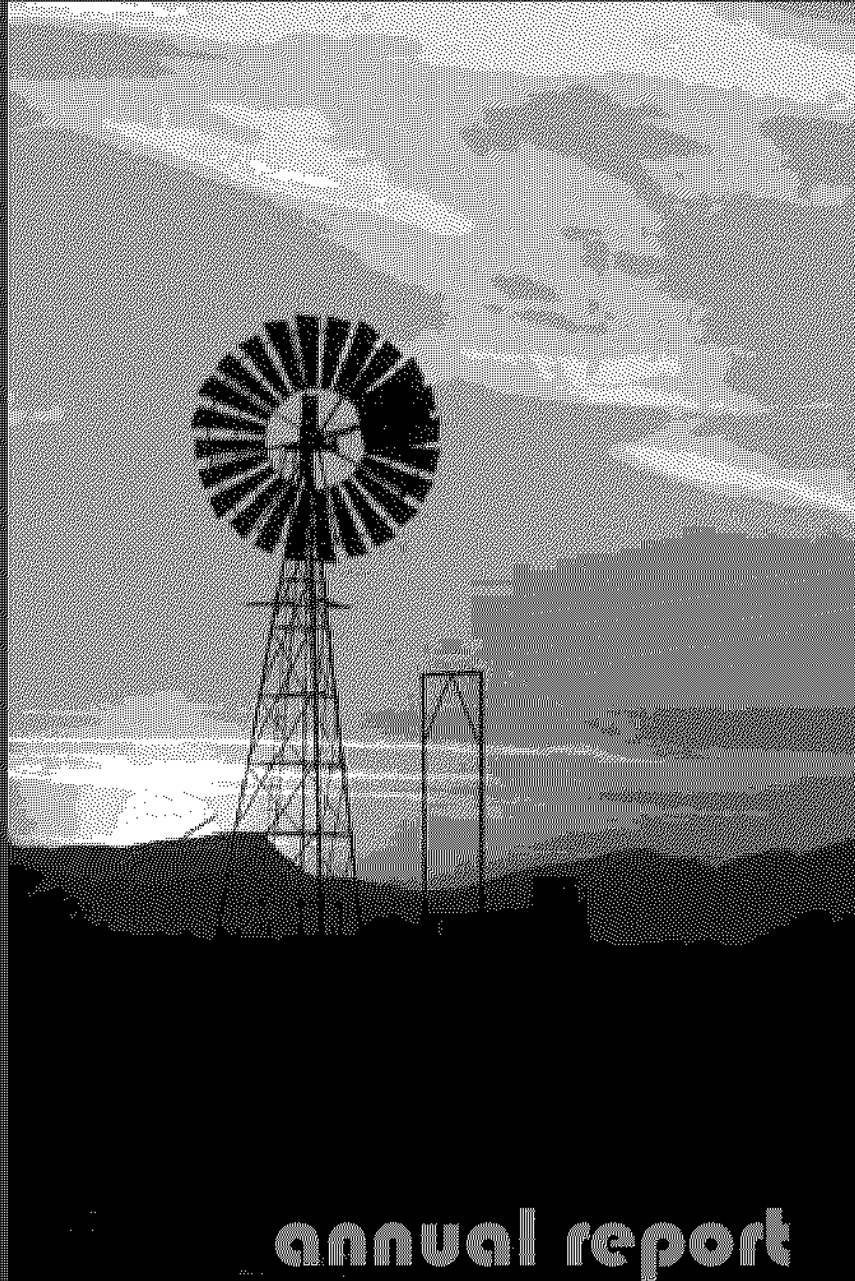
ASX: MIN

Exploring for:

Nickel - Musgrave Province

Copper/Gold/Uranium - Curnamona Province

Gold - Waalgar Goldfield



annual report

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Front cover:

Mt Victor station ELA 928/04 Mt Victor
(photo courtesy Colin Connor - PIRSA)

Inside front cover:

HoistEM survey EL 3368 Mt Hartus



CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder

The past year has been a very active and rewarding period for PepinNini Minerals Limited. Following the acquisition of the Kalabity exploration licence and Gooligoomba mining lease we were able to successfully list on the Australian Stock Exchange (ASX) on 15 April, 2005 after raising \$4.03 million under our prospectus dated 16 February, 2005.

Subsequent to the listing on the ASX we immediately embarked upon field exploration activities and were able to commence a drilling program investigating priority base metal targets in our Curnamona Province tenements despite the acute shortage of drilling rigs being experienced by the exploration industry. Encouraging base metal intersections have resulted from the 118 borehole program and we are awaiting further analyses of samples.

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

On 27 June, 2005 the Company was granted its first exploration licence in the Musgrave Province allowing exploration to commence on two priority targets for nickel mineralisation similar to that found at the Voisey's Bay deposit in Canada. Clearance surveys have since been completed for a drilling program and geophysical surveys. A helicopter borne HoistEM survey has been completed and ground EM surveys are currently underway to better define drill hole locations. The Company has established a good working relationship with the traditional owners of our exploration tenement and look forward to extending the relationship during 2006.

During the year the Company has benefited from a global increase in demand and price for base metals, gold and uranium. In particular, the rapid escalation of the price of uranium and the growing sentiment towards this mineral as a green house friendly energy source has resulted in the advancement of our uranium project. Independent consultants Hellman & Schofield have estimated an Inferred JORC compliant resource of 14.85 million pounds of uranium oxide at our Crocker Well and Mt Victoria deposits. Additional areas with uranium potential have been applied for in the Curnamona Province.

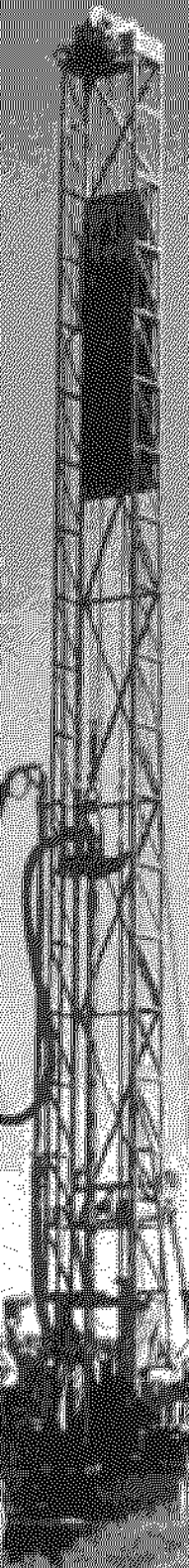
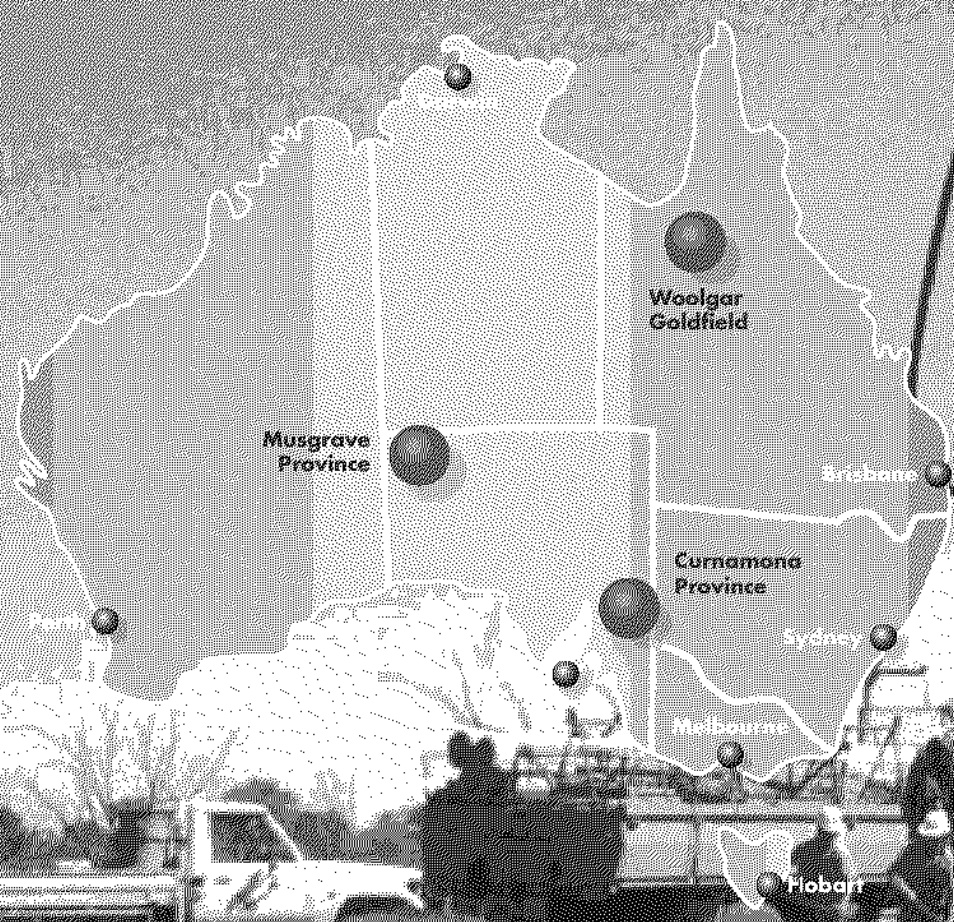
A very active and exciting 2006 is guaranteed with the undertaking of a scoping study to determine the economic viability of exploiting our uranium resource at Crocker Well and Mt Victoria. Drilling programs are scheduled to investigate our nickel targets in the Musgrave Province and we also intend to commence drilling at our uranium prospects in the Curnamona Province. Under the PACE initiative designed to stimulate exploration within the State, the South Australian Government will contribute up to \$208,250 towards the direct drilling costs of our proposed drilling programs to be completed by 30 June, 2006.

