



Annual Report
for the Financial Year ended 30 June 2010

PEEL EXPLORATION LIMITED
& CONTROLLED ENTITIES

ABN 42 119 343 734

Peel Exploration Limited Annual Report 2010

Corporate Directory

Directors

Simon Hadfield – Chairman
Rob Tyson – Executive Director
Graham Hardie – Non-executive Director
Craig McGown – Non-executive Director

Share Registry

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Company Secretary

David Hocking

Solicitors to the Company

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Auditors

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Chairman's Report

Dear Fellow Shareholders,

Over the past year, your Company has continued with the systematic investigation of existing projects while remaining vigilant to new opportunities. In this regard Peel has secured an option to acquire 100% of the advanced Apollo Hill gold project.

Since its acquisition in late 2009, Peel has successfully completed the initial exploration of the exciting May Day project in New South Wales with results providing strong encouragement for its future. May Day lies within the highly prospective Cobar region, and exploration efforts show considerable mineralisation is present, along with several unexplained large geophysical anomalies. In the coming months Peel will follow up these targets with an airborne VTEM survey. A drilling programme is planned for early next year.

Peel has continued to advance the Attunga project with drilling at the Attunga Copper Mine earlier this year returning further heartening exploration results including the intersection of high grade molybdenum and gold mineralisation. Renewed strength in the tungsten market, including the European Commission's declaration of the metal as a "critical raw material" has greatly improved the project's development prospects.

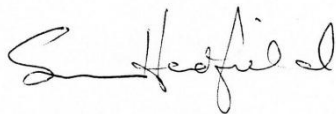
Peel recently announced the acquisition of an option over the Apollo Hill gold project, located in Western Australia's world-renowned Goldfields. Apollo Hill is an advanced gold project where previous exploration has outlined extensive gold mineralisation and alteration over a large area, defining two separate deposits. Apollo Hill has the potential to yield a significant gold resource target with minimal additional exploration and offers excellent exploration upside.

Peel's board of directors believes that the Company's current asset base offers excellent exploration and development potential while the potential acquisition of the Apollo Hill gold project offers significant leverage to an increasingly valuable commodity.

I would like to thank my fellow directors Graham Hardie, Craig McGown and Rob Tyson and Company Secretary David Hocking for their contribution over the past 12 months. I would also like to thank Michael Oates, Steve Leggett and David Vaarwerk who have all contributed to our exploration programmes.

Finally, I would again like to thank our shareholders for their continued support throughout the year.

Yours sincerely



Simon Hadfield
CHAIRMAN

30th September 2010

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Review of Operations

Background

Peel Exploration Limited is focused on precious, base and specialty metals exploration with two key projects in New South Wales, and an option to acquire another in Western Australia.

At September 2010, Peel Exploration held four separate mineral projects covering approximately 350 km² of granted exploration licences, all located in New South Wales. In addition, Peel Exploration has secured an option to acquire the Apollo Hill gold project located in Western Australia.

- **Attunga** contains numerous historic gold, tungsten, molybdenum and copper mines/workings/prospects. Peelex has outlined a high-grade tungsten-molybdenum resource at the Attunga Tungsten Deposit (1.29 Mt at 0.61% WO₃ and 0.05% Mo), and also identified extensive gold mineralisation at the Kensington gold-tungsten prospect.
- **May Day & Gilgunnia** contains the May Day gold-base metal deposit (located on a 100 hectare mining lease), and the historic Gilgunnia goldfield. The May Day deposit, a structurally controlled volcanogenic massive sulphide (VMS) system, is a classic analogue for Cobar-style precious and base metal mineralisation.
- **Mt Tennyson East** contains the historic Kirk and Wades (Mt Tennyson East) molybdenum-tungsten prospect. Initial literature searches indicate that tungsten-molybdenum mineralisation at Mt Tennyson East possibly represents an extension to the current Mt Tennyson molybdenum resource.
- **Yerranderie** contains the historic Yerranderie silver field area. Literature searches indicate that substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie. Peel plans to investigate the potential to retreat and remediate the Yerranderie environ.
- **Apollo Hill** contains two significant gold deposits; Apollo Hill and the Black Zone. These deposits exhibit the hallmarks of a major mineralised Archeansystem, showing extensive and intense hydrothermal alteration and deformation.

Details on Assets

The Attunga project - EL6883 & EL6884 - is located about 20 km north of Tamworth (pop ~42,000), or about 330 km north of Sydney, New South Wales. The licences cover a combined area of about 250 km².

Within the Attunga project, there are three specific areas of interest: the Attunga Tungsten Deposit area; the Attunga Copper Mine prospect and the Kensington gold-tungsten prospect. The Attunga Project area is considered prospective for tungsten-molybdenum skarn-type mineralisation, base/precious metal skarn-type mineralisation, and gold (+/-tungsten) intrusive-related gold system type mineralisation.

During 2010, Peel completed a comprehensive geological and geochemical mapping programme across the main zone of interest at the Attunga project, essentially covering an area centred on the Inlet Monzonite and Peel Fault. The survey area covered all of the major prospects mentioned above and resulted in an updated geological dataset and the identification of new areas of interest for future investigation.

Attunga Tungsten Deposit

Discovered in 1968, the Attunga Tungsten Deposit was subject to an intense, but short lived exploration programme comprising a total of 25 diamond drillholes for 4,236m of drilling to a maximum depth of about 290m. This identified a small high-grade tungsten resource. Subsequent explorers considered that a larger resource of lower grade material was present. Minimal further exploration was completed at the Attunga Tungsten Deposit in the ensuing years.

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The Attunga Tungsten Deposit can be classified as a skarn deposit formed by the intrusion of the Inlet Monzonite into sedimentary rocks of the Middle Devonian Tamworth Group. Tungsten and molybdenum mineralisation occur as fine disseminations and veinlets of scheelite, powellite and molybdenite; primarily within skarn, monzonite and a fine-grained contact rock termed "scheelite rock". Minor mineralisation also occurs in hornfels, calc-silicate hornfels and marble.

During the period 2007-2009, Peel Exploration completed multiple phases of exploration at the Attunga Tungsten Deposit including the completion of an independent JORC-compliant resource estimation in April 2008. A high-grade inferred tungsten-molybdenum resource was defined with results including 1.29 Mt at 0.61% WO₃ and 0.05% Mo for 9,400t contained WO₃ equivalent using a 0.2% WO₃ equivalent cutoff.

In March 2009, Peel completed initial metallurgical testwork resulting in the production of high grade WO₃ concentrate along with a potential process flowsheet. The potential process flow sheet identified would involve staged crushing and grinding, conventional gravity concentration (spirals), drying of gravity concentrates, removal of magnetic gangue material (garnet) via magnetic circuit, and flotation of fine (-75 micron) spiral tails. Secondary processing/mineral dressing would involve further flotation work.

In June 2009, Peel announced that new drilling at Attunga had returned high grade tungsten intercepts including 27m at 0.54% WO₃ and 0.06% Mo from 19m (including 2m at 3.38% WO₃ and 0.27% Mo) from 22m in RC drillhole AP1-026, and 2m at 0.59% WO₃ and 0.03% Mo from 58m in RC drillhole AP1-027.

During financial year 2010, Peel completed an in-house conceptual study into development options for the Attunga Tungsten Deposit with results indicating that a small, low capital expenditure operation could potentially yield positive returns. Peel believes that the deposit's small, high grade nature and proximity to excellent infrastructure and services bodes well for its future advancement/potential development.

