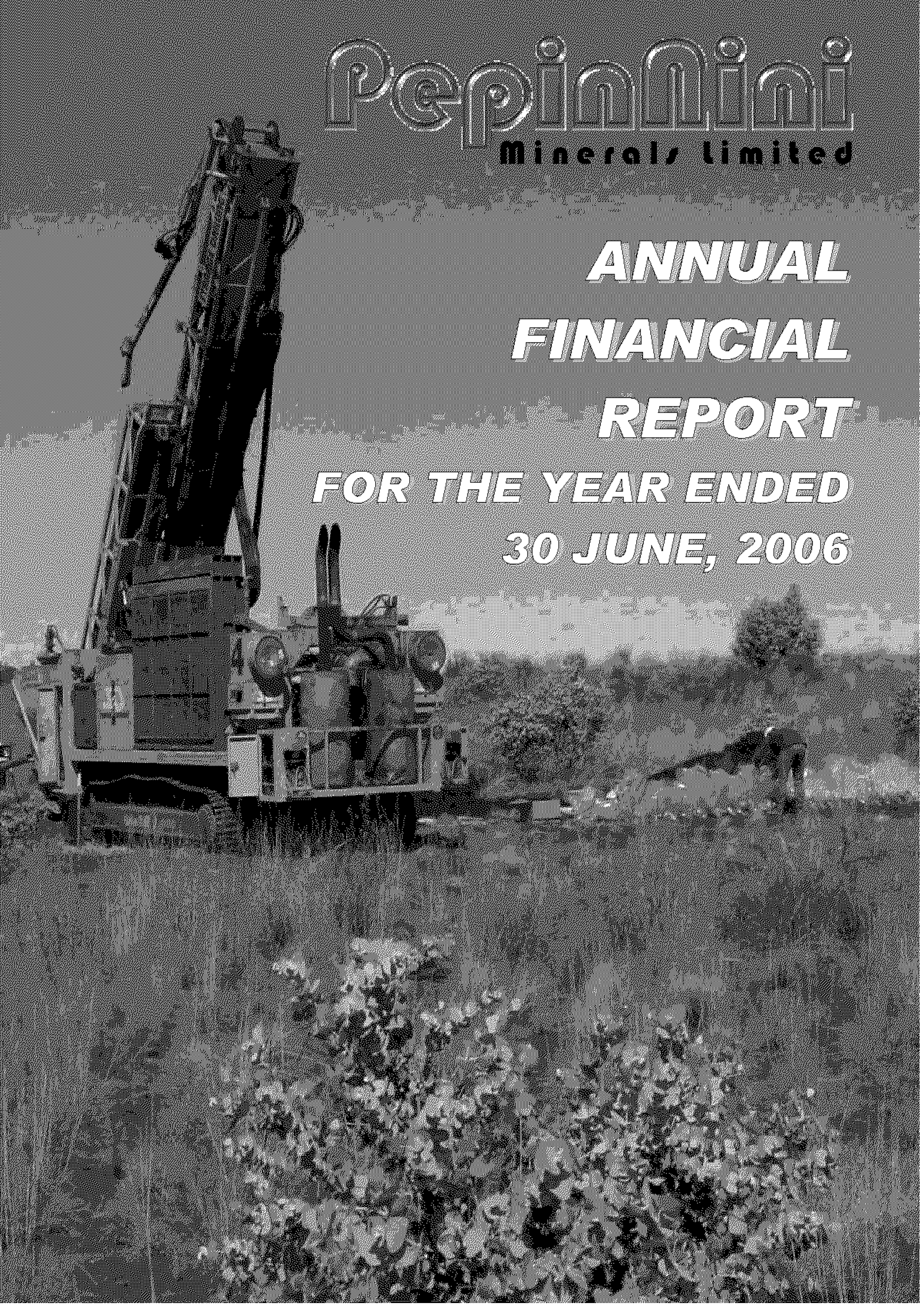
PepinNini Minerals Limited

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE, 2006



DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2006.

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

Norman Kennedy	—	Chairman and Managing Director
Qualifications	—	Bachelor of Science UNSW, MAusIMM
Experience	—	Norman Kennedy was a founding director of PepinNini Minerals Limited and has been a board member since 2002. He was appointed Managing Director in February, 2004 and has more than 25 years experience in exploration program design and management in Australia and overseas. At various times he has been retained as an exploration consultant for companies such as WMC Resources, Caltex, CRA, Meekatharra Minerals Limited, Aurion Energy, NRG Flinders, Shell, BP and ABB Energy Ventures. He has been actively involved in the minerals exploration industry in South Australia for more than 25 years. He is a member of the South Australian Chamber of Mines & Energy (SACOME) and served on the Gawler Craton Infrastructure Committee. He is a Non Executive Director of Altona Resources plc, a Director of Arckaringa Energy Pty Limited, a Director of PepinNini Resources Pty Ltd and a Director of Rank Geological Services Pty Ltd.
Albert Harris	—	Non-Executive Director
Qualifications	—	M.Inst.M.C, F.Energy Institute
Experience	—	Albert Harris joined the company as a director on the 31st January 2005. He has been involved in the international petroleum and resource industries for over 50 years. He has had senior management responsibility for exploration operations and development of major mineral and petroleum resource projects in Australia, West Africa, the Middle East and USA. He has been a director of Australian private and public companies for over 20 years. He is currently a director of the following ASX listed public companies: 1. Takoradi Limited 2. Goldsearch Limited
Rebecca Holland-Kennedy	—	Non-executive Director **Company Secretary**
Qualifications	—	Bachelor of Science UNSW, MAusIMM
Experience	—	Rebecca Holland-Kennedy was a founding director of PepinNini Minerals Limited and has been a board member and company secretary since 2002. She has more than 25 years experience in exploration company administration and data management. She has held positions with Robertson Research, Macquarie University, NSW Department of Mines and Energy as well as acting as exploration and data management consultant to AGL, Amax, BHP, AGIP, Shell, CRA, Caltex and Meekatharra Minerals Limited. She is a Director of PepinNini Resources Pty Ltd, a Director of Arckaringa Energy Pty Ltd and a Director of Rank Geological Services Pty Ltd.