On behalf of the Board of PepinNini and its management I thank you for your support and look forward to your continued interest in the Company. I hope you enjoy reading our first annual report as an ASX listed company.

Bill Murphy
Chairman
PepinNini Minerals Limited

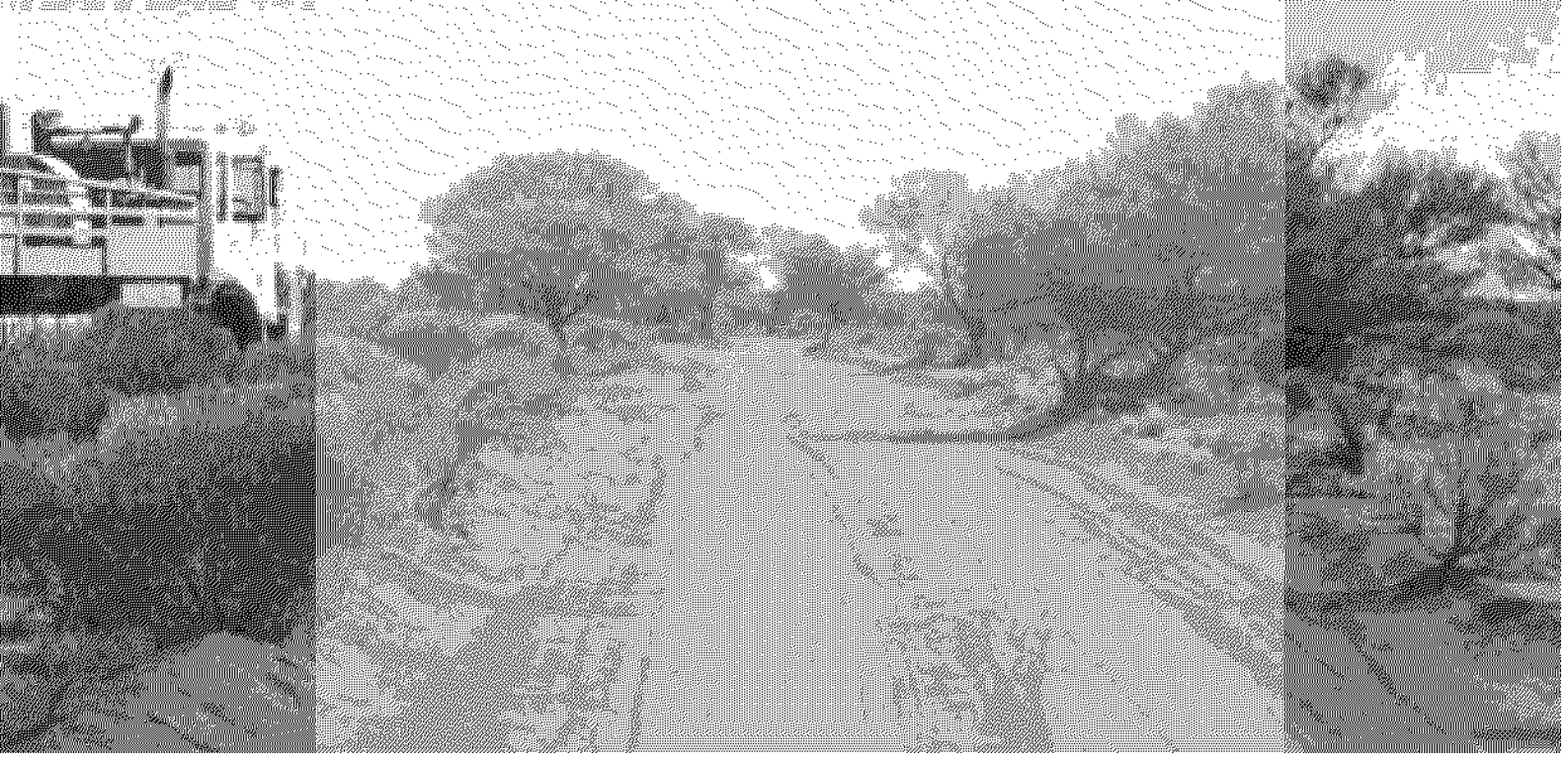
Tenement schedule

Tenement	Tenement Name	Area Km ²	Pepin/Nimi Interest	Grant Date
ML2720	Gooligombi	83ha	100%	01.10.84
EL0171	Kalobity	822	100%	25.02.04
EL3278	Bimbowrie	843	100%	04.11.84
EL9368	Mc Marcus	1,607	100%	27.05.03
EA117/96	McCarroll	1,916	100%	application
EA118/96	Veranda Hills	2,115	100%	application
EA119/96	Willagobina	821	100%	application
EA928/04	Myrae	1,690	100%	application
EA251/03	Orulpa	199	100%	application
TOTAL		10,018		



2005 Highlights

- ◆ Acquisition of EL 3171 - Kalabry and ML 2720 - Gooligoomba
- ◆ Granting of EL 3278 - Bimbowrie
- ◆ Successful ASX Listing on 15 April, 2005 after capital raising of \$4.03million
- ◆ Detail gravity survey completed over Willow IOCG target in the Curnamona Province
- ◆ Encouraging base metal intersections from a drilling program of 2,448 metres in 18 boreholes completed in the Curnamona Province
- ◆ Granting of EL 3368, the first exploration licence granted in Musgrave Province of South Australia for more than three years
- ◆ Delineation of an Inferred JORC compliant uranium resource at Crocker Well and Mt Victoria of 12.65 million tonnes at an average grade of 0.053% U_3O_8 containing 6,740 tonnes (14,850,000lbs) of U_3O_8
- ◆ Identification of high grades of Lanthanum(20,000ppm), Cerium(14,000ppm), Yttrium(10,000ppm), Scandium, Titanium, Vanadium and Chromium associated with uranium mineralisation at Crocker Well and Mt Victoria
- ◆ Discovery of the Becaroo Uranium Prospect with grades ranging up to 2.1% U_3O_8 from surface samples
- ◆ Completion of helicopter HoistEM survey over nickel targets in the Musgrave Province
- ◆ Awarding, under the PACE initiative of the South Australian Government, of up to \$208,250 towards the direct drilling costs of proposed drilling programs to be completed by the Company before 30 June, 2006
- ◆ Strong nickel, copper, gold and uranium markets and encouraging forecast of increasing demand



1.1 Introduction

PepinNini currently has a 100% interest in nine exploration tenements covering approximately 10,018 km² in the Curnamona and Musgrave Provinces of South Australia and the Woolgar Goldfield of North Queensland.

The Musgrave tenements have the potential for the rapid discovery of a major world class nickel copper sulphide deposit similar to the Voisey's Bay deposit in Canada.

The Curnamona tenements have potential for the discovery of base metal deposits similar to those of Broken Hill and Olympic Dam. Uranium deposits have been defined within the Curnamona tenements including an Inferred JORC compliant resource of 14.85 million lbs of U₃O₈. At Woolgar there is potential for the rapid discovery of a high grade gold deposit similar to the Vera Nancy and Pojingo deposits of North Queensland.

The Company's primary business objectives are to:

- reward investors;
- discover a major new Australian mineral deposit;
- conduct exploration and corporate activities in a responsible and professional manner in accordance with industry standards whilst observing statutory requirements;
- define and quantify the considerable mineralisation potential already recognised in the exploration tenements held by the Company; and
- establish equitable and respectful relationships with the traditional owners of tenement areas held by the Company.

The Company has focused exploration activities on three main projects designated as the:

- (a) Musgrave Province Project;
- (b) Curnamona Province Project; and
- (c) Woolgar Goldfield Project.

1.2 Musgrave Province Project

Introduction

The project consists of one granted exploration licence, EL 3368, and three exploration licence applications, ELAs 117/96, 118/96 and 185/96 which are considered prospective for base metals, gold, platinum group metals, ferrous metals and precious stones. The tenements comprise ten separate areas covering approximately 6,761 km².