Also during 2010, Peel initiated a review of the garnet potential of the Attunga Tungsten Deposit. Geological logging and petrology studies completed to date indicate that the Attunga Tungsten Deposit contains large quantities of garnet. Garnet is used extensively in the sand blasting industry and substantial amounts of garnet are imported into Australia. Peel's metallurgical testwork indicates that a clean garnet concentrate would be a natural by-product of any scheelite recovery operation. Peel plans to retrieve a bulk sample to test the sandblasting qualities and marketability of Attunga's garnet.

Attunga Copper Mine

The Attunga Copper Mine, located about 800m north of the Attunga Tungsten Deposit was discovered in 1902 and worked over various periods up until World War 2. Total recorded production was about 1,600t ore grading ~6% copper, ~8 g/t gold and ~150 g/t silver. Other significant metals present include bismuth, and molybdenum.

Mineralisation at the Attunga Copper Mine occurs in a garnet skarn similar to that at the Attunga Tungsten Deposit. Minimal modern exploration has been completed, however an IP survey completed in the mid-1980s defined multiple anomalies.

In April 2009, Peel completed a transient electromagnetics (TEM) survey with results suggesting that the presence of a moderate, shallow conductor, centred approximately 200m north of the historic Attunga Copper Mine workings. Shortly after, Peel commenced a drilling programme to target the historic Attunga Copper Mine workings and the northern EM anomaly. While thick clays prevented the effective testing of the EM anomaly, drilling to the south of the historic workings resulted in the discovery of strong polymetallic mineralisation. Drillhole ACM-004 returned 75m at 1.02 g/t Au, 0.87% Cu, 0.09% Mo, 0.06% Bi, and 22 g/t Ag from 136m including 27m at 1.60 g/t Au, 1.66% Cu, 0.18% Mo, 0.1% Bi, and 39 g/t Ag from 136m. The true width of the above intervals is construed to be approximately 25% of the downhole intercepts.

Between March and May 2010, Peel completed a programme of six diamond drillholes for 944m drilling that returned encouraging mineralisation up-dip of ACM-004 with an interval of **5.6m at 0.44% Mo, 0.70 g/t Au, 12 g/t Ag, 0.45% Cu, 1.9 g/t Re from 48m and 1.4m at 22.70 g/t Au, 13 g/t Ag, 0.72% Cu from 55m.**

The results from the Attunga Copper Mine confirm the presence of significant molybdenum-gold-copper skarn mineralisation that remains open in several directions and provides encouragement that the Attunga skarn deposits are possibly part of a larger metalliferous system, perhaps including a porphyry/mineralised granite source.

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Kensington gold prospect

The Kensington gold prospect, located about 5 km north of the Attunga Tungsten Deposit, comprises a series of historic gold workings (pre-WW1) across 800m strike with mineralisation outcropping, and covered by a 1,500m long, +100 ppb gold geochemical anomaly, open in several directions. In 1987 diamond drilling intersected extensive low-grade gold mineralisation with better results including 13m at 1.07 g/t Au from 0m and 108m at 0.74 g/t Au from 8m returned.

Gold mineralisation at Kensington is hosted in a complexly faulted/sheared suite of dioritic and andesitic breccias, andesitic volcanic greywacke (also described as lithic arenites) andesitic tuff, carbonaceous shale, metasediments and lamprophyre.

In July 2008, Peel completed an RC drilling programme encountering widespread gold mineralisation with better results including 9m at 1.4 g/t Au from 15m, 5m at 2.76 g/t Au from 60m, 14m at 0.78 g/t Au from 24m and 13m at 1.07 g/t Au. In April 2009, Peel completed an Induced Polarisation (IP) survey at Kensington that highlighted several zones chargeability. Follow-up drilling identified one of these zones as caused by black shale.

In July 2010, Peel commenced a RAB drilling programme designed to test a reported shallow tungsten occurrence and to test for additional near-surface gold. At the time of reporting results remained outstanding. Peel believes that Kensington holds good potential to host a significant gold system with mineralisation remaining open.

The May Day project - ML1361 & EL7461 – located approximately 100km south of the mining town of Cobar in central NSW, contains the historic May Day gold-base metal deposit. In November 2009, Peel completed the acquisition of ML1361 which contains the May Day gold-base metal deposit from Imperial Corporation Ltd (ASX:IMP). Peel issued 2.75 million ordinary shares and replaced the bond relevant to ML1361 in consideration for the May Day lease.

May Day was discovered in 1898 and was initially developed as an underground copper-lead-silver mine. Exploration in the 1970s identified high grade gold-base metal mineralisation to a depth of about 250m below surface. Exploration in the late 1980s defined a shallow gold resource, which eventually led to the development in 1996 of a small-scale mining operation comprising an open pit with a heap leach gold circuit.

In the period since acquisition through June 2010, Peel has completed multiple phases of exploration involving: an initial due diligence site visit inclusive of geological mapping and rock chip sampling; geophysical surveys comprising gravity and Induced Polarisation; remodeling of airborne magnetic data; laser scanning and survey pick-up of the open pit and historic drillholes; and an RC drilling programme.

Geological mapping and rock chip sampling completed as part of due diligence confirmed that May Day mineralisation is structurally controlled and that high grade precious-base metal mineralisation is present within the open pit.

Several geophysical surveys were also completed in advance of drilling and to provide additional geological information about the local geological environment. An approximately 12km² gravity survey and a 15 line kilometre Induced Polarisation (IP) survey was undertaken over the immediate May Day mine environment and 2 kilometres along strike to the northeast. This data, along with regional airborne magnetic data shows that a moderate-to-strong chargeable IP anomaly and a deep (greater than 400m depth) magnetic anomaly is associated with the May Day deposit.

In May 2010, Peel completed a programme of 10 RC drillholes for 1,877m of drilling at the May Day gold-base metal deposit, located about 100km south of Cobar in central-western New South Wales. This drilling programme was primarily designed to test for down-dip extensions to known mineralisation.

Better drill results include the following intercepts:

- **16m at 1.78 g/t Au, 42 g/t Ag, 0.25% Cu, 0.95% Pb, 1.33% Zn from 159m** in MDRC002;
- **24m at 0.96 g/t Au, 20 g/t Ag, 0.07% Cu, 0.70% Pb, 0.85% Zn from 120m** in MDRC004;
- **27m at 2.12 g/t Au, 27 g/t Ag, 0.11% Cu, 0.43% Pb, 0.75% Zn from 120m** in MDRC005;
- **3m at 1.33 g/t Au, 98 g/t Ag, 0.92% Cu, 7.29% Pb, 8.19% Zn from 140m** in MDRC006, and;
- **10m at 2.15 g/t Au, 28 g/t Ag, 0.06% Cu, 0.34% Pb, 0.39% Zn from 213m** in MDRC010.

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Peel is encouraged by the results returned, which confirm down dip extensions and that mineralisation is shear-related and occurs as a sub-vertical lense/shoot. Mineralisation occurs at or near the interbedded contact of a fine-grained sedimentary hangingwall and a porphyritic volcanic footwall, is associated with silica/talc alteration, and includes disseminated through to massive sphalerite-galena-pyrite-pyrrhotite-chalcopyrite sulphides. The true width is estimated to be about 65% of the reported intercepted widths. The May Day deposit appears to be analogous to Cobar-style precious and base metal mineralisation.