DIRECTORS' REPORT

William Murphy	—	Non-executive Director (resigned 26 May, 2006)
Qualifications	—	Bachelor of Laws Queensland University of Technology
Experience	—	William Murphy joined the company as chairman in January 2004; he has extensive exploration company experience principally through Murphyores Holding Ltd, which was once the world's largest mineral sands producer. He has been past Chairman of Pan Palladium Ltd, Managing Director of Augold NL, Zapopan NL, Gold Copper Exploration Ltd, Paut Resources Ltd and Pacific Silica Pty Ltd and a Director of SMC Gold Ltd.

Interests in the shares and options of the company

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

Director	Ordinary Shares	Options over ordinary shares	Indirect Share Holding	Indirect Option Holding
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	-	-
William Murphy(resigned 26 May 2006)	-	-	3,915,000	2,075,000

Dividends

No dividends were paid for the year ended 30 June 2006 (2005: nil).

Directors' Meetings

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

	Directors' Meetings		Committee Meetings			
			Audit		Corporate Governance	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Norman Kennedy	15	15	-	-	1	1
Rebecca Holland-Kennedy	15	15	2	2	1	1
Albert Harris	15	13	2	2	1	1
William Murphy(resigned 26 May 2006)	12	10	2	1	-	-

Principal Activities

The principal activity of PepinNini Minerals Limited is the exploration for nickel, copper, gold, lead, zinc, uranium and other mineral commodities.

Review and Results of Operations

The company currently holds 100% interest in fifteen exploration tenements covering approximately 11,446sq kms in the Curnamona and Musgrave Provinces of South Australia and the Georgetown Inlier and Woolgar Goldfield of North Queensland. It also holds a 100% interest in an 83 hectare mining lease located in the Woolgar Goldfield of North Queensland.

DIRECTORS' REPORT

During the financial year the Company completed a program of 18 boreholes drilled to investigate base metal prospects identified within EL 3171 Kalabity and EL 3278 Bimbowrie in the Curnamona Province. A total of 2,448 metres were drilled comprising both reverse circulation and diamond core drilling. Anomalous lead/zinc mineralisation was intersected at three prospects.

Exploration commenced in the Musgrave Province during September 2005 with a helicopter HoistEM survey of 2,785 line kilometres and a ground EM survey of 71.3 kilometres being undertaken over prospective targets for nickel copper sulphide mineralisation within EL 3368. Surface geochemical surveys were also completed before the commencement of a drilling program in April, 2006. A total of 3,111 metres of RC drilling in 21 boreholes was undertaken to test a variety of geological, geophysical and geochemical targets within the Mt Harcus and Mt Moulden project areas of EL3368. Sulphide-bearing mafic/ultramafic rocks with concentration of nickel and copper mineralisation were intersected confirming the geological environment exists for the potential development and accumulation of Voisey's Bay style mineralisation at the Mt Harcus prospect. The presence of mixed sulphide mineralisation assaying up to 0.46% Cu and 0.13% Ni provides encouragement that the Harcus Intrusion could host significant nickel-copper sulphide mineralisation.

During August and September 2005 independent resource consultants, Hellman & Schofield Pty Limited, completed a JORC compliant resource estimate of the Crocker Well Uranium Field and Mt Victoria Deposit and determined 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. The Becaroo Uranium Prospect with grades of up to 2.1% U_3O_8 in surface samples was discovered during a reconnaissance program conducted in September, 2005. A scoping study completed in April, 2006 by GRDMinproc identified a process concept and estimated capital and operating costs for the development of the Crocker Well Uranium Field and Mt Victoria Uranium Deposit.

During the financial year five new exploration permit areas for minerals considered prospective for uranium and high grade gold deposits were applied for in the Georgetown Inlier area of north Queensland.
The Company expended and capitalized $1,890,097 on exploration activities during the year.

Significant changes in the State of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or notes thereto.

Significant Events After the Balance Date

On 8th September, 2006 PepinNini Minerals Limited signed a Memorandum of Understanding with a Chinese State owned enterprise Sinosteel Corporation to enter a strategic alliance for the joint participation and co-operation in the development and operation of the Crocker Well and Mt Victoria Uranium Deposits and other commodities in the Curnamona Province of South Australia.

Under the terms of the MOU PepinNini has granted Sinosteel an exclusivity period of 3 calendar months (extendable to 5 months) in order to permit the entry into legally binding documentation subject to such Australian and PRC Government and other regulatory approvals as may be required (including the approval of the Australian FIRB). In consideration of the exclusive arrangement Sinosteel has made a non-refundable payment to PepinNini of $A1.5 million and will make a further non-refundable payment of $A1 million if the period is extended. If the parties do not enter the documentation by the end of the exclusivity period the non-refundable payments will be converted into shares to be issued to Sinosteel at $A0.50 per share.

Sinosteel has also invested $A1.65 million for a placement of 3.3 million shares in PepinNini and became a substantial shareholder of the Company on 18th September, 2006.