Field exploration activities are currently being undertaken within EL 3368 and negotiations with Anangu Pitjantjatjara Yankunytjatjara (APY) to allow for the granting of ELA 117/96 are at an advanced stage.

The Company has established a respectful relationship with the traditional owners of our Musgrave tenements and was a sponsor for the annual APY Sports Carnival held at Pipolyatjara from 30 September to 4 October, 2005.

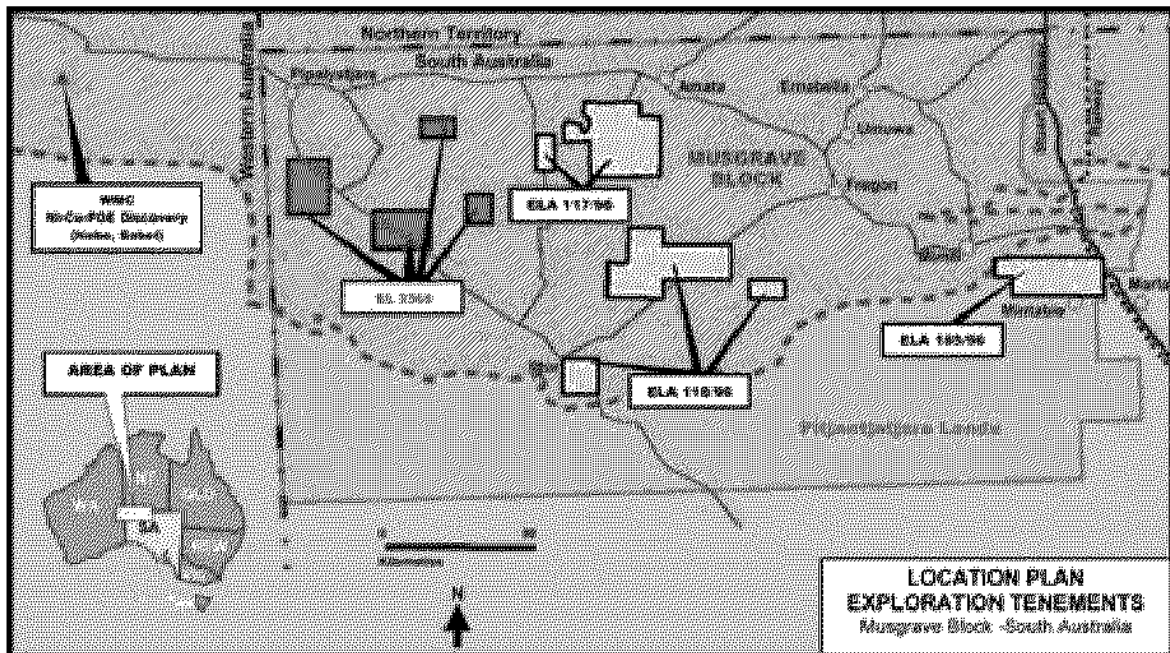
Prospectivity

The Musgrave Province is a large, underexplored Proterozoic Block with a diversity of geological environments located in the north-west corner of South Australia extending across the border into the Northern Territory and Western Australia. Proterozoic Blocks represent some of the most prospective terrain for mineral exploration in Australia and include the well known mineral provinces of the Mount Isa Inlier, Broken Hill, the Granites Tanami Block, the Gascoyne Complex and the Tennant Creek Inlier.

Demonstrated potential exists within the Musgrave Province of South Australia for base metals (copper, lead, zinc), ferrous metals (chromium, nickel, vanadium, titanium) and uranium. Potential also exists for precious metals (platinum group metals, gold, silver), precious stones (diamonds, rubies), heavy mineral sands and rare earths.

The prospectivity of Proterozoic rocks is well recognised and, with the exception of those contained within the Musgrave Province, have generally been subject to relatively intense exploration for a considerable period of time yielding a number of world class mineral deposits. Australian Proterozoic hosted world-class mineral deposits include:

- Olympic Dam (Cu, Au, U)
- Broken Hill (Pb, Zn, Ag)
- Mt Isa (Cu, Pb, Zn, Ag)
- Hilton (Pb, Zn, Ag)
- Cannington (Pb, Zn, Ag)
- Century (Zn, Pb, Ag)
- McArthur River/HYC (Pb, Zn, Ag)
- Telfer (Au)
- Alligator River Field (U, Au, platinumoids)
- Argyle AK1 (diamonds)
- Homersley Basin (Fe)



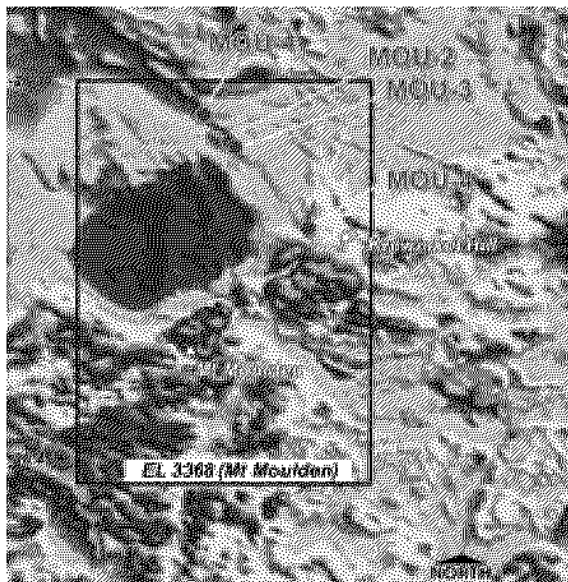
Prepared by Rank Geological Services Pty Limited – September, 2005

The Directors believe the Musgrave Province may very well be host to Australia's next significant Proterozoic orebody discovery and have focussed attention initially on investigating the nickel copper sulphide potential.

A regional interpretation of geophysical data currently available for the South Australian portion of the Musgrave Block commissioned by Rio Tinto and PIRSA in 2002 considers the Caroline Intrusive "to have the highest potential for hosting significant NiS mineralisation (nickel sulphide)". This is supported by the identification of pentlandite (Ni sulphide) and chalcopentlandite (Cu-Ni sulphide) in a surface sample collected from an outcrop of the intrusion by PIRSA during a field reconnaissance survey in November, 2004.

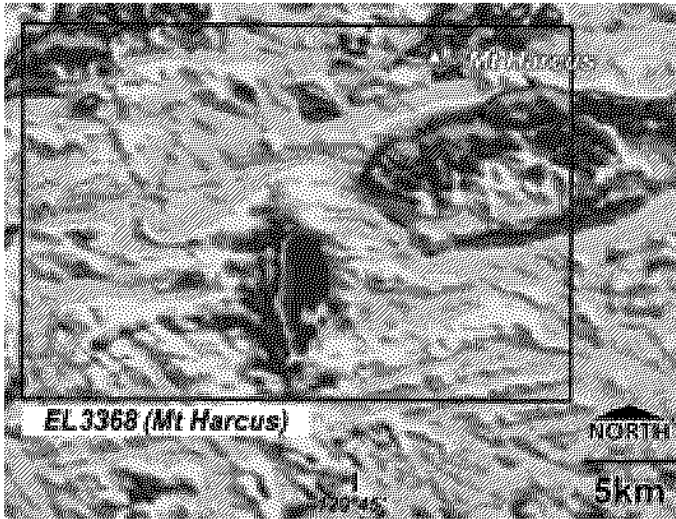
Data from an airborne EM (Tempest) survey flown by Rio Tinto over a portion of ELA 117/96 which covers sections of the Caroline Intrusion identifies shallow bedrock conductors possibly representing sulphide mineralisation in the Giles Complex rocks. These conductive features represent priority exploration targets for nickel copper sulphide mineralisation worthy of immediate investigation.

During 2002 PIRSA undertook a "roadside drilling program" across the district that included the drilling of four boreholes designated as MOU-1 to MOU-4 within the Mt Moulden area. The basal 50 metres of borehole MOU-04 was cored and intersected prospective rocks of the Giles Complex with visually evident sulphides (pyrite). Elevated levels of nickel, copper, platinum, palladium and gold were assayed in chip samples taken from surface to 28 metres depth in this borehole. Boreholes MOU-01 and MOU-03 intersected similar Giles Complex rocks and borehole MOU-02 was abandoned due to drilling conditions at 12 metres depth.



Total Magnetic Image Mt Moulden Area EL 3368

Although PepinNini is initially concentrating on discovering large Ni-Cu sulphide deposits similar to Voisey's Bay, Canada, the Company is aware that the tenements are also very prospective for Broken Hill style base metal (Pb-Zn-Ag) deposits in the metasediments of the Birksgate Complex. These metasediments also have considerable potential to host base metal sedex deposits similar to Mt Isa and Century. There is also good discovery potential for layered intrusive platinum group element (PGE) sulphide deposits such as the Platreef, Merensky and UG-2 Reefs of the Bushveld Complex in South Africa.