Drill results support the Company's belief that the May Day deposit possibly represents "leakage" from a deeper mineralised system. Interpretation of magnetic data indicates the source of a magnetic high anomaly to be located at greater than 400m below surface.

Mt Tennyson East - EL7272 – located about 25 km east of Bathurst, New South Wales, contains the historic Kirk and Wades (Mt Tennyson East) molybdenum-tungsten prospect. Initial literature searches indicate that tungsten-molybdenum mineralisation at Mt Tennyson East possibly represents an extension to the current Mt Tennyson molybdenum resource, with minimal modern exploration having been undertaken.

During 2010, Peel completed the logging, resampling and assaying of historic drillholes MTE-DDH1 and MTE-DDH3. These holes were drilled in 1982 by Australian and New Zealand Exploration Company as part of its investigation of the Mt Tennyson area. Results returned were 7m at 0.19% Mo from 17m and 32m at 0.14% WO₃ from 22m in MTE-DDH1 and 11m at 0.07% Mo from 38m in MTE-DDH3.

Yerranderie - EL7356 – located about 25 km west of Picton, New South Wales, contains the historic Yerranderie silver field. Investigations indicate that substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie.

During 2010, Peel commenced heritage and environmental studies at Yerranderie. Peel also completed a programme of dump grab sampling with results confirming that high levels of silver-gold-lead remain present in tailings at Yerranderie. Results ranged between 112 g/t Ag to 1,450 g/t Ag. Peel also undertook initial metallurgical testwork with results indicating cyanide leaching could yield an average 67% silver recovery and 81% gold recovery on the sample material tested.

Apollo Hill - E39/1198; P31/1797; P39/4586; P39/4587; P39/4588; P39/4589; P39/4590; P39/4591; P39/4592; P39/4677; P39/4678; P39/4679; P39/4789; E31/0685; E31/0800; and E39/1236 – located about 50 km southeast of Leonora, Western Australia, contains two significant gold deposits; Apollo Hill and the Black Zone. These deposits exhibit the hallmarks of a major mineralised Archean gold system, showing extensive and intense hydrothermal alteration and deformation.

In June 2010, Peel announced that it had entered into an option agreement with Hampton Hill Mining NL (ASX:HMM) to acquire the entire issued capital of Apollo Mining Pty Ltd, the 100%-owner of the Apollo Hill gold project in the North Eastern Goldfields of Western Australia. The Apollo Hill gold comprises 16 mineral leases covering about 140 km².

The key terms of the option agreement will see:

- Peel granted an exclusive call option over the assets comprising the Apollo Hill gold project (expiring 30 November 2010);
- Peel completes an aboriginal heritage work programme clearance survey during the option period.

If Peel elects to exercise the option and proceed with the acquisition of Apollo Mining Pty Ltd then the sale agreement will see:

- Peel issue 11 million fully paid ordinary shares to Hampton Hill Mining NL in consideration for the entire issued capital of Apollo Mining Pty Ltd (subject to Peel shareholder approval);
- Hampton Hill Mining NL transfer E31/0685 to Peel (being part of the Apollo Hill gold project - not held by Apollo Mining Pty Ltd);
- Hampton Hill Mining NL granted a 5% gross overriding royalty on Apollo Hill gold production exceeding 1 million ounces.

Fimiston Mining Limited discovered Apollo Hill in December 1986 during a drill program aimed at finding the source of abundant eluvial gold at the base of a prominent hill in the area. Active drilling since then has outlined extensive gold mineralisation and alteration over a one kilometre strike length, which is up to 250m wide and dips 45-60 degrees to the east.

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Multiple gold mineralisation events are interpreted to have occurred at Apollo Hill during a complex deformational history. Gold mineralisation is accompanied by quartz veins and carbonate-pyrite alteration associated with a mafic-felsic contact.

The Apollo Hill gold project straddles a major shear zone, known as the Apollo shear zone, which is a component of the Keith Kilkenny Fault system. This shear zone is largely concealed beneath transported overburden, often associated with the Lake Raeside drainage system, and previous surface geochemical sampling and shallow RAB drilling has consequently been of limited effectiveness. Deeper drilling by previous explorers has largely focussed on the only locality where this shear zone is exposed at surface, Apollo Hill itself, and also on a nearby parallel trend termed the Western trend (Black deposit).

The main Apollo Hill deposit has been drilled by traverse sections spaced 20m to 100m apart. Gold mineralisation is open along strike and down dip on most sections. Preliminary mineral resource studies were undertaken by Fimiston in 1996, however, no detailed report was prepared and hence the resource estimate calculated does not meet ASX JORC code reporting requirements.

Peel has completed an in-depth systematic review of the Apollo Hill database and believes that a significant gold resource target is achievable with minimal additional exploration. Furthermore, it is also apparent that previous exploration has identified multiple gold geochemical anomalies away from the known gold deposits that require priority follow-up.

Dungowan

The Company withdrew from the tenement during the year.

Armidale

The Company withdrew from the tenement during the year.

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Schedule of Tenements

New South Wales				
Project	Number	Holder	Peel Interest	Expiry
Attunga	EL6883	Peel Exploration Ltd	100%	21/09/2011
Attunga	EL6884	Peel Exploration Ltd	100%	21/09/2011
May Day	ML1361	Peel Exploration Ltd	100%	16/01/2011
Gilgunnia	EL7461	Peel Exploration Ltd	100%	04/03/2012
Mt Tennyson East	EL7272	Peel Exploration Ltd	100%	20/01/2011
Yerranderie	EL7356	Peel Exploration Ltd	100%	24/06/2011

Western Australia				
Project	Number	Holder	Peel Interest	Expiry
Apollo Hill	E39/1198	Apollo Mining Pty Ltd	Option to acquire	30/03/2014
Apollo Hill	P31/1797	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4586	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4587	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4588	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4589	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4590	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4591	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4592	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4677	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4678	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4679	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	P39/4789	Apollo Mining Pty Ltd	Option to acquire	30/03/2013
Apollo Hill	E31/0685	Hampton Hill Mining NL	Option to acquire	03/01/2011
Apollo Hill	E31/0800	Apollo Mining Pty Ltd	Option to acquire	25/06/2013
Apollo Hill	E39/1236	Apollo Mining Pty Ltd	Option to acquire	08/06/2013



Rob Tyson
Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Tyson, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Tyson has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking 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.' Mr Tyson consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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Directors Report

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") comprising Peel Exploration Limited and the subsidiary it controlled at the end of, or during the financial year ended 30 June 2010.

Directors

The following persons were directors of Peel Exploration Limited during the financial year and up to the date of this report.

S Hadfield

R Tyson

C McGown

G Hardie appointed 22 February 2010

Directors' Interests in Shares and Options

Directors' interests in shares and options as at 30 June 2010 are set out in the table below.

Director	Shares Directly and Indirectly Held	Options
Simon Hadfield	2,995,765	4,722,873
Robert Tyson	3,798,250	5,122,874
Craig McGown	1,000,000	1,000,000
Graham Hardie	8,015,517	-

Activities

The principal continuing activity of the Group is the exploration for economic deposits of minerals. For the period of this report, the emphasis has been on base and precious metals.

Results

The loss of the Group for the financial year after providing for income tax amounted to \$711,570 (2009: \$725,625).

Dividends

No dividends were paid or proposed during the year.

Review of Operations

A review of the operations of the Group during the financial year and the results of those operations are contained in pages 3 to 7 in this report.