Subject to appropriate legally binding agreements and government approvals, Sinosteel will pay PepinNini $A30.5 million for a 60% stake in the Curnamona Province project and tenements. In addition Sinosteel will contribute $A6 million exploration expenditure over a 2 year period for commodities other than uranium. Subject to the successful completion of a bankable feasibility study to develop the uranium prospects, Sinosteel shall enter into an offtake agreement for 100% of the projected output on normal commercial terms to underpin an appropriate level of project debt.

DIRECTORS' REPORT

Likely Developments and Expected Results

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

Environmental Regulation

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

Share Options

Unquoted share options

As at the date of this report, there were 11,408,333 unquoted 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	6,000,000	0.01	16 April 2007	0.20	31 Dec 2007	-	6,000,000
Former Director paid options(W Murphy Resigned 26 May 06)	2,908,333	0.01	16 April 2007	0.20	31 Dec 2007	-	2,908,333
Total	**11,408,333**						**11,408,333**

During the financial year a total of 1,116,666 options were exercised to acquire 1,116,666 fully paid shares in the Company at an exercise price of 20 cents per share.

Corporate Governance Report

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. Accordingly, comprehensive guidelines for corporate governance have been formulated and documented in various Charters and a Policy and Procedures Manual available on the Corporate Governance page of the Company website www.pepinnini.com.au. As the Company's activities expand the Corporate Governance procedures will be reviewed by the Board and amended as appropriate.

Subject to the exceptions outlined below the Company has adopted the 'Principles of Good Corporate Governance and Best Practice Recommendations' ('Guidelines') applying to listed entities as published in March 2003 by the ASX Corporate Governance Council.

DIRECTORS' REPORT

BEST PRACTICE RECOMMENDATION	NOTIFICATION OF DEPARTURE	EXPLANATION OF DEPARTURE
Principle 2.1	A majority of Directors are not independent	Currently, only one of the three Directors satisfies the criteria for independence. The Company considers that the expense involved in the recruitment and employment of an additional 2 independent directors is not justified given the present size and complexity of its operations. Together, the current Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and have demonstrated they make quality and independent judgements in the best interests of the Company on all relevant issues. Procedures are in place whereby Directors having a conflict of interest in relation to a particular item of business must exclude themselves from the meeting before commencement of discussion of the topic. It is intended that, subject to the performance of the Company, new candidates for the Board will be considered.
Principles 2.2 and 2.3	The Chairman is the Managing Director of the Company	The Board considers the position of Mr Norman Kennedy as Chairman and Managing Director to be appropriate as he founded the Company, is the largest shareholder, has been instrumental in the development of the Company, has a comprehensive knowledge of its operations and has successfully built value for shareholders since the Company listed on the ASX. Mr Kennedy's industry experience and his involvement with the Company since its inception is well recognised and viewed positively by shareholders. Clear protocols are in place to deal with conflicts of interest. Mr Albert Harris acts as an independent Chairman when the board is discussing items in which a conflict if interest may arise. The Board does however recognise that as the Company expands its operations the ability of the Chairman to provide an independent review of management may require the appointment of an independent Chairperson in the future.
Principle 2.4	A separate Nomination Committee has not been formed	The Board has not formed a separate Nomination Committee. The full Board consists of only three Directors and has formed the view that it is more efficient for the Board as a whole to deal with matters that would otherwise be dealt with by a Nomination Committee. Strategies such as reviewing the skill base and experience of existing Directors and identification of attributes required in new Directors are in place and if necessary appropriate independent consultants will be engaged to identify possible new candidates for the Board.
Principle 4.3	A majority of members of the Audit Committee are not independent	An Audit Committee of two 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. To safeguard the integrity of financial reporting the Chairman of the Audit Committee is independent and regular sessions are held with the external auditors in the absence of management to discuss any issues or concerns the auditors may have. Separate audit committee meetings are held to finalise annual and half yearly financial reports before recommending approval by the Board.
Principle 9.2	A separate Remuneration Committee has not been formed	Having only two employees and one Executive Director the Board considers the Company is not currently of a size to justify the establishment of a separate Remuneration Committee. The Board as a whole deals with matters that would otherwise be dealt with by a Remuneration Committee. Refer to the following Report.

DIRECTORS' REPORT

Remuneration Report

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

Company policy that remuneration of non-executive Directors and payment of equity-based executive remuneration requires approval by Shareholders.

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

Directors' remuneration for their services as Directors is by a fixed sum and not a commission on a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to Shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as Directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

Any director may be paid a retirement benefit as determined by the Board, consistent with the Corporations Act and the Listing Rules.

A director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material interest, if it will be contrary to the Corporations Act. If such a director does vote, his or her vote will not be counted, nor will his or her attendance be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the Corporations Act

DIRECTORS' REPORT

Remuneration Report(cont)

Details of the nature and amount of each element of remuneration of each Director and Executive officer of the Company during the financial year are listed in the following table.

	Short Term Benefits	Post Employement Benefits	Share Based Benefits			
Director	**Fee/Salary**	**Superannuation**	**Equity based remuneration**	**Amortised Cost of options**	**Total**	**Remuneration due to Equity**
	$	$	# options	$	$	%
William Murphy(resigned 26 May 2006)	28,850	2,887	n/a	-	31,737	-
Norman Kennedy	154,700	15,300	n/a	-	170,000	-
Albert Harris	30,000	n/a	1,000,000 (1)	37,354	67,354	55
Rebecca Holland-Kennedy	26,940	2,700	n/a	-	29,640	-
Total	**240,490**	**20,887**	**1,000,000**	**37,354**	**298,731**	
(1) *Options to purchase ordinary shares held by Albert Harris are held in escrow until 16 Apr 2007*						
Executive Officer						
Phil Clifford – Exploration Manager	110,091	9,908	1,500,000 (2)	40,696	160,695	25

(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.