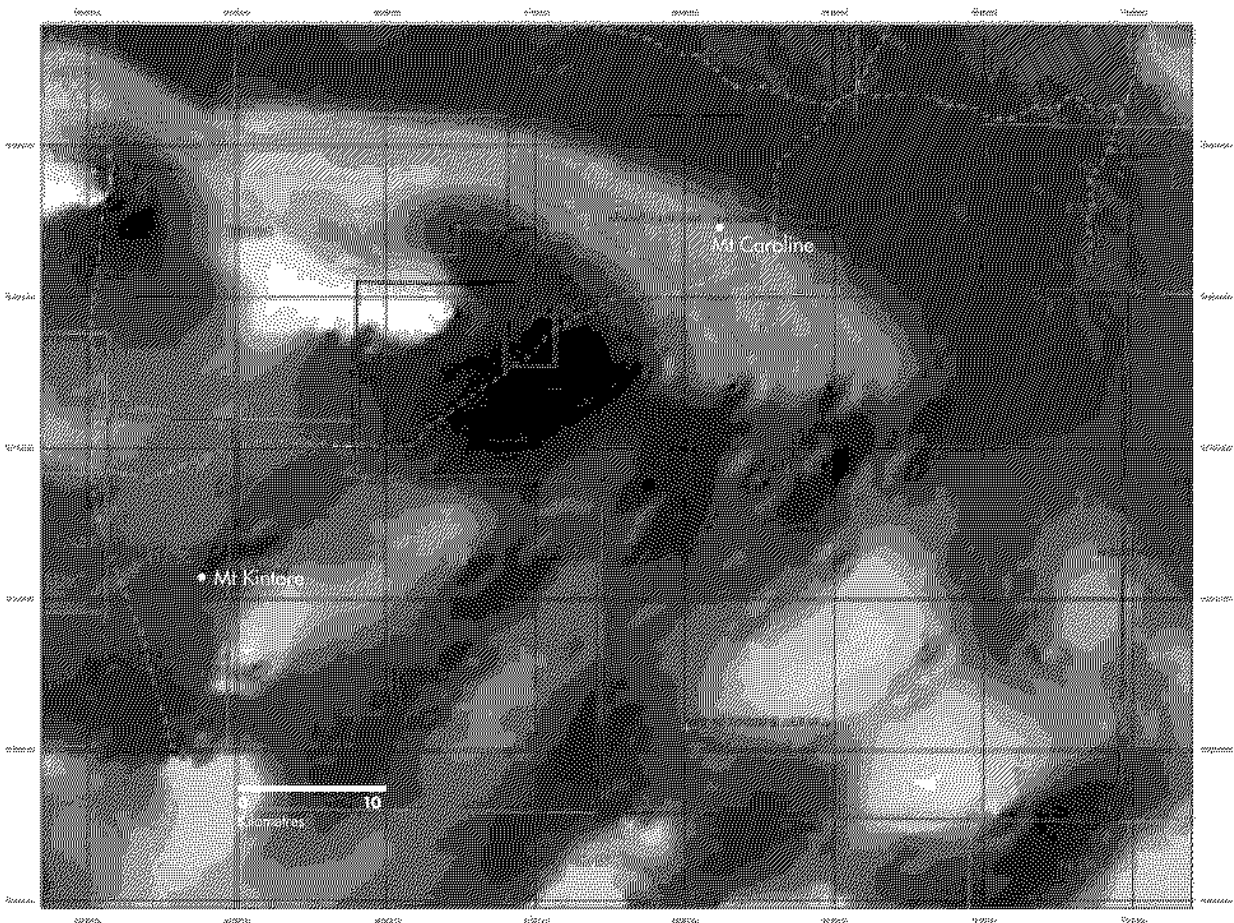
Total Magnetic Image Mt Marcus Area EL 3368

Current Exploration within EL 3368

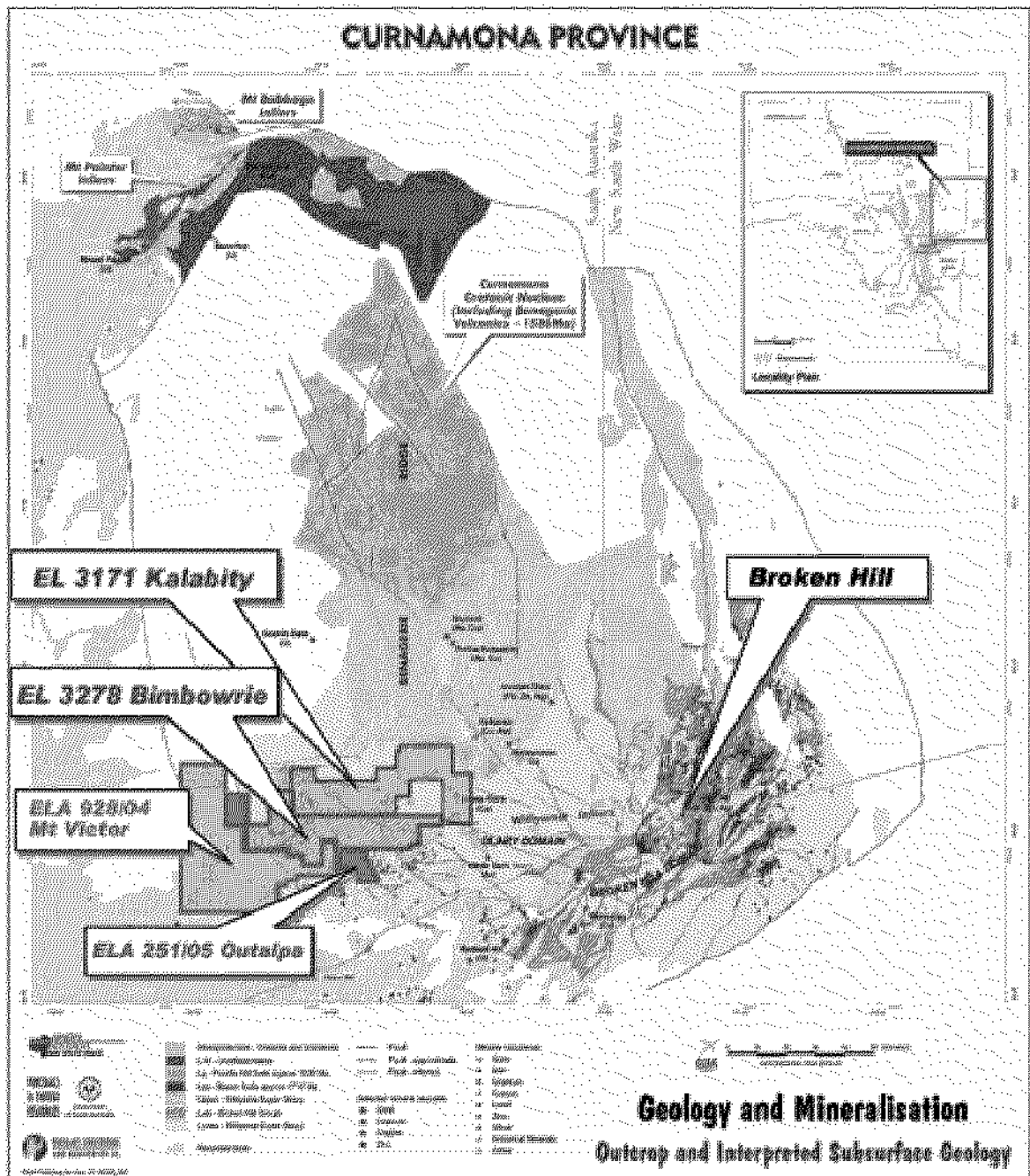
Current exploration is concentrating on investigating two prominent magnetic features located in the Mt Moulden and Mt Marcus areas of EL 3368. Both magnetic "low" features have been interpreted as representing ultramafic/mafic intrusions and are considered prospective for significant nickel copper sulphide mineralisation. A field reconnaissance and surface geochemical sampling program has been completed and analyses of samples is awaited. A helicopter borne HoistEM survey of approximately 3,000 line kilometres has also been completed and a ground electromagnetic (EM) survey is currently in progress. A drilling program of 14 boreholes has been approved and will be

partially funded up to \$128,250 by the South Australian Government under the PACE Initiative designed to stimulate exploration within the State.

ELA 117/96 GRAVITY



(prepared by Rank Geological Services Pty Limited September, 2004)



(Prepared by Rank Geological Services, September, 2005 - background image courtesy of PIRSA)

1.3 Curnamona Province Project

Introduction

PepinNini Minerals Limited has two adjacent granted licence blocks covering approximately 1,665 square kilometres of the Olary Domain of the Curnamona Province, South Australia. The two blocks are comprised of EL3171 – Kalabity, purchased from Rio Tinto Exploration Pty limited and adjacent EL3278 – Bimbowrie which was granted to the Company on 4 November, 2004. The Company has also applied for two additional exploration licences covering approximately 1,592 square kilometres to the south and west of ELs 3171 and 3278.