Corporate Structure

The Group comprises Peel Exploration Limited, a limited Company incorporated and domiciled in Australia and its 100% owned subsidiary Peel Environmental Services Limited (formerly Peel Energy Limited) also incorporated and domiciled in Australia.

Significant Changes

Contributed equity increased during the financial year by \$1,260,626 through the issue of:

- (i) 10,309,167 ordinary shares at \$0.0958 each for cash. The cash received from the increase in contributed equity was used principally to continue the company's exploration programs.
- (ii) 2,750,000 ordinary shares at \$0.099 each as consideration for the acquisition of a mining lease.

Details of the changes in contributed equity are disclosed in note 12 to the financial statements.

The Directors are not aware of any other significant changes in the state of affairs of the Group occurring during the financial year, other than disclosed in this report.

Matters Subsequent to the End of the Financial Period

(a) Non-renounceable entitlement Issue

An offer for a pro-rata non-renounceable entitlement issue of one new share for every two shares held by shareholders at an issue price of 7 cents to raise approximately \$1,540,000 was sent by the Company to shareholders on 22 September 2010. The closing date of the offer is 8 November 2010. At the date of this report the Company had received advice from shareholders confirming subscriptions for at least 6,172,758 new shares totalling \$431,793.

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(b) Option to acquire a new subsidiary

The company has announced the details of an option to acquire a 100% interest in the Apollo Hill gold project from Hampton Hill Mining NL. The option expires 30 November 2010. Should Peel exercise the option, then consideration for the acquisition is 11,000,000 fully paid ordinary shares in Peel Exploration Ltd.

Other than these matters, there were at the date of this report no other matters or circumstances which have arisen since 30 June 2010 that have significantly affected or may significantly affect:

- i) the operations of the Group;
- ii) the results of those operations; or
- iii) the state of affairs of the Group.

Likely Developments and Expected Results

As the Group's areas of interest are at an early stage, it is not possible to postulate the likely developments and any expected results.

Information on directors

Simon Hadfield – Non-Executive Chairman

Mr Hadfield has more than 30 years company management experience and has held directorships in publicly-listed industrial and resource companies. Mr Hadfield is Managing Director of Resource Information Unit Pty Ltd.

Robert Maclaine Tyson – Executive Director

Mr Tyson is a geologist with more than 15 years resources industry experience having worked in exploration and mining-related roles for companies including Cyprus Exploration Pty Ltd, Queensland Metals Corporation NL, Murchison Zinc Pty Ltd, Normandy Mining Ltd and Equigold NL. Mr Tyson has more than five years of senior management experience.

Craig McGown FCA – Non-Executive Director

Mr McGown is an Investment Banker with over 35 years experience consulting to companies in Australia and internationally, particularly in the natural resource sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Securities Institute of Australia. Mr McGown is the former Chairman of DJ Carmichael Pty Limited. He is currently a director of the corporate advisory business Resource Investment Capital Advisors Pty Ltd and a Non-Executive Director of Bass Metals Ltd and Non-Executive Chairman of Pioneer Nickel Limited and Entek Energy Limited.

Graham Hardie FCA – Non-Executive Director

Mr Hardie was appointed to the Board on 22nd February 2010. He is the principal of Hardie Finance Corporation, a private Perth-based property development company, and is also the principal of Entertainment Enterprises, a private Perth-based hospitality company. He is a Fellow of the Institute of Chartered Accountants and a former partner in a leading Chartered Accounting firm. He has extensive commercial and financial experience and has held board positions on a number of public companies in the mining, media, transport and retail industries.

Company secretary

The company secretary is Mr D Hocking who was appointed to the position of company secretary in March 2007. Mr Hocking is a qualified Chartered Accountant from the United Kingdom. He has more than 20 years commercial experience in Australia producing management and financial reports for medium sized businesses in a range of industries including publishing, franchising, rural merchandising, financial services and the offshore oil industry. Mr Hocking also brings previous experience as a Company Secretary in a public company.

Meetings of Directors

Director's attendance at Directors meetings are shown in the following table:

Director	Number held whilst in office	Number attended
R Tyson	9	9
S Hadfield	9	9
C McGown	9	9
G Hardie	4	4

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Remuneration Report (Audited)

The remuneration report is set out under the following headings:

- a) Principles used to determine the nature and amount of remuneration
- b) Details of remuneration
- c) Service agreements
- d) Share-based compensation and
- e) Additional information.

a) Principles used to determine the nature and amount of remuneration

The objective of the remuneration framework of Peel Exploration Limited is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

Board and Senior Management

Fees and payments to the non-executive Directors and senior executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board.

Company policy in relation to issuing options and remunerating executives is that directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive directors has been fixed at a maximum of \$200,000 per annum to be apportioned among the non-executive Directors in such a manner as they determine (refer below). Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

Remuneration is not linked to past group performance but rather towards generating future shareholder wealth through share price performance. Peel Exploration Limited listed on 11 May 2007 at 20c per share and the share price at 30 June 2010 was 7c (2009: 16c). The shares recorded high and low points of 13c and 7c during the year, and are trading at 9c on 24th September 2010. The company has recorded a loss each financial year to date as it carries out exploration activities on its tenements. No dividends have been paid.

b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each of the Directors of Peel Exploration Ltd and those senior executives of the Company who received the highest emoluments during the year ended 30 June 2010 are set out in the following table.

Table 1: Director and senior executive remuneration

	<i>Short-Term Employment Benefits</i>			<i>Post Employment</i>	<i>Long-Term Benefits</i>	<i>Share Based Payment</i>	<i>Total</i>	<i>% Performance Related</i>
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Superannuation</i>	<i>Long-service leave</i>	<i>Options</i>		
2010	\$	\$	\$	\$	\$	\$	\$	
Directors								
RM Tyson	110,000	-	-	9,900	-	-	119,900	0%
S Hadfield	50,000	-	-	4,500	-	-	54,500	0%
C McGown	50,000	-	-	4,500	-	-	54,500	0%
G Hardie	16,668			1,500			18,168	0%

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Other executives								
D Hocking	64,800	-	-	5,832	-	-	70,632	0%
Total	291,468	-	-	26,232	-	-	317,700	

	Short-Term Employment Benefits			Post Employment	Long-Term Benefits	Share Based Payment	Total	% Performance Related
	Cash salary and fees	Bonuses, other benefits	Consulting Fees	Superannuation	Long-service leave	Options		
2009	\$	\$	\$	\$	\$	\$	\$	
Directors								
RM Tyson	91,925	-	-	8,273	-	-	100,198	0%
S Hadfield	50,000	-	-	4,500	-	-	54,500	0%
C McGown	50,000	-	-	4,500	-	52,290	106,790	0%
Other executives								
D Hocking	62,400	-	-	5,616	-	-	68,016	0%
Total	254,325	-	-	22,889	-	52,290	329,504	

- Options do not represent cash payments to Directors and executives and options granted may or may not be exercised by the Directors and executives.

c) Service agreements

Remuneration and other terms of employment for the Directors and executives are not formalised in Service/Appointment agreements. Major provisions of employment are set out below:

R Tyson

There is no written contract for Mr Tyson, who received payments and benefits totalling \$119,900 (2009:\$100,198) in his role as executive director of the Company.

S Hadfield

There is no written contract for Mr Hadfield, who received payments and benefits totalling \$54,500 (2009:\$54,500) in his role as a director of the Company.

C McGown

There is no written contract for Mr McGown, who received payments and benefits totalling \$54,500 (2009:\$106,790) in his role as a director of the Company.