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

Committee Membership

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

Members acting on the committees of the board

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

© designates Chairman of the committee

DIRECTORS' REPORT

Indemnification and Insurance of Directors

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

PepinNini Minerals Limited has entered into standard deeds of indemnity and access with each of the Directors.

By these deeds, the Company has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain Directors' and officers insurance cover in favour of the Director for seven years after the Director has ceased to be a Director. The Company has paid a premium for the period 13 October 2005 to 13 October 2006 to insure the Directors and officers of the Company. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, which is permitted under Section 300(9) of the Corporations Act 2001.

Non-audit services

During the financial year to 30 June 2006 the amount of $13,300 was paid to William Buck (VIC) Pty Ltd for an Income tax review for the years 2004 & 2005 and for a review of the Company's entitlement to reduced input tax credits for Business Activity Statements (BAS) of March, June and September 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 the Code of Ethics, 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 as required by S307C of the Corporations Act 2001 has been provided by the company's auditor, William Buck. This is set out on page 9 of this annual report.

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

Norman Kennedy
Director
Dated this 28th Day of September 2006.

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 2008 there have been:

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

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

William Buck	Simon Hourigan
Chartered Accountants	Lead Audit Partner

Dated this 29th day of September 2008.
Melbourne, Australia.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
Revenue	2	117,188	52,625
Depreciation expense	3	21,745	3,754
Salary & employment costs		145,473	98,585
Operating expenses		191,240	125,154
Professional fees		130,081	99,815
Borrowing cost expense	3	781	560
Administration expenses	3	32,030	48,901
Exploration expenses	3	-	611
Legal fees		5,038	34,116
Other expenses		481	22,198
Total expenses		526,869	433,694
Profit (Loss) before income tax expense		(409,681)	(381,069)
Income tax expense	4	-	-
Profit (Loss) after related income tax expense	4	(409,681)	(381,069)
Net profit (loss) attributable to members of PepinNini Minerals Limited		**(409,681)**	**(381,068)**
Basic earnings/(loss) per share (cents per share)	18	(0.84)	(1.19)
Diluted earnings/(loss) per share (cents per share)	18	(0.76)	-

The accompanying notes form part of these financial statements

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BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Cash and cash equivalents	5	1,423,761	3,281,216
Receivables	6	36,476	74,964
Other assets	7	97,924	-
TOTAL CURRENT ASSETS		**1,558,161**	**3,356,180**
NON-CURRENT ASSETS			
Exploration expenditure capitalized	8	2,850,256	960,159
Property, plant and equipment	9	46,762	57,547
TOTAL NON-CURRENT ASSETS		**2,897,018**	**1,017,706**
TOTAL ASSETS		**4,455,179**	**4,373,886**
CURRENT LIABILITIES			
Payables	10	119,211	110,355
Deferred Income		176,225	-
Provisions	11	30,904	15,254
TOTAL CURRENT LIABILITIES		**326,340**	125,609
TOTAL LIABILITIES		**326,340**	**125,609**
NET ASSETS		**4,128,839**	**4,248,277**
EQUITY			
Contributed equity	12	4,938,055	4,725,862
Reserves	13	137,631	59,581
Accumulated losses	14	(946,847)	(537,166)
TOTAL EQUITY		**4,128,839**	**4,248,277**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
Total equity at the beginning of the year		4,248,277	493,905
Employee option expense taken to equity		78,050	59,581
Net income recognised directly in equity		**78,050**	**59,581**
Profit/(loss) for the year		(409,681)	(381,069)
Total recognised income/(expenses) for the year		(331,631)	(321,488)
Transactions with equity holders in their capacity as equity holders:			
- Contributions of equity net of transaction costs		212,193	4,075,860
Total equity at the end of the year		**4,128,839**	**4,248,277**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES			
PACE grant received		176,225	-
Interest received		140,862	20,361
Payments to suppliers and employees		(387,044)	(377,244)
Interest and other costs of finance paid		(781)	(560)
Net cash provided by (used in) operating activities	15(a)	(70,738)	(357,443)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for exploration activities		(1,890,097)	(718,383)
Purchase of property, plant and equipment		(10,889)	(18,222)
Net cash provided by (used in) investing activities		(1,900,986)	(736,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		223,333	4,384,000
Proceeds from issue of options		-	90,000
Payment of capital raising costs		(109,064)	(438,140)
Net cash provided by (used in) financing activities		114,269	4,035,860
Net increase(decrease) in cash & cash equivalents held		(1,857,455)	2,941,812
Cash & cash equivalents at 1 July		3,281,216	339,404
Cash & cash equivalents at 30 June	15(b)	1,423,761	3,281,216

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

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

PepinNini Minerals Limited have applied the same accounting policies in the preparation of this financial report as were applied in the annual financial report for June 2005 except in the adoption from 1st July 2005 of accounting policies in accordance with Australian International Financial Reporting Standards(A-IFRS). Where accounting policies have changed in this transition process the following notes will summarise these differences.

The financial statements of PepinNini Minerals Limited were authorised for issue on 28th September 2006.

The accounting policies have been consistently applied, unless otherwise stated.

Basis of Accounting

This general-purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board(AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. This financial report complies with International Financial Reporting Standards and Interpretations.

PepinNini Minerals Limited changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected PepinNini Minerals Limited's financial position, financial performance and cash flows is discussed in note 24.

These financial statements have been prepared under the historical cost convention, as modified by revaluations and fair value adjustments required by accounting standards.

Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the company. Actual results may differ from these estimates

Early Adoption of Standard

PepinNini Minerals Limited has elected to early adopt the Australian Accounting Standards and Urgent Issues Group interpretations with an application date later than 30 June 2006 with the exception of AASB7 Financial Instruments Disclosures.

Significant Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of this financial report.

a Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments.

b 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 profit/(loss) in the year in which the decision to abandon the area is made.

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

A regular review is undertaken of each area of interest to determine whether any impairment indicators exist therefore the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notes to the Financial Statements

NOTE 1: SUMMARY OF ACCOUNTING POLICIES(cont)

c Rehabilitation

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 a discounted 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.

d Employee Benefits

Accounting Standard AASB 119 *Employee Benefits* has been applied. Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by Pepinnini Minerals Limited in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred for administrative employees. Where an employee is involved in exploration activities the contributions form part of the exploration and development expenditure capitalized for the period during which they occurred as stated in point (b) above.

e Goods and services tax

Revenues, expenses and assets are recognized net of the amount of goods and services tax(GST), except:

i Where the amount of GST incurred is not recoverable from the taxation authority, it is recognized as part of the cost of acquisition of an asset or as part of an item of expense; or

ii For receivables and payables which are recognized inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

f Government refunds under the South Australian Governments' PACE funding partnership

PACE refunds for exploration drilling activity within an exploration tenement which has not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, have been recognised as deferred income and recognised in profit and loss over the expected useful life of the exploration tenement asset concerned.

g Impairment of assets

At each reporting date, PepinNini Minerals Limited reviews the carrying amounts of its tangible and intangible assets to determine whether there has been any indication they have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is calculated to determine any impairment loss. Recoverable amount is calculated as the higher of net fair value and value in use.

h Income tax

The income tax expense or revenue for the period is tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Notes to the Financial Statements

NOTE 1: SUMMARY OF ACCOUNTING POLICIES(cont)

PepinNini Minerals Limited has estimated carry forward tax losses to 30 June 2006 of $3,632,107 based in part on funds expended for exploration. These carry forward or deferred tax losses are recognised to the extent that it is probable that sufficient taxable income will occur in subsequent years against which they can be utilised.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on tax rates(and tax laws) that have been enacted or substantively enacted by reporting date.

Deferred tax expenses are recognised as an expense in the income statement except when it relates to items credited or debited directly to equity, in which case the deferred tax losses are also recognised directly in equity.

i Payables

Trade payables and other accounts payable are recognised when PepinNini Minerals Limited becomes obliged to make future payments resulting from the purchase of goods and services.

j Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful life, residual values and depreciation method is reviewed at the end of each reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 3 years
- Field vehicles 3 years

Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior years will not be changed.

k Share based payments

Equity-settled share-based payments in the form of share options granted to employees that were unvested as of 1 July 2005 are measured at fair value at the date of grant. Fair value is measured by use of a binomial model(Black Scholes Option Pricing Model). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line over the vesting period, based on PepinNini Minerals Limited's estimate of shares that will eventually vest.

l Revenue Recognition

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial assets.

m Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the PepinNini Minerals Limited. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

n Earnings per share

Basic earnings per share (EPS) is calculated as net profit/(loss) attributable to members of PepinNini Minerals Limited, 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.

Notes to the Financial Statements

NOTE 2: REVENUE	2006 $	2005 $
Interest received – other parties	117,188	51,261
Other revenue	-	1,364
Total revenue	117,188	52,625

NOTE 3: EXPENSES	2006 $	2005 $
Depreciation of non-current assets:		
Exploration field equipment	2,409	442
Office computer equipment	3,178	3,312
Field Vehicles	16,158	-
Total depreciation of non-current assets	21,745	3,754
Administration Expenses:		
Administration Fees	30	16,151
Administration – services	32,000	32,750
Total Administration costs	32,030	48,901
Borrowing costs expense:		
Interest paid – other persons	781	560
Total borrowing costs expense	781	560
Exploration Expenses	-	611
Total Exploration expense	-	611

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 2006, the company has estimated carry forward tax losses after adjusting for temporary differences of approximately $3,806,800 (2005: $1,385,184) which amounts to a deferred tax asset of $1,142,080 (2005: $415,555). The company has estimated carry forward capital losses of nil (2005: nil) of which a deferred tax asset of nil (2005 nil) has not been brought to account.

The Benefit only will be obtained if:

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

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

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

Notes to the Financial Statements

NOTE 5: CASH & CASH EQUIVALENTS	Note	2006 $	2005 $
Cash at bank		152,694	776,670
Cash on hand		2	4,546
Deposits at call		1,271,065	2,500,000
		1,423,761	3,281,216

NOTE 6: RECEIVABLES CURRENT			
Trade debtors	(a)	7,226	30,900
GST refund receivable		29,250	44,064
		36,476	74,964

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

Interest receivable on savings account deposit	7,109	12,501
Interest receivable on cheque account	117	18,399
	7,226	30,900

NOTE 7: OTHER ASSETS	Note	2006 $	2005 $
Capital raising costs	23	97,924	-
		97,924	-

Capital raising costs relate to the $1.65 million share placement to Sinosteel Australia Pty Ltd on 18th September 2006. Refer Note 23 for further details.