With the acquisition of the four tenements PepinNini has achieved a substantial presence in a region highly regarded for its exploration potential for Broken Hill style mineralisation as well as strata bound sediment hosted Mt Isa and Century style mineralisation. All four tenements contain numerous prospects that have been inadequately explored.

Geology and Exploration Potential

The Curnamona Project covers a large area of Palaeoproterozoic Willyama Supergroup rocks consisting of multiply deformed meta-sedimentary and meta-igneous rocks. In South Australia these Willyama Inliers occur along the southern margin of the Curnamona Province within a major tectonic domain known as the Olyry Domain (or Olyry Block). The Olyry Block sequence is largely composed of sedimentary and minor volcanic (and intrusive) rocks interpreted to have been deposited in a failed intracontinental rift and rift-platform basin between ~1780-1680 Ma. The sequence has subsequently been subject to intense multiphase deformation and medium to high-grade regional metamorphism during the Olyrian Orogeny and to a lesser extent during the Palaeozoic Delamerian Orogeny. The Olyry Domain has been correlated with the geology in the adjacent Broken Hill Block, together they form the Willyama Inlier.

Transported cover sediments conceal some portions of the Proterozoic basement in the project area. Often the contacts between the Palaeoproterozoic, Neoproterozoic and Palaeozoic sequences are not well exposed. The southern margin of the Olyry Domain is unconformably overlain by Neoproterozoic sequences, but the northern boundary is ill-defined due to poor basement exposures caused by increasing Cainozoic cover. The cover sequence generally thickens towards the north.

The Curnamona Province of South Australia is widely regarded for its potential Broken Hill style mineralisation, strata bound sediment-hosted Mt Isa/Century style of mineralisation, and the potential for iron oxide copper gold (IOCG) styles of mineralisation. Recent exploration activities and discovery of prospects such as Portio, Shylock, Kalkaroo and White Dam confirm this potential.

Prospectivity and Exploration Models

The Curnamona Province tenements are prospective for gold, copper, lead, zinc and uranium and include numerous prospects and old workings identified by a variety of previous explorers.

Potential exploration targets include:

- Epigenetic iron oxide copper-gold mineralisation similar in style to Olympic Dam/Prominent Hill and the replacement (Starra, Osborne) and breccia (Ernest Henry) deposits of the Mt Isa Eastern Fold Belt. These can occur as both strata bound replacements of iron rich beds or as structurally focused iron-rich alteration/breccia systems in the contact aureoles of certain granites

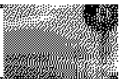
- Large disseminated/strata bound copper and/or gold deposits
- Supergene (enriched) copper-gold mineralisation in areas of deep weathering over large areas of low-grade sulphide copper-gold mineralised basement. (Kalkaroo, Portio)
- Broken Hill type silver-lead-zinc deposits
- Strata bound/sediment-hosted base metal mineralisation (similar to Mt. Isa and Century Zinc (Ag Pb) deposits in the Mt. Isa Inlier) within the moderate-low grade metamorphic rocks in the upper parts of the Olyry Block stratigraphy
- Hardrock pegmatite - granite hosted uranium, Tertiary roll-front uranium
- Manganese

Current Exploration Program

EL 3171 - Kalabity - Thirteen prospects identified through a data and literature review will be targeted for their strata bound Zn-Pb-Cu-Ag, strata bound Cu-Au or epigenetic Iron Oxide Copper Gold (IOCG) potential. An initial drilling program of 2,448 metres in 18 boreholes has been completed and investigated four priority exploration targets that cover or are immediately adjacent to historic prospects that are considered to have been inadequately investigated by previous explorers. The four prospects investigated include Birthday Well, Johnaroo, Waukaloo Syncline and South Koolka.



Drilling operations at Birthday Well Prospect



Encouraging initial results from the drilling program confirm the potential for extensive, shallow, low grade copper, zinc cobalt mineralization at the Birthday Well Prospect. Best results from the six RC boreholes completed at the prospect include:

Hole	From	To	Metres	Copper	Zinc	Cobalt
RC05BW001	7	97 (EOH)	90	0.22%	0.20%	402ppm
Including	16	32	16	0.41%	0.23%	478ppm
Including	16	20	4	0.62%	0.36%	1240ppm
RC05BW002	12	14	2	0.20%	0.08%	853ppm
RC05BW002	70	94	24	-	0.24%	-

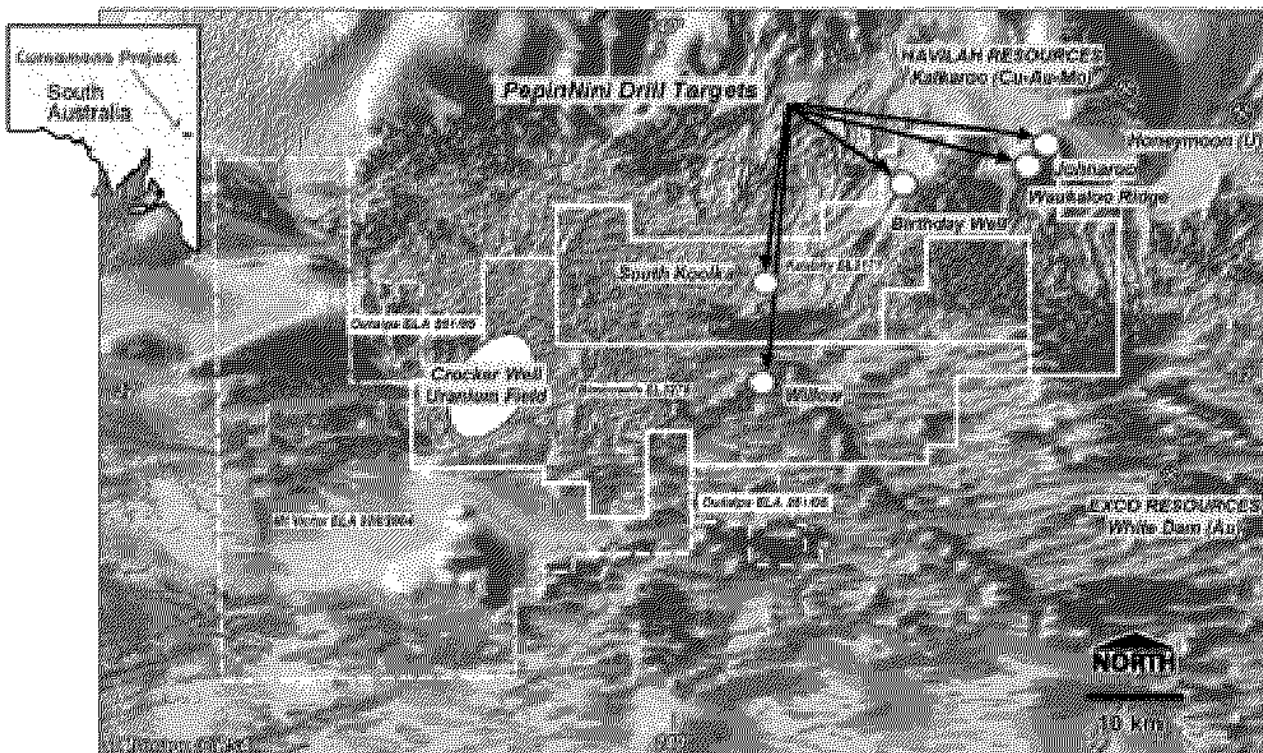
The drilling program was designed to test the continuity and grade of mineralization intersected in three previously drilled boreholes;

- KY1758 (7-30m EOH): 23m @0.22% Cu;
- KY1759 (10-28m EOH): 18m @0.18% Cu, 0.34% Zn;
- KY550 (31-34m EOH): 3m @1.36% Cu.

The results are consistent with the previous intersections and indicate the low grade mineralisation persists for at least 500 metres along strike. High grade shoots are evident within the thick (18 metre to +90metre) low grade envelope of mineralisation.

Assay results for samples from two cored boreholes drilled at Waukaloo Syncline and South Koolka are yet to be received from the laboratory.

EL3278 – Bimbowrie - eleven prospects have been identified that warrant further investigation to evaluate their epigenetic IOCG, strata-bound Cu-Au or strata-bound Zn-Pb-Cu potential. The IOCG Willow Target was investigated by a detailed gravity survey followed by the drilling of seven boreholes. Analyses of samples collected during the program are yet to be received.