G Hardie

There is no written contract for Mr Hardie, who received payments and benefits totalling \$18,168 (2009:\$nil) in his role as a director of the Company.

d) Share-based compensation

Directors

During the previous year options over one million shares in Peel Exploration Limited were granted to a director; Mr Craig McGown. The options vested immediately and were granted for nil consideration pursuant to approval by shareholders at the last Annual General meeting. The options are exercisable at 30cents at any time up to 30 April 2011. The assessed fair value of \$52,290 is included in the remuneration tables above. Fair values at grant date have been determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Employees

Options over shares in Peel Exploration Limited may be granted under the Peel Exploration Limited Employee Option Plan which was created in June 2008 and approved by shareholders at annual general meeting. The Employee Option Plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the plan, participants are granted options 50% of which vest immediately and the remainder vest after twelve months provided the employees are still employed by the Company at the end of the vesting period. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

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Once vested the options are exercisable at \$0.25 up to and including 30 November 2010. Options granted under the plan carry no dividend or voting rights.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting period is as follows:

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
23 June 2008	23 June 2008 (50%) 23 June 2009 (50%)	30 November 2010	25 cents	7 cents
5 December 2008	5 December 2008	30 April 2011	30 cents	5 cents

e) Additional Information

Details of remuneration: cash bonuses, options

No cash bonuses have been paid by the Company.

Share-based compensation: options

There were no options issued to or exercised by directors of Peel Exploration Limited or other key management personnel during the year.

End of Audited Remuneration Report

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

<i>Date options granted</i>	<i>Expiry date</i>	<i>Issue price of shares</i>	<i>Number under option</i>
8 March 2007 (shareholders)	30 November 2010	20 cents	7,500,000
8 March 2007 (directors)	30 November 2010	30 cents	7,500,000
11 September 2007 (shareholders)	30 November 2010	20 cents	14,973,000
23 June 2008 (employees)	30 November 2010	25 cents	580,000
5 December 2008 (director)	30 April 2011	30 cents	1,000,000
			31,553,000

No option holder has any right under the options to participate in any other share issue of the company.

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year on the exercise of options.

	<i>Issue price of shares</i>	<i>Number of shares issued</i>
1 September 2009	20 cents	250

No ordinary shares of the Company were issued during the previous year on the exercise of options.

Indemnification and Insurance of Directors and Officers

During the financial year the Company paid a premium of \$15,428 to insure the directors and company secretary of the Group. The policy insures each person who is or was a director or company secretary of the Group against certain liabilities arising in the course of their duties. The directors have not disclosed the amount of the premiums paid as such disclosure is prohibited under the terms of the policy.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

Environmental Performance

Peel Exploration Limited holds exploration licences issued by the NSW Department of Primary Industry and a mining licence issued by the WA Department of Mining. These licences specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the respective Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

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The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use, despite strong reservations about the misguided purposes and overly bureaucratic nature of this legislation. For the measurement period 1 July 2009 to 30 June 2010 the directors have assessed that there are no current reporting requirements. Disclosures may be required in future years if the Act remains in place in its present form.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included at the end of this financial report.


Auditor

BDO Audit (WA) Pty Ltd continues in office under section 327 of the Corporations Act 2001.

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important. There were no non-audit services provided by the auditors or their related entities during the year.

This report is made in accordance with a resolution of the Board of Directors and signed for on behalf of the board by:

A handwritten signature in black ink, appearing to read 'S Hadfield', is written over a faint, light-colored rectangular stamp or watermark.

Simon Hadfield

Chairman of Directors

Perth, Western Australia

Dated on this the 30th day of September 2010

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Statements of Comprehensive Income for the year ended 30 June 2010

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Revenue from continuing operations	3	43,850	98,750	43,850	98,750
Share-based remuneration to employees	23	-	(52,290)	-	(52,290)
Depreciation expense	8	(29,126)	(28,859)	(29,126)	(28,859)
Employee and directors' benefit expenses		(337,511)	(366,402)	(337,511)	(366,402)
Exploration expenditure written off	9	(224,787)	(219,185)	(224,787)	(219,185)
Administration expenses		(163,996)	(157,639)	(162,666)	(156,919)
Loss before income tax		(711,570)	(725,625)	(710,240)	(724,905)
Income tax expense	4	-	-	-	-
Loss from continuing operations		<u>(711,570)</u>	<u>(725,625)</u>	<u>(710,240)</u>	<u>(724,905)</u>
Total comprehensive loss for the year is attributable to the members of Peel Exploration Limited		<u>(711,570)</u>	<u>(725,625)</u>	<u>(710,240)</u>	<u>(724,905)</u>
Basic and diluted loss per share (cents per share)	22	(0.02)	(0.02)		

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes

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Statements of Financial Position for the year ended 30 June 2010

	Note	Consolidated		Parent Entity		Parent Entity
		2010	2009	2010	2009	2008
		\$	\$	\$	\$	\$
Current Assets						
Cash and cash equivalents	5	710,490	901,020	710,490	901,020	2,030,930
Trade and other receivables	6	46,939	31,233	46,939	31,233	24,478
Total Current Assets		<u>757,429</u>	<u>932,253</u>	<u>757,429</u>	<u>932,253</u>	<u>2,055,408</u>
Non-Current Assets						
Security deposits	7	125,000	80,000	125,000	80,000	60,000
Plant & equipment	8	46,033	55,896	46,033	55,896	84,754
Capitalised exploration expenditure	9	1,891,521	1,119,965	1,891,521	1,119,965	510,915
Investment in subsidiary	10	-	-	5,000	5,000	-
Total Non-Current Assets		<u>2,062,554</u>	<u>1,255,861</u>	<u>2,067,554</u>	<u>1,260,861</u>	<u>655,669</u>
Total Assets		<u>2,819,983</u>	<u>2,188,114</u>	<u>2,824,983</u>	<u>2,193,114</u>	<u>2,711,077</u>
Current Liabilities						
Trade and other payables	11	186,730	103,917	189,680	108,197	88,545
Total Current Liabilities		<u>186,730</u>	<u>103,917</u>	<u>189,680</u>	<u>108,197</u>	<u>88,545</u>
Total Liabilities		<u>186,730</u>	<u>103,917</u>	<u>189,680</u>	<u>108,197</u>	<u>88,545</u>
Net Assets		<u>2,633,253</u>	<u>2,084,197</u>	<u>2,635,303</u>	<u>2,084,917</u>	<u>2,622,532</u>
Equity						
Contributed equity	12	4,162,547	2,901,921	4,162,547	2,901,921	2,766,921
Accumulated losses		(2,098,816)	(1,387,246)	(2,096,766)	(1,386,526)	(661,621)
Option reserve	13	569,522	569,522	569,522	569,522	517,232
Total Equity		<u>2,633,253</u>	<u>2,084,197</u>	<u>2,635,303</u>	<u>2,084,917</u>	<u>2,622,532</u>

The above Statements of Financial Position should be read in conjunction with the accompanying notes

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Statements of Changes in Equity for the year ended 30 June 2010