NOTE 8: EXPLORATION EXPENDITURE CAPITALIZED	2006 $	2005 $
Balance at 1 July	960,159	201,776
Exploration expenditure capitalised	1,890,097	758,383
Exploration expenditure written off	-	-
Balance at 30 June	2,850,256	960,159

Notes to the Financial Statements

NOTE 9: PROPERTY PLANT AND EQUIPMENT

	2006 $	2005 $
Field equipment at cost	17,095	6,754
Less accumulated depreciation	(2,780)	(442)
	14,315	6,312
Computer equipment at cost	11,468	11,468
Less accumulated depreciation	(6,490)	(3,312)
	4,978	8,156
Field vehicles at cost	43,627	43,079
Less accumulated depreciation	(16,158)	-
	27,469	43,079
Total Property, plant & equipment	46,762	57,547
Movements in carrying amounts		
Cost – Field equipment		
Balance at the beginning of the year	6,312	-
Additions during the year	10,412	6,754
Depreciation expense	(2,409)	(442)
Balance at the end of the year	14,315	6,312
Cost – Computer equipment		
Balance at the beginning of the year	8,156	-
Additions during the year	-	11,468
Depreciation expense	(3,178)	(3,312)
Balance at the end of the year	4,978	8,156
Cost – Field Vehicles		
Balance at the beginning of the year	43,079	-
Additions during the year	548	43,079
Depreciation expense	(16,158)	-
Balance at the end of the year	27,469	43,079

NOTE 10: PAYABLES CURRENT	2006 $	2005 $
Trade creditors[(a)]	91,883	97,842
Sundry creditors & accruals	27,328	12,513
	119,211	110,355
(a) trade creditors are non-interest bearing and usually settled on 30 day terms		
Aggregate of amounts payable to related parties	12,132	5,734

Notes to the Financial Statements

NOTE 11: PROVISIONS CURRENT

Employee benefits	30,904	15,254
a. Aggregate employee benefits liability	30,904	15,254
b. Number of employees at year-end	2	1

NOTE 12: CONTRIBUTED EQUITY		**2006**		**2005**
		$		**$**
a Issued & paid up capital				
Ordinary fully paid shares	(b)	4,859,222		4,635,862
Options over ordinary shares fully paid	(c)	78,833		90,000
		4,938,055		4,725,862

	2006 **Number of shares**	**2006** **$**	**2005** **Number of shares**	**2005** **$**
b Movements in shares on issue				
At the beginning of the financial year	48,382,500	4,635,862	24,500,000	650,002
Shares issued during the year				
Issued to seed investors	-	-	3,525,000	352,500
Initial public offering	-	-	20,157,500	4,031,500
less capital raising costs	-	(11,140)		(438,140)
Final purchase settlement ML 2720 Gooligoomba QLD equity exchange	-	-	200,000	40,000
Options converted to ordinary shares	1,116,666	234,500	-	-
At the end of the financial year	49,499,166	4,859,222	48,382,500	4,635,862

c Options	**2006** **Number of options**	**2006** **$**	**2005** **Number of options**	**2005** **$**
Options over ordinary shares				
At the beginning of the financial year	10,024,999	90,000	-	-
Options issued during the year as capital raising	-		10,024,999	90,000
Options exercised during the year	(1,116,666)	(11,167)	-	-
At the end of the financial year	8,908,333	78,833	10,024,999	90,000

Employee share remuneration details

No options were issued during the year as employee remuneration

Employee remuneration options currently in place:

To Albert Harris, Director

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

To Phil Clifford, Exploration Manager

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

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

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

Notes to the Financial Statements

NOTE 12: CONTRIBUTED EQUITY (cont)

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.

Effective 1 July 1998, The Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its shares.

NOTE 13: RESERVES	2006 $	2005 $
Employee Option Reserve		
Reserve at the beginning of the financial year	59,581	-
Reserve contributed during the financial year	78,050	59,581
Accumulated reserve at the end of the financial year	137,631	59,581

The employee option reserve records the value of options issued to directors and employees under the employee share incentive scheme.

NOTE 14: ACCUMULATED LOSSES	2006 $	2005 $
Accumulated losses at the beginning of the financial year	(537,166)	(156,097)
Net profit(loss) attributable to the members of the company	(409,681)	(381,069)
Accumulated losses at the end of the financial year	(946,847)	(537,166)

NOTE 15: CASH FLOW STATEMENT	2006 $	2005 $
a. Reconciliation of the profit(loss) after tax to the net cash flows from operations		
Profit(loss) from ordinary activities after income tax	(409,681)	(381,069)
Non-Cash Items		
Depreciation of non-current assets	21,745	3,754
Employee option expense	78,050	59,581
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	38,488	(57,238)
Increase/(decrease) in deferred income	176,225	-
(decrease)/ Increase in trade and other creditors	8,785	7,955
Increase/(decrease) in employment benefits	15,650	9,574
Net cash flow from operating activities	(70,738)	(357,443)
b. Reconciliation of cash		
Cash balance comprises:		
Cash assets	1,423,761	3,281,216

c. Financing facilities available

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

Notes to the Financial Statements

NOTE 15: CASH FLOW STATEMENT(cont)

d. Non-Cash Financing and Investing Activities

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

NOTE 16: EXPENDITURE COMMITMENTS	2006 $	2005 $
a Capital Expenditure Commitments		
Mining tenement acquisitions:		
- not later than 1 year	-	-
b Exploration tenement expenditure commitments(1):		
- not later than 1 year	535,000	405,000
- later than 1 year but not later than 5 years	2,140,000	1,510,000

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

NOTE 17: EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

a Employee Benefits	2006 $	2005 $
The aggregate employee benefit liability is comprised of:		
- Provisions(current)	30,904	15,254

b Employee Share Incentive Scheme

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

	Date granted	Exercise Price cents	Exercise Date	Maturity Date	Indicative Value per option cents	Employee benefit to 30 Jun 06 $
1,000,000 options to Mr. A Harris (Director)	15 Feb 2005	20	Escrow to 16 Apr 2007	9 Dec 2007	8.1	51,272
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	44,492
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 2006