Curnamona Province Tenements – Total Magnetic Intensity Imagery & prospects drilled during 2005
(Prepared by Rank Geological Services Pty Limited – September, 2005)



1.4 Uranium Project

Introduction

With the granting of EL 3278 in November, 2004 PepinNini Minerals inherited an extensive amount of data relating to uranium exploration conducted by the South Australian Mines Department and private companies within the Olary Domain between 1951 and 1978. Approximately 1,000 boreholes were drilled to assess the Crocker Well Uranium Field and Mt Victoria Deposit located in the west of the tenement. Seven shafts were sunk to obtain bulk samples for metallurgical tests. The Crocker Well area remains the most prospective 'hard-rock' uranium prospect in the Olary district of the Cumamona Province with areas of extensive shallow cover over prospective zones yet to be investigated. Numerous outcropping prospects easily identified from radiometric data also require investigation by drilling to determine the extent of mineralisation already recognised. High grades ranging up to 2.1% U_3O_8 have been reported for surface samples collected from outcropping prospects.

In the Crocker Well area uranium occurs primarily as thorium brannerite mineralisation as a disseminated accessory mineral or in fractures, breccias or quartz veins in sodic plagioclase rich anatectic granitoids and gneisses. Uranium in the form of davidite occurs in the east of the deposit and at the Mt Victoria Deposit.

A resource of 12.65 million tonnes at an average grade of 0.053% containing 6,740 tonnes (14,850,000lbs) of U_3O_8 has been estimated in compliance with the 2004 JORC Code by independent consultants, Hellmon & Schofield for the Crocker Well Uranium Field and Mt Victoria Deposit. The table below details the resource estimates for each of three deposits comprising the Crocker Well Field and the Mt Victoria Deposit.

ESTIMATED INFERRED MINERAL RESOURCES

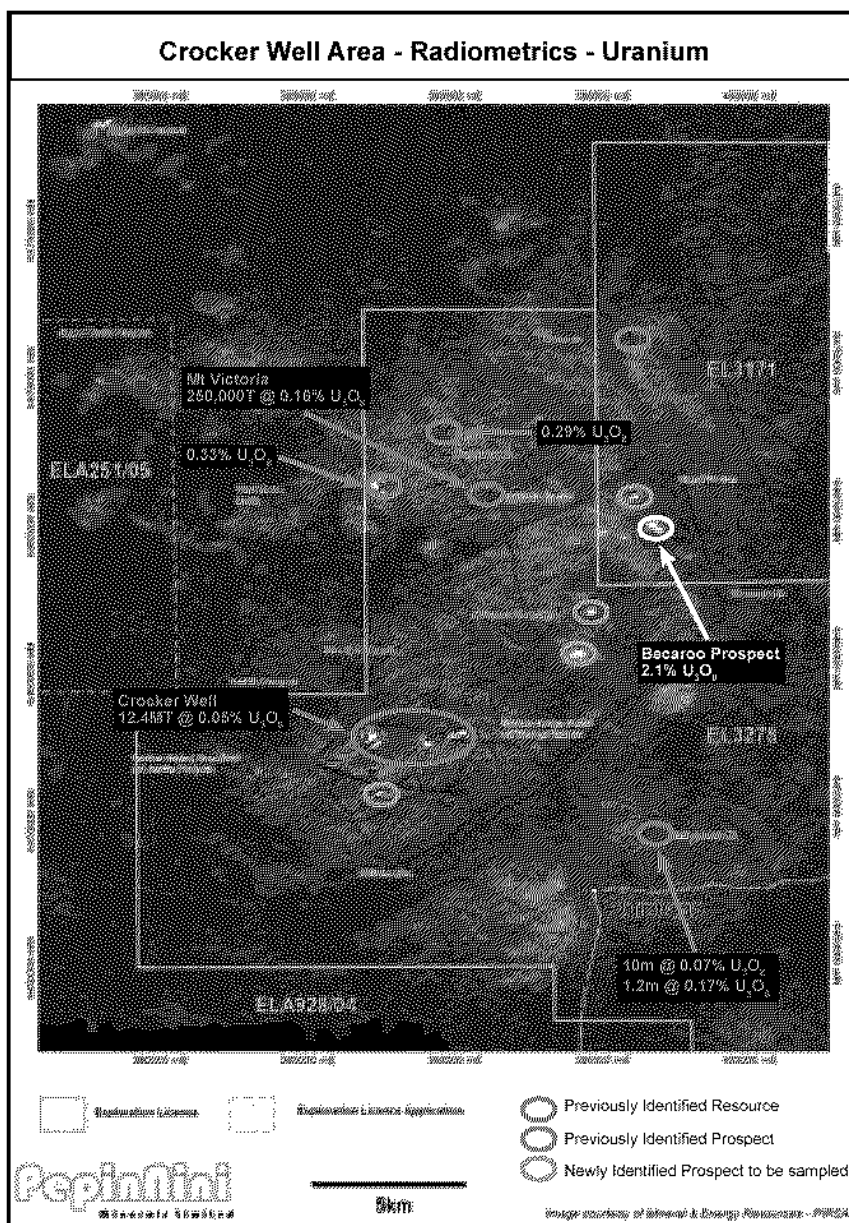
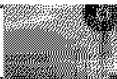
Deposit	Category	Cut-off ppm	Resource tonnes	U_3O_8 %	U_3O_8 kgs/t	Contained lbs U_3O_8
Mt Victoria	Inferred	300	250,000	0.160	1.60	880,000
Crocker Original	Inferred	300	8,400,000	0.046	0.46	8,520,000
Crocker Central	Inferred	300	1,100,000	0.043	0.43	1,040,000
Crocker Eastern	Inferred	300	2,900,000	0.069	0.69	4,410,000
Total	Inferred	300	12,650,000	0.053	0.53	14,850,000

Evaluation of historical data for the Crocker Well and Mt Victoria Uranium Prospects has highlighted anomalous grades of titanium, vanadium, chromium and rare earths with lanthanum grades of up to 20,000ppm and cerium grades often in excess of 3,000ppm being reported. Although the anomalous grades were noted by previous explorers they have not been subject to further investigation. Lanthanum is used in the manufacture of fuel cells for hybrid cars, in automotive catalytic converters, water treatment reagents, ceramic capacitors and is increasingly being used in hitech applications. Given the current market interest in rare earths the Company intends to investigate the significance of these concentrations with the view of value adding to the uranium resource already defined at the prospect.

The uranium mineralisation of the Crocker Well and Mt Victoria deposits is comparable to that which was mined at Radium Hill between 1954 and 1961. Almost 1 million tonnes of ore grading 0.11% to 0.15% U_3O_8 were mined at Radium Hill and processed at Port Pirie. Apart from uranium the ore also produced a concentrate containing high levels of the rare earth oxides lanthanum, cerium, yttrium and scandium. During the later years of mining the scandium was recovered as a by-product and value added to the uranium produced.

PepinNini Minerals has applied for two additional tenements which when granted will increase the uranium prospective area held in the Cumamona Province to 3,257 sq. kms. ELA 928/04 Mt Victor is located on the periphery of the Cumamona Province and overlaps into the Adelaide Geosyncline. Gold, copper, lead, silver and bismuth prospects have been identified within the area and the application area is considered prospective for Tertiary palaeochannel style uranium deposits.

ELA 251/05 Outalpa has previously identified copper, silver and uranium prospects and is considered prospective for both hardrock pegmatite style and Tertiary, palaeochannel style uranium deposits.



With the recent increase in the price of uranium (currently \$US32/lb), the apparent imbalance between supply and demand being driven by the increasing energy demands of China, India and other Asian nations and the improving sentiment towards this alternate greenhouse friendly source of energy the Crocker Well and Mt Victoria Deposits represent a major asset to PepinNini Minerals Limited.

The Company intends to undertake a scoping study to determine the economic viability and options available to develop the uranium resources. At the same time a drilling program will be undertaken to confirm the historical data and convert a substantial portion of the Inferred Resource to Indicated and Measured status as well as investigate the potential for rare earth elements to add value to the project.

1.5 Woolgar Goldfield Project

Introduction

Mining lease 2720 - Gooligoomba covers an area of 83.3 hectares and is located in the Woolgar Goldfield approximately 120 kilometres north of Richmond and 400 kilometres west of Townsville in north Queensland.

Alluvial gold mining was carried out on the lease up until the 1970s.

Geology and Exploration Potential

The oldest rocks at Woolgar are equivalent to the 1675 to 1695 million year old Palaeoproterozoic Einisleigh Metamorphics. They comprise high grade metamorphic rocks such as granulite, gneiss, migmatite, amphibolite, schist and quartzite and are intruded by Proterozoic dolerite, gabbro, granite and pegmatite. Outcrop of this suite of metamorphic rocks with numerous quartz reefs predominate in the surface geology of Mt 2720.

Gold was first discovered at Woolgar in 1879 and at least 979kgs of gold has been produced from the Goldfield at an average grade of 31gms/tonne based on Department of Mines records. Actual production is likely to have been a lot more particularly in the early years when much of the alluvial gold production is unlikely to have been reported.

Strategic Minerals Corporation NL (Strategic) has reported encouraging exploration results in an area approximately 10 kilometres south of ML 2720 with assay results from surface samples grading up to 1,953g/t. Strategic are currently conducting a drilling program designed to increase the currently defined near surface gold resource of 400,000 ounces and progress a pre-feasibility study into the potential for a high grade low cost mining operation.