	CONSOLIDATED			
	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2008	2,766,921	(1,172,536)	517,232	2,111,617
Adjustment on change in accounting policy	-	510,915	-	510,915
Restated total equity at 1 July 2008	2,766,921	(661,621)	517,232	2,622,532
Total comprehensive income for the year	-	(725,625)	-	(725,625)
	2,766,921	(1,387,246)	517,232	1,896,907
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	135,000	-	-	135,000
Share-based payments	-	-	52,290	52,290
Balance at 30 June 2009	2,901,921	(1,387,246)	569,522	2,084,197
Total comprehensive income for the year	-	(711,570)	-	(711,570)
	2,901,921	(2,098,816)	569,522	(1,372,627)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	1,305,941	-	-	1,305,941
Share issue expenses	(45,315)	-	-	(45,315)
Balance at 30 June 2010	4,162,547	(2,098,816)	569,522	2,633,253
	PARENT ENTITY			
	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2008	2,766,921	(1,172,536)	517,232	2,111,617
Adjustment on change in accounting policy	-	510,915	-	510,915
Restated total equity at 1 July 2008	2,766,921	(661,621)	517,232	2,622,532
Total comprehensive income for the year	-	(724,905)	-	(724,905)
	2,766,921	(1,386,526)	517,232	1,897,627
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	135,000	-	-	135,000
Share-based payments	-	-	52,290	52,290
Balance at 30 June 2009	2,901,921	(1,386,526)	569,522	2,084,917
Total comprehensive income for the year	-	(710,240)	-	(710,240)
	2,901,921	(2,096,766)	569,522	(1,374,677)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	1,305,941	-	-	1,305,941
Share issue expenses	(45,315)	-	-	(45,315)
Balance at 30 June 2010	4,162,547	(2,096,766)	569,522	2,635,303

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes

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Statements of Cash Flows for the year ended 30 June 2010

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(659,187)	(734,610)	(657,857)	(733,890)
Interest received		43,850	98,750	43,850	98,750
Net cash outflow from operating activities	20	<u>(615,337)</u>	<u>(635,860)</u>	<u>(614,007)</u>	<u>(635,140)</u>
Cash flows from investing activities					
Payment for mineral exploration expenditure		(496,556)	(609,050)	(496,556)	(609,050)
Payment of security deposits		(45,000)	(20,000)	(45,000)	(20,000)
Payments for purchase of plant and equipment		<u>(19,263)</u>	<u>-</u>	<u>(19,263)</u>	<u>-</u>
Net cash outflow from investing activities		<u>(560,819)</u>	<u>(629,050)</u>	<u>(560,819)</u>	<u>(629,050)</u>
Cash flows from financing activities					
Proceeds from issue of shares		1,030,941	135,000	1,030,941	135,000
Transaction costs of issue of shares		(45,315)	-	(45,315)	-
Purchase of investment in subsidiary company		-	-	-	(5,000)
Loan (to)/from related company		<u>-</u>	<u>-</u>	<u>(1,330)</u>	<u>4,280</u>
Net cash inflow from financing activities		<u>985,626</u>	<u>135,000</u>	<u>984,296</u>	<u>134,280</u>
Net decrease in cash and cash equivalents		(190,530)	(1,129,910)	(190,530)	(1,129,910)
Cash and cash equivalents at the start of year		<u>901,020</u>	<u>2,030,930</u>	<u>901,020</u>	<u>2,030,930</u>
Cash and cash equivalents at the end of year		<u>710,490</u>	<u>901,020</u>	<u>710,490</u>	<u>901,020</u>

The above Statements of Cash Flows should be read in conjunction with the accompanying notes

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Notes to the Accounts

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for Peel Exploration Limited as an individual entity and the consolidated entity comprising Peel Exploration Limited and its subsidiary, Peel Environmental Services Limited.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial statements are presented in Australian Dollars, which is also the company and Group's functional currency.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Peel Exploration Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Change in Accounting Policy

Segment Reporting

Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the group as the Executive Director and other members of the Board of Directors.

Presentation of Financial Statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on 30 June 2010.

Exploration Expenditure

All exploration expenditure is now being capitalised under AASB 6 *Exploration for and Evaluation of Mineral Resource*. Mineral interest acquisition, exploration and evaluation expenditure incurred is accumulated and capitalised in relation to each identifiable area of interest. These costs are only carried forward to the extent that the Group's right to tenure to that area of interest are current and either the costs are expected to be recouped through successful development and exploitation of the area of interest (alternatively by sale) or where areas of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active, and significant operations in, or in relation to, the area of interest. This is different to previous years where all exploration expenditure for each area of interest was expensed to the profit and loss as incurred.

This change in policy was made as the Board believes it will result in the financial report providing reliable and more relevant information about the effects of these transactions on the Groups financial position and financial performance. The change in policy has been made in accordance with AASB 108 *Changes in Accounting*.

Peel Exploration Limited has retrospectively applied the change in accounting policy as if it had always applied and therefore has restated exploration and evaluation expenditure in relation to each area of interest for comparative purposes, including adjustment to the opening balances to the 2009 financial year to show the full effect of this change in accounting policy.

During the financial year 2008, Peel was a consolidated entity and therefore only required disclosure for the parent entity

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The impact of the change in policy has been as follows:

2008

Parent	30 June 2008	Increase/ (Decrease)	1 July 2008 Restated
Balance Sheet (Extract)			
Exploration Expenditure	-	510,915	510,915
Net Assets	2,111,617	510,915	2,622,532
Accumulated Losses	(1,172,536)	510,915	(661,621)
Total Equity	2,111,617	510,915	2,622,532

2009

Group	30 June 2009	Increase/ (Decrease)	1 July 2009 Restated
Balance Sheet (Extract)			
Exploration Expenditure	510,915	609,050	1,119,965
Net Assets	1,475,147	609,050	2,084,197
Accumulated Losses	(1,996,296)	609,050	(1,387,246)
Total Equity	1,475,147	609,050	2,084,197

2009

Parent	30 June 2009	Increase/ (Decrease)	1 July 2009 Restated
Balance Sheet (Extract)			
Exploration Expenditure	510,915	609,050	1,119,965
Net Assets	1,475,867	609,050	2,084,917
Accumulated Losses	(1,995,576)	609,050	(1,386,526)
Total Equity	1,475,867	609,050	2,084,917

Statement of Financial Position balances other than those mentioned above were not affected by the retrospective adoption of the revised policy.

2009

Group & Parent	2009	Loss Increase/ (Decrease)	2009 Restated
Income Statement (Extract)			
Exploration Expenditure	640,717	(476,153)	164,564
Salaries & Employee Benefits	344,713	(132,897)	211,816
Loss for the Year - Group	1,333,955	(609,050)	724,905
Loss for the year - Parent	1,334,675	(609,050)	725,625

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(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Peel Exploration Limited (the parent entity) and Peel Environmental Services Limited (the controlled entity) which Peel Exploration Limited controlled during the year and at reporting date ("the Group"). A controlled entity is any entity that Peel Exploration Limited has the power to control the financial and operational policies so as to obtain benefits from its activities.

Information from the financial statements of the subsidiary is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated except where costs cannot be recovered.

The investment in the subsidiary is carried at cost in the parent entity.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Revenue is recognised as the interest accrues using the effective interest rate method.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss for the year.

(f) Impairment of assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset.

No impairment losses (2009: \$nil) have been recognised for the year ending 30 June 2010.

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(g) Cash and cash equivalents

For statement of cash flows preparation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in the current liabilities on the statement of financial position.

(h) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the group will not be able to collect the debts. The allowance for bad debts is recognised in a separate account. Bad debts are written off when identified.