Superannuation Commitments

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

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

Notes to the Financial Statements

NOTE 18: EARNINGS PER SHARE	2005 $	2005 $
The following reflects the income and share data used in the calculations of basis and diluted earnings per share.		
Net profit/(loss)	(409,681)	(381,069)
Weighted average number of ordinary shares outstanding during the year	48,580,764	31,934,006
Share options on issue which are dilutive at 30 June 2006.	5,035,526	-

NOTE 19: AUDITORS' REMUNERATION	2006 $	2005 $
Remuneration of the auditor of the Company, William Buck for:		
- auditing or reviewing the financial report	26,887	18,750
- investigating accountants report	-	12,000
- Income tax review, BAS review	13,300	
	40,187	30,750

NOTE 20:KEY MANAGEMENT PERSONNEL DISCLOSURE

a Details of Directors and Executives

Directors

Norman Kennedy	Director and Chief Executive Officer
Rebecca Holland-Kennedy	Director and Company Secretary— (non-executive)
Albert Harris	Director — (non-executive)
William Murphy	Director — (non-executive)resigned 26 May 2006

Executives

Philip Clifford	Exploration Manager

b Remuneration of Key Management Personnel

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.

Notes to the Financial Statements

NOTE 20:KEY MANAGEMENT PERSONNEL DISCLOSURE(cont)

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

Notes to the Financial Statements

NOTE 20:KEY MANAGEMENT PERSONNEL DISCLOSURE(cont)

Remuneration of key management personnel

	Short term benefits	Post Employment Benefits	Other	Termination		Total
Directors	Salary& Fees	Superannuation Contribution	Long term Benefits	Benefits	Share based payments	
	$	$	$	$	$	$
Norman Kennedy						
2005	154,700	15,300	-	-	-	170,000
2006	154,700	15,300	-	-	-	170,000
Rebecca Holland-Kennedy						
2005	26,940	2,700	-	-	-	29,640
2006	26,940	2,700	-	-	-	29,640
Albert Harris						
2005	12,500	-	-	-	13,918(1)	26,418
2006	30,000		-	-	37,354	67,354
William Murphy Resigned 26/5/06						
2005	35,000	-	-	-	-	35,000
2006	28,850	2,887	-	-	-	31,737
Total Remuneration Directors						
2005	229,140	18,000	-	-	13,918	261,058
2006	240,490	20,887	-	-	37,354	298,731
Executives						
Phillip Clifford						
2005	100,917	9,082	-	-	45,663(2)	155,662
2006	110,091	9,908			40,696	160,695
Total Remuneration Executives						
2005	100,917	9,082	-	-	45,663	155,662
2006	110,091	9,908			40,696	160,695

(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

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

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

Notes to the Financial Statements

NOTE 20:KEY MANAGEMENT PERSONNEL DISCLOSURE(cont)

c Remuneration Options

There are no performance criteria related to the granting of options to key management personnel. 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 remuneration options exercised during the year. The options held by Albert Harris are held in escrow until 16 Apr 2007. The options held by Phil Clifford are exercisable from 30 June 2005.

e Option holdings of key management personnel

Directors	Balance at beginning of period	Granted as remuneration	Options Purchased	Net Change	Balance at end of period 30 June 2006	Total	Not exercisable	Exercisable
Norman Kennedy	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	-
Albert Harris	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
William Murphy(resigned)	2,075,000	-	-	-	2,075,000	2,075,000	2,075,000	-
Executives								
Phillip Clifford	1,500,000	-	-	-	1,500,000	1,500,000	500,000	1,000,000
Totals	10,575,000	-	-	-	10,575,000	10,575,000	9,575,000	1,000,000

f Share holdings of key management personnel

Directors	Balance at beginning of period	Granted as remuneration	Shares Purchased	Net Change	On Exercise of Options	Not exercisable	Balance at end of period 30 June 2006
Norman Kennedy	7,015,000	-	-	-	-	7,000,000	7,015,000
Rebecca Holland-Kennedy	7,015,000	-	-	-	-	7,000,000	7,015,000
Albert Harris	-	-	-	-	-		-
William Murphy(resigned)	6,225,000	-	-	(2,310,000)	-	3,112,500	3,915,000
Executives							
Phillip Clifford	152,000	-	13,099	13,099	-		165,099
Totals	**20,407,000**	**-**	**13,099**	**(2,296,901)**	**-**	**17,112,500**	**18,110,099**

All equity transactions with key management personnel 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 key management personnel

During the year there were no loans made between any key management personnel and the Company.

h Other transactions and balances with key management personnel

Purchases

During the year there were no purchases made between any key management personnel and the Company.

Sales

During the year there were no sales made between any key management personnel and the Company.

Notes to the Financial Statements

NOTE 20:KEY MANAGEMENT PERSONNEL DISCLOSURE(cont)

Investments

During the year there were no investments made between any key management personnel and the Company..

Services

In the current reporting period Rank Geological Services Pty Ltd received fees totalling $154,296(2005:$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. The services purchased are made under normal terms and conditions. At reporting date the amount of $12,132 remained payable, forming part of the balance of trade creditors.

I Amounts recognised at the reporting date in relation to other transactions

Assets and liabilities	**2006**	**2005**
	$	**$**
Current assets		
Trade Receivables	-	-
Non-Current assets		
Exploration Tenement Investment	-	-
Total assets	-	-
Current liabilities	-	-
Trade Creditors	12,132	5,734
Non-Current Liabilities		
Total Liabilities	12,132	5,734

NOTE 21: SEGMENT REPORTING

The company operates in the Mineral Exploration Industry in Australia.