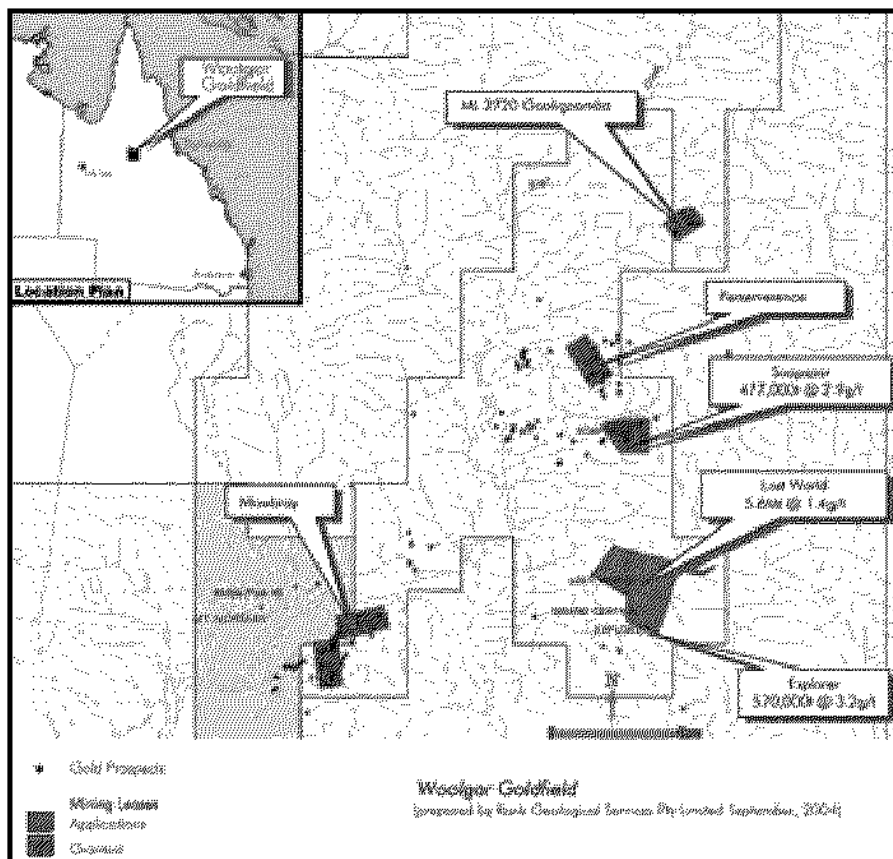
Prospectivity and Exploration Models

At Woolgar gold occurs in alluvial deposits, in the basal unit of the Jurassic Hampstead Sandstone and in quartz reefs in the Proterozoic Einasleigh Metamorphics. Historic mining at Woolgar was based on the alluvial deposits and the shear and vein hosted meso-thermal quartz sulphide reefs where free gold occurs in association with minor galena, pyrite and chalcopyrite.

Epithermal gold veins were identified in the crystalline basement rocks of the Proterozoic Georgetown Block at Woolgar in 1985 and have been compared to the high grade epithermal vein systems found at Pojingo and Vera Nancy. Surface sampling and drilling by Strategic has confirmed significant shallow high grade gold mineralisation at numerous locations such as Explorer, Lost World, Soapstar, Grand Central, China Wall, Finn, Mowbray and Perseverance. Notable recently reported new discoveries of mineralised veins at surface include:

- Danielle Vein ~ 300m long target with surface sample assays up to 1,953g/t
- Holy Grail ~ 100m long target with surface sample assays up to 47.9g/t
- Michelle Vein ~ 500m long target with surface sample assays up to 76.1g/t
- Western Grand Central ~ 100m long target with surface sample assays up to 18.1g/t

During June, 2005 SRK Consulting completed a field reconnaissance survey of ML 2720 which included mapping and surface sampling. A series of shallow angle boreholes have been recommended to investigate gold mineralisation in three different geological environments.



The information in this report that relates to Exploration Results is based on information compiled by Norman Kennedy BSc MAustMM. Norman Kennedy is the Managing Director of PepiniNini Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The information in this report that relates to Uranium Resources is based on information compiled by David Princep BSc MAustMM who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". David Princep is a full-time employee of Hillman & Schofield Pty Ltd. and consents to the inclusion of the information in this report in the form and context in which it appears.

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

Qualifications

Experience

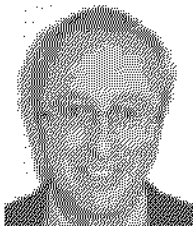


- Non-executive Chairman
- Bachelor of Laws Queensland University of Technology
- William Murphy joined the company as chairman in January 2004; he has extensive exploration company experience principally through Murphyores Holding Ltd, which was once the world's largest mineral sands producer. He has been past Chairman of Pan Palladium Ltd, Managing Director of Augold NL, Zapopan NL, Gold Copper Exploration Ltd, Paur Resources Ltd and Pacific Silica Pty Ltd and a Director of SMC Gold Ltd.

Norman Kennedy

Qualifications

Experience

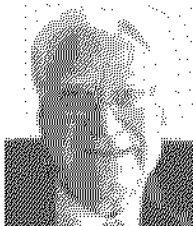


- Managing Director
- Bachelor of Science UNSW, MAusIMM
- Norman Kennedy was a founding director of PepinNini Minerals Limited and has been a board member since 2002. He was appointed Managing Director in February, 2004 and has more than 25 years experience in exploration program design and management 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

Qualifications

Experience



- Non-Executive Director
- M.Inst.M.C., F.Energy Institute
- 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. Tokoradi Limited
2. Goldsearch Limited

Rebecca Holland-Kennedy

Qualifications

Experience



- Non-executive Director **Company Secretary**
- Bachelor of Science UNSW, MAusIMM
- 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 AGI, Amax, BHP, AGIP, Shell, CRA, Caltex and Meekatharra Minerals Limited. She has been a Director of Rank Geological Services Pty Ltd from 1986 to the present.

Directors' Report

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 Pepinini 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			
	Number eligible to attend	Number Attended	Audit		Corporate Governance**	
			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 on 15 April 2005.

Principal Activities

The principal activity of Pepinini 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 Pepinini Minerals Limited has been involved in exploration and evaluation of mineral resources within its tenements.

Review and Results of Operations

The company currently holds 100% interest in eight exploration tenements covering approximately 10,018sq kms in the Curramona 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 Kalobby in the Curnamona Province of South Australia from Rio Tinto Exploration. Mining lease ML 2720 Gooligaomba located in the Woolgar Goldfield of Queensland was also acquired from Fairfield Copper and Gold Pty Ltd and Rank Geological Services Pty Ltd. On 4 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 mineralisation. 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 Pitjantjatjara Yankunytjatjara (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 - Gooligaomba 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, Woukoloo 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 Musgrove 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.

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

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.

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.

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

Principle 6 -

Respect the rights of Shareholders

ASSESSMENT

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

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
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(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 Musgrove 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

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

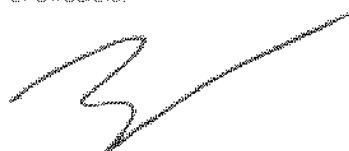
During the financial year to 30 June 2005 the amount of \$12,000 was paid to William Buck Financial Services (VIC) Pty Ltd for the Investigating Accountants Report included in the Prospectus dated 16 February 2005. The directors are satisfied that the provision of non-audit services during the year by 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 21 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.



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 2005 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.

A handwritten signature in black ink that reads 'William Buck'.

William Buck
Chartered Accountants

A handwritten signature in black ink that reads 'Gerard Belleville'.

Gerard Belleville
Lead Audit Partner

Dated this 19th day of September 2005.
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.

Notes to the Financial Statements

for the year ended 30 June 2005

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 Pepirini 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.

Notes to the Financial Statements

for the year ended 30 June 2005

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.

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

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.

Notes to the Financial Statements

for the year ended 30 June 2005

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:

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

	Note	2005 \$	2004 \$
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



Notes to the Financial Statements

for the year ended 30 June 2005

NOTE 10: PROVISIONS CURRENT

	2005	2004
	\$	\$
Employee entitlements	15,524	5,950
a. Aggregate employee benefits liability	15,524	-
b. Number of employees at yearend	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	200,000	40,000		
ML 2720 Gooligoomba				
QLD equity exchange				
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
	Number of options	\$	Number of options	\$
c. 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 @ 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)



Notes to the Financial Statements

for the year ended 30 June 2005

NOTE 13: STATEMENT OF CASH FLOWS (continued)	2005 \$	2004 \$
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	2005 \$	2004 \$
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	2005 \$	2004 \$
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 Pepinini Minerals Limited may, at the discretion of management, grant options over the ordinary shares of Pepinini 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 cents	Exercise Date	Maturity Date	Indicative Value per option cents	Employee benefit to 30 Jun 05 \$
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 enforceable 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.