(i) Other financial assets – security deposits

Security deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(k) Plant and equipment

All assets acquired, including plant and equipment are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Depreciation on Plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives from the time the asset is held ready for use as follows:

- Plant	3-5 years
- Vehicles	3-5 years
- Office equipment	3-5 years
- Computer software	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Exploration and evaluation expenditure

All exploration expenditure is capitalised under AASB 6 *Exploration for and Evaluation of Mineral Resource*. Mineral interest acquisition, exploration and evaluation expenditure incurred is accumulated and capitalised in relation to each identifiable area of interest. These costs are only carried forward to the extent that the Group's right to tenure to that area of interest are current and either the costs are expected to be recouped through successful development and exploitation of the area of interest (alternatively by sale) or where areas of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active, and significant operations in, or in relation to, the area of interest. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

The policy has resulted in exploration expenditure of \$172,432 (2009: \$107,380) being written off during the year.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

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Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity acquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(p) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable is included as a current asset in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from the taxation authority are classified as operating cash flows.

(r) Significant Judgements and Critical Estimates

Capitalisation and carrying amount of capitalised mining license

The mining lease which was acquired during the financial year is carried in the statement of financial position at cost. The directors have determined that the acquisition cost approximates to the fair value of the asset.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief decision maker has been identified as the Board of Directors.

Change in Accounting Policy

The group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Comparatives for 2009 have been restated.

(t) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reasonably estimated. Provisions are not recognised for operating losses.

(u) Financials Assets

The Group classifies its financial assets as loans and receivables. Management determines the classification at initial recognition and where applicable re-evaluates this designation at the end of each reporting period. Loans and receivables are carried at amortised cost using the effective interest method. The group assesses at the end of each financial period whether a financial asset is impaired.

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(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's or the parent entity's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's or the parent entity's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact but at this stage it does not consider that the standard will have any effect on the group's or the parent entity's financial statements. The group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's or the parent entity's financial statements. The group intends to apply the amendment from 1 July 2011.

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2. Financial Risk Management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group manages its credit risk on financial instruments, including cash, by only dealing with banks licensed to operate in Australia and credit ratings of AA.

Trade and other receivables

The Group operates in the mining exploration sector and does not have trade receivables. It is not exposed to credit risk in relation to trade receivables.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Carrying amounts	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Trade and other receivables	6	3,577	5,198	3,577	5,198
Cash and cash equivalents	5	710,490	901,020	710,490	901,020

Impairment losses

None of Group's other receivables are past due. At 30 June 2010 the Group does not have any collective impairments on its other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Group ensures it has sufficient cash on hand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

	Consolidated			Parent Company		
	Carrying Amount	Contractual Cash flows	6mths or less	Carrying Amount	Contractual Cash flows	6mths or less
30 June 2010	\$	\$	\$	\$	\$	\$
Trade and other payables	186,730	186,730	186,730	189,680	189,680	189,680
30 June 2009						
Trade and other payables	103,917	103,917	103,917	108,197	108,197	108,197

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of managing market risk is to manage and control market risk exposures to within acceptable limits, while optimising returns. The Group does not have any risks associated with foreign exchange rates or equity prices.

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the costs of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. The Group does not have any borrowings and is, therefore, not exposed to interest rate risk in this area. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

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Profile

At the reporting date the interest rate profile of the Group and the Company's interest-bearing financial instruments was:

Variable rate instruments	Consolidated		Company	
	Carrying	Amount	Carrying	Amount
	2010	2009	2010	2009
	\$	\$	\$	\$
Short term cash deposits	551,238	854,774	551,238	854,774

Cash flow sensitivity analysis for variable rate instruments

Group

At 30 June 2010 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been \$5,512 higher/lower (2009: \$8,548).

Parent company

At 30 June 2010 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been \$5,512 higher/lower (2009: \$8,548).

Fair values

The carrying values of all financial assets and financial liabilities, as disclosed in the balance sheets, approximate their fair values.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
3. Revenue				
Interest received	43,850	98,750	43,850	98,750
Expenditure				
Superannuation	34,799	19,442	34,799	19,422
Operating lease payments	36,000	36,000	36,000	36,000
4. Income tax				
Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Numeric reconciliation of income tax expense to prima facie tax payable:				
Accounting loss before income tax	(711,470)	(1,334,675)	(710,240)	(1,333,955)
At the statutory income tax rate of 30% (2009: 30%)	(213,441)	(400,403)	(213,072)	(400,187)
Expenditure not allowed for income tax purposes:				
Non-deductible expenses	-	15,687	-	15,687
Tax loss not brought to account	213,441	384,716	213,072	384,500
Income tax benefit reported in the income statement	-	-	-	-

The Company has tax losses arising in Australia of \$1,499,242 (2009: \$1,324,454) that are available indefinitely for offset against future profits of the Company. No deferred tax asset has been recognised in respect of these losses at this point in time as the Company is still engaged in exploration activities. In the year to 30 June 2010 the Company also had an unrecognised deferred tax asset in respect of equity raising costs of \$41,884 (2009: \$28,289). The deferred tax liability arising from capitalised exploration costs and license acquisitions have been recognised and offset by the deferred tax asset balances above.

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	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
5. Cash and Cash Equivalents				
Cash at bank and in hand	159,252	46,246	159,252	46,246
Term deposit with a financial institution	<u>551,238</u>	<u>854,774</u>	<u>551,238</u>	<u>854,774</u>
	<u>710,490</u>	<u>901,020</u>	<u>710,490</u>	<u>901,020</u>
6. Trade and other receivables				
GST recoverable from taxation authority	3,577	26,035	3,577	26,035
Interest accrued on term deposits	<u>43,362</u>	<u>5,198</u>	<u>43,362</u>	<u>5,198</u>
	<u>46,939</u>	<u>31,233</u>	<u>46,939</u>	<u>31,233</u>
7. Receivables (Non-current)				
Security deposits on mining tenements	<u>125,000</u>	<u>80,000</u>	<u>125,000</u>	<u>80,000</u>
	<u>125,000</u>	<u>80,000</u>	<u>125,000</u>	<u>80,000</u>
8. Plant and equipment				
Plant and equipment				
At cost	109,277	90,014	109,277	90,014
Less accumulated depreciation	<u>63,244</u>	<u>34,119</u>	<u>63,244</u>	<u>34,119</u>
	<u>46,033</u>	<u>55,895</u>	<u>46,033</u>	<u>55,895</u>
Reconciliation				
Carrying amount at beginning of year	55,895	84,754	55,895	84,754
Additions	19,264	-	19,264	-
Depreciation expense	<u>(29,126)</u>	<u>(28,859)</u>	<u>(29,126)</u>	<u>(28,859)</u>
Closing balance	<u>46,033</u>	<u>55,895</u>	<u>46,033</u>	<u>55,895</u>

	Consolidated		Parent Entity		
	2010	2009	2010	2009	2008
	\$	\$	\$	\$	\$
9. Exploration expenditure					
At cost	<u>1,891,521</u>	<u>1,119,965</u>	<u>1,891,521</u>	<u>1,119,965</u>	<u>510,915</u>
<i>Reconciliations</i>					
Movement in the carrying amounts of capitalised exploration expenditure between the beginning and end of the current financial year.					
Opening balance	1,119,965	510,915	1,119,965	510,915	52,903
Acquisition of mining lease	275,000	-	275,000	-	-
Other exploration expenditure	668,988	716,430	668,988	716,430	458,012
Written off during year	<u>(172,432)</u>	<u>(107,380)</u>	<u>(172,432)</u>	<u>(107,380)</u>	<u>-</u>
Closing net book amount	<u>1,891,521</u>	<u>1,119,965</u>	<u>1,891,521</u>	<u>1,119,965</u>	<u>510,915</u>

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale of the associated tenements.