Notes to the Financial Statements

NOTE 22: FINANCIAL INSTRUMENTS

a Credit Risk

The credit risk on financial assets of PepinNini Minerals Limited which have been recognised on the Balance Sheet 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 2006	Floating Interest Rate	Fixed Interest Rate 1 Year or less	Fixed Interest Rate Over 1 to 5 years	Non-interest bearing	Total carrying capacity as per the Balance Sheet	Weighted average effective interest rate
	$	$	$	$	$	%
Financial Assets						
Cash	147,696	-	-	5,000	152,696	3.9
Trade & other receivables	-	-	-	36,476	36,476	n/a
At call deposits	1,271,065	-	-	-	1,271,065	5.4
Total Financial Assets	**1,418,761**	**-**	**-**	**41,476**	**1,460,237**	
Financial Liabilities						
Trade creditors	-	-	-	79,751	79,751	n/a
Other creditors	-	-	-	27,328	27,328	n/a
Payable – other related parties	-	-	-	12,132	12,132	n/a
Total Financial Liabilities	**-**	**-**	**-**	119,211	**119,211**	

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

c Net fair values

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

Notes to the Financial Statements

NOTE 23: SUBSEQUENT EVENTS

On 8th September, 2006 PepinNini Minerals Limited signed a Memorandum of Understanding with a Chinese state owned enterprise Sinosteel Corporation to enter a strategic alliance for the joint participation and co-operation in the development and operation of the Crocker Well and Mt Victoria Uranium Deposits and other commodities in the Curnamona Province of South Australia.

Under the terms of the MOU PepinNini has granted Sinosteel an exclusivity period of 3 calendar months (extendable to 5 months) in order to permit the entry into legally binding documentation subject to such Australian and PRC Government and other regulatory approvals as may be required (including the approval of the Australian FIRB). In consideration of the exclusive arrangement Sinosteel has made a non-refundable payment to PepinNini of $A1.5 million and will make a further non-refundable payment of $A1 million if the period is extended. If the parties do not enter the documentation by the end of the exclusivity period the non-refundable payments will be converted into shares to be issued to Sinosteel at $A0.50 per share.

Sinosteel has also invested $A1.65 million for a placement of 3.3 million shares in PepinNini and became a substantial shareholder of the Company on 18th September, 2006.

Subject to appropriate legally binding agreements and government approvals, Sinosteel will pay PepinNini $A30.5 million for a 60% stake in the Curnamona Province project and tenements. In addition Sinosteel will contribute $A6 million exploration expenditure over a 2 year period for commodities other than uranium. Subject to the successful completion of a bankable feasibility study to develop the uranium prospects, Sinosteel shall enter into an offtake agreement for 100% of the projected output on normal commercial terms to underpin an appropriate level of project debt.

Notes to the Financial Statements

NOTE 24: Impact of the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS)

The impacts of adopting Australian equivalents of International Financial Reporting Standards (AIFRS) on the total equity and profit/(loss) after tax as reported under previous Australian Generally Accepted Accounting Principals (AGAAP) are illustrated below:

	Note	30 Jun 2005 $	1 Jul 2004 $
a. Reconciliation of total equity as presented under previous AGAAP to that under AIFRS			
Total Equity under previous AGAAP		4,248,277	493,905
Adjustments to retained earnings			
Recognition of share-based payment expense	i	(59,581)	-
Adjustments to other reserves			
Recognition of share based payment expense	i	59,581	
Total Equity under AIFRS		**4,248,277**	**493,905**

i. AASB 2 Share-Based Payments requires recognition of the fair value of options granted to directors and employees on a pro-rata basis over the vesting period with corresponding increase in reserves. This adjustment therefore had no effect on total equity. Share based payments were not recognised under previous AGAAP. See also note (b i) below.

	Note	Year Ended 30 June 2005 $
b. Reconciliation of (loss) under previous AGAAP to that under AIFRS		
Prior period (loss) as reported under previous AGAAP		(321,488)
Share based payment expense	i	(59,581)
Prior period (loss) under AIFRS		**(381,069)**

i. Share Based payment costs are charged to the income statement under AASB 2 Share Based Payments. Share Based payment expenses were not recognised under previous AGAAP. This has caused an increase in loss for the previous year. See note (a i) above.

c. Reconciliation of cash flow statements

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statements

Notes to the Financial Statements

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.

The directors have been given the declarations by the chief executive officer for the financial year ended 30 June 2006 pursuant to section 295A of the Corporations Act 2001.

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

Rebecca Holland-Kennedy

Director

Dated this 28th Day of September 2006.

Independent audit report to members of PepinNini Minerals Limited
ABN 55 101 714 989

Scope

The financial report and directors' responsibility

The financial report comprises balance sheet, income statement, cash flow statement and the statement of changes in equity, accompanying notes to the financial statements and the directors' declaration for PepinNini Minerals Limited (the company), for the year ended 30 June 2006.

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.

melbourne sydney brisbane adelaide perth

William Buck
Business Advisors
Chartered Accountants

Independence

In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the Corporations Act 2001.

Audit Opinion

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

- the Corporations Act 2001, including:
  - giving a true and fair view of PepinNini Minerals Limited's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Exploration Expenditure

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 outlined in Note 1(b), exploration expenditure of $2,850,256 (30 June 2005: $960,159) has been carried as a non current asset (refer Note 8). 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

Simon Hourigan
Partner

Dated this 28th day of September 2006.

Melbourne, Australia.

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