Notes to the Financial Statements

for the year ended 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
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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.

b. Remuneration of Specified Directors and Executives (continued)

	Primary				Post	Equity	Other	Total
	Salary & Fees	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Employment Superannuation	Options		
	\$	\$	\$	\$	\$	\$	\$	\$
Specified Directors								
<i>William Murphy</i>								
2004	16,041	-	-	-	-	-	-	16,041
2005	35,000	-	-	-	-	-	-	35,000
<i>Norman Kennedy</i>								
2004	64,457	6,375	-	-	-	-	-	70,832
2005	154,700	15,300	-	-	-	-	-	170,000
<i>Rebecca Holland-Kennedy</i>								
2004	11,225	1,125	-	-	-	-	-	12,350
2005	26,940	2,700	-	-	-	-	-	29,640
<i>Albert Harris</i>								
2005	12,500	-	-	-	-	13,918(1)	-	26,418
Total Remuneration Specified Directors								
2004	91,723	7,500	-	-	-	-	-	99,223
2005	229,140	18,000	-	-	-	13,918	-	261,058
Specified Executives								
<i>Phillip Clifford</i>								
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.

Notes to the Financial Statements

for the year ended 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 (ELAs) 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.

Notes to the Financial Statements

for the year ended 30 June 2005

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

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



Notes to the Financial Statements

for the year ended 30 June 2005

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

PepinMini 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 IIG Interpretations.

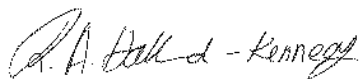
Directors' Declaration

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.





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.

Additional Shareholder Information

1. DISTRIBUTION OF SHAREHOLDERS AS AT 30 September 2005

The number of shareholders, by size of holding, in each class of share are:

Range	Ordinary fully paid shares	
	Number of Holders	Number of shares
0 - 1,000	19	14,959
1,001 - 5,000	153	527,867
5,001 - 10,000	198	1,837,909
10,001 - 100,000	370	12,719,248
100,001 and over	43	33,282,517
	783	48,382,500

There are no shareholders holding less than a marketable parcel

2. VOTING RIGHTS

At a general meeting of shareholders, on a show of hands, each person who is a member or sole proxy has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share.

3. SUBSTANTIAL SHAREHOLDERS

Norman Lee Kennedy 7,000,000 fully paid ordinary shares (14.47%)

Rebecca Ann Holland Kennedy 7,000,000 fully paid ordinary shares (14.47%)

Helen Claire Genery (Murphy Resources) 6,225,000 fully paid ordinary shares 12.87%

4. TAXATION

The company is taxed as a public company.

5. STATEMENT OF QUOTED SECURITIES.

Of the 48,382,500 ordinary fully paid issued shares, 26,207,500 shares are listed on the Australian Stock Exchange Limited, and 22,175,000 shares are subject to Restriction Agreements.

Application for quotation of fully paid ordinary shares will be made to Australian Stock Exchange Limited when restricted ordinary shares become free from restriction.

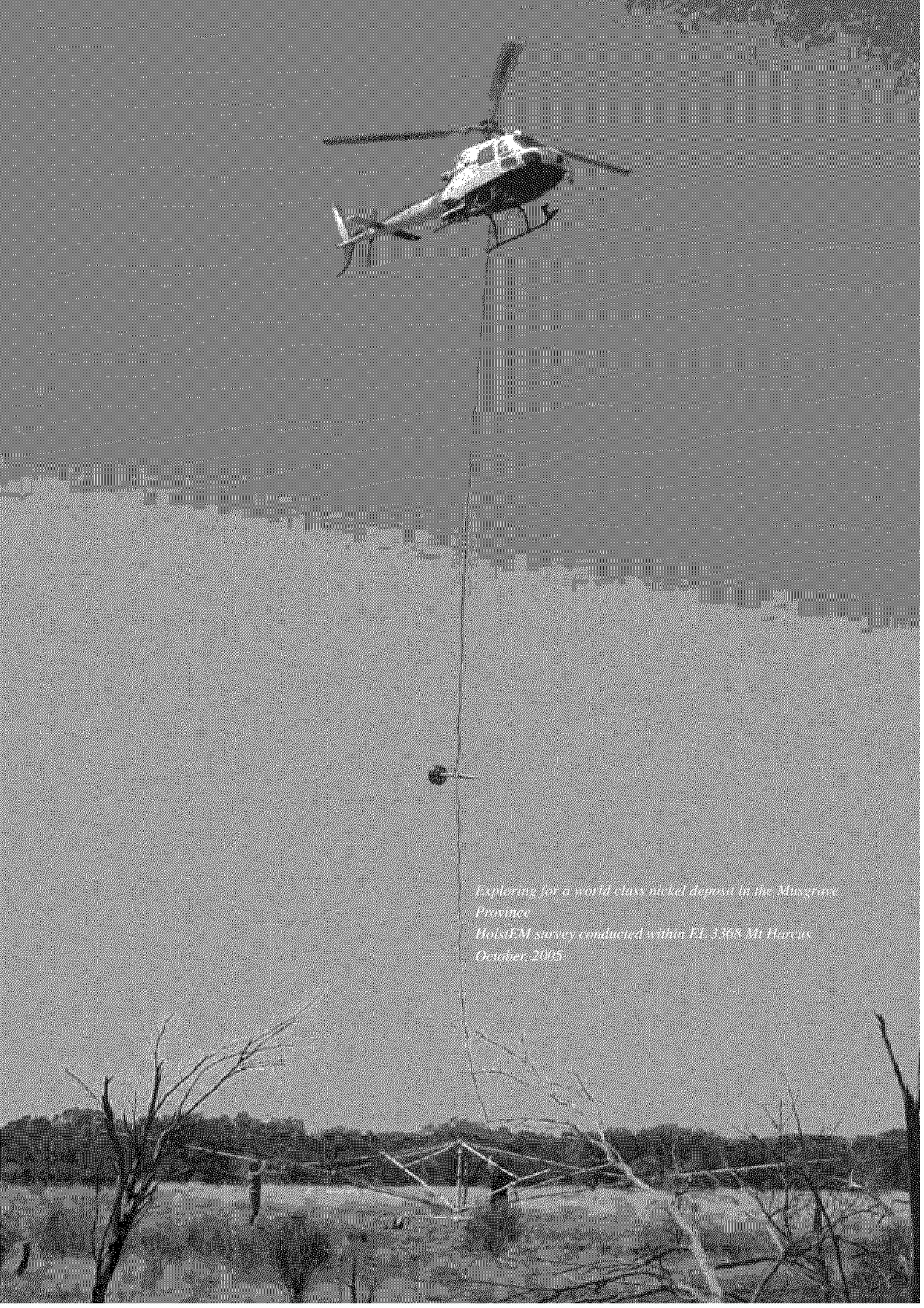
6. USE OF CASH.

The Company has, for the reporting period to 30 June, 2005, used its cash funds in a way consistent with its business objectives.

7. TWENTY LARGEST SHAREHOLDERS List of 20 Largest Shareholders - FULLY PAID ORDINARY SHARES

The names of the twenty largest shareholders as shown in the Company's register at 30 September, 2005 are:

Name of shareholders	Number of shares held	% held
1. Norman Lee Kennedy	7,000,000	14.47
2. Rebecca Ann Holland Kennedy	7,000,000	14.47
3. Helen Claire Genery (Murphy Resources)	6,225,000	12.87
4. Alexander George William Kennedy	1,000,000	2.07
5. Luis Fernando Norman Kennedy	1,000,000	2.07
6. Nicola Jane Khouri	1,000,000	2.07
7. Virginie Pepin	1,000,000	2.07
8. Mr James Theodore Lakes (Lakes Folio A/C)	937,900	1.94
9. George Holland Pty Limited	822,774	1.70
10. Optex Industries Pty Ltd (Stomelos Family A/C)	600,000	1.24
11. ND Birchmore Pty Ltd	410,000	0.85
12. Marich Nominees Pty Ltd (R Marich Superannuation A/C)	350,000	0.72
13. RBC Global Services Australian Nominees Pty Ltd (MICI A/C)	325,000	0.67
14. Mr James Theodore Lakes (Lakes Folio A/C)	312,500	0.65
15. Wafid Khnazer	308,750	0.64
16. Wayne Douglas Birchmore	300,000	0.62
17. Laref Investment Pty Ltd (Colnan Family A/C 5)	300,000	0.62
18. David Khoo	290,000	0.60
19. Stanley George Chapley	274,600	0.57
20. Acebell Pty Ltd (A.J Nicolas Super Fund A/C 38)	270,000	0.56
Total	29,726,524	61.47



*Exploring for a world class nickel deposit in the Musgrave
Province
HoistEM survey conducted within EL 3368 Mt Hercules
October, 2005*



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