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10. Subsidiary company

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(a):

Name	Country of incorporation	Class of shares	Equity holding	
			2010 %	2009 %
Peel Environmental Services Limited	Australia	Ordinary	100	100
		Consolidated	Parent Entity	
		2010	2010	2009
		\$	\$	\$

11. Trade and other payables

Trade payables	186,730	103,917	186,730	103,917
Other payable	-	-	2,950	4,280
	<u>186,730</u>	<u>103,917</u>	<u>189,680</u>	<u>108,197</u>

12. Contributed equity

(a) Share capital

	Consolidated and Parent Entity			
	2010		2009	
	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	<u>43,985,917</u>	<u>4,162,547</u>	<u>30,926,750</u>	<u>2,901,921</u>

(b) Movements in ordinary share capital

Opening balance, 1 July	30,926,750	2,901,921	30,026,750	2,766,921
Shares issued pursuant to placement	7,015,517	701,551	900,000	135,000
Shares issued pursuant to a 'Rights Issue'	3,293,400	329,340	-	-
Shares issued as consideration for the acquisition of a mining lease	2,750,000	275,000		
Shares issued as result of exercise of options	250	50	-	-
Initial cost of options exercised	-	-	-	-
Transaction costs on share issues	<u>-</u>	<u>(45,315)</u>	<u>-</u>	<u>-</u>
Closing balance, 30 June	<u>43,985,917</u>	<u>4,162,547</u>	<u>30,926,750</u>	<u>2,901,921</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to options issued during the year is set out in note 13.

(e) Capital risk management

In employing its capital (or equity as it is referred to on the statement of financial position) the company seeks to ensure that it will be able to continue as a going concern and in time provide value to shareholders by way of increased market capitalisation or dividends. In the current stage of its development, the company has invested its available capital in acquiring and exploring mining tenements. As is appropriate at this stage, the company is funded entirely by equity.

As it moves forward to develop its tenements towards a production stage, the company will adjust its capital structure to support its operational and strategic objectives, by raising additional capital or taking on debt, as is seen to be appropriate from time to time given the overriding objective of creating shareholder value. In this regard, the board will consider each step forward in the development of the company on its merits and in the context of the then capital markets, in deciding how to structure capital raisings.

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	Note	Consolidated		Parent Entity		Parent Entity
		2010	2009	2010	2009	2008
		\$	\$	\$	\$	\$
13. Reserves						
<i>(i) Accumulated losses</i>						
Opening balance, 1 July		(1,387,246)	(661,621)	(1,386,526)	(661,621)	(361,985)
Loss for the year		<u>(711,570)</u>	<u>(725,625)</u>	<u>(710,240)</u>	<u>(724,905)</u>	<u>(299,636)</u>
Closing balance, 30 June		<u>(2,098,816)</u>	<u>(1,387,246)</u>	<u>(2,096,766)</u>	<u>(1,386,256)</u>	<u>(661,621)</u>
<i>(ii) Share-based payments reserve</i>						
Opening balance, 1 July		569,522	517,232	569,522	517,232	
Option expenses (director options)		-	52,290	-	52,290	
Option expenses (payment on shareholder options)		-	-	-	-	
Option expenses (employee options)		-	-	-	-	
Closing balance, 30 June		<u>569,522</u>	<u>569,522</u>	<u>569,522</u>	<u>569,522</u>	

Nature and purpose of reserve

The share-based payment reserve represents the fair value of equity benefits provided to Directors and employees as part of their remuneration for services provided to the Company paid for by the issue of equity.

Share options and reserve movements

	Consolidated and Parent Entity			
	2010		2009	
	Options	\$	Options	\$
Opening balance, 1 July	31,573,250	569,522	30,573,250	517,232
Issued to director	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>52,290</u>
Closing balance, 30 June	<u>31,573,250</u>	<u>569,522</u>	<u>31,573,250</u>	<u>569,522</u>
- exercisable at 20cents each on or before 30 November 2010	22,473,250		22,473,250	
- exercisable at 30cents each on or before 30 November 2010	7,500,000		7,500,000	
- exercisable at 25cents each on or before 30 November 2010	600,000		600,000	
- exercisable at 30cents each on or before 30 April 2011	<u>1,000,000</u>		<u>1,000,000</u>	
	<u>31,573,250</u>		<u>31,573,250</u>	

Model inputs for director options granted during the year ended 30 June 2009 included:

Underlying security spot price	\$0.160
Exercise price	\$0.30
Dividend rate	Nil
Standard deviation of returns (annualised)	75%
Risk free rate	6.97%
Valuation Date	20-October-2008
Expiry date	30-April-2011
Expiration period (years)	2.53
Black Scholes valuation (\$ per security)	0.05
Binomial valuation (\$ per security)	0.05

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The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

14. Remuneration of Auditors

	Consolidated		Parent Entity	
	2010	2009	2010	2009
Amounts paid or due and payable to the auditors				
BDO Audit (WA) Pty Ltd:	\$	\$	\$	\$
Auditing or reviewing the financial report	<u>27,246</u>	<u>39,859</u>	<u>27,246</u>	<u>39,859</u>
	<u>27,246</u>	<u>39,859</u>	<u>27,246</u>	<u>39,859</u>

15. Contingencies

The Group had no contingent assets or liabilities for the years ended 30 June 2010 and 2009.

16. Expenditure commitments

Under the terms of mineral tenement licences held by the company, minimum annual expenditure obligations are required to be expended during the forthcoming financial year in order for the tenements to maintain a status of good standing. This expenditure may be subject to variation from time to time in accordance with Department of Industry and Resources regulations.

Expenditure commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Within one year	136,000	303,000	136,000	303,000
Later than one year but not later than five years	157,000	305,000	157,000	305,000
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>293,000</u>	<u>608,000</u>	<u>293,000</u>	<u>608,000</u>

17. Segment information

Management has determined that the Group has one reportable segment, being mineral exploration within Australia. The Group is focused only on mineral exploration and the Board monitors the group based on actual versus budgeted exploration expenditure incurred by the individual areas of interest in New South Wales and Western Australia. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revenue from external sources	-	-	-	-
Reportable segment (loss)	(273,714)	(337,223)	(273,714)	(337,223)
Reportable segment assets	1,937,554	1,175,861	193,755	1,175,861
Reconciliation of reportable segment (loss)				
Reportable segment (loss)	(273,714)	(337,223)	(273,714)	(337,223)
Other profit	43,850	98,750	43,850	98,750
Unallocated: - Corporate expenses	<u>(481,706)</u>	<u>(487,152)</u>	<u>(480,376)</u>	<u>(486,432)</u>
Loss before tax	<u>(711,570)</u>	<u>(725,625)</u>	<u>(710,240)</u>	<u>(724,905)</u>

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18. Related Parties

Transactions with related parties

During the year there were no transactions with related parties other than the transactions shown in note 23.

19. Events occurring after the Reporting date

(a) Non-renounceable entitlement Issue

An offer for a pro-rata non-renounceable entitlement issue of one new share for every two shares held by shareholders at an issue price of 7 cents to raise approximately \$1,540,000 was sent by the Company to shareholders on 22 September 2010. The closing date of the offer is 8 November 2010. At the date of this report the Company had received advice from shareholders confirming subscriptions for at least 6,172,758 new shares totalling \$431,793.

(b) Option to acquire a new subsidiary

The company has announced the details of an option to acquire a 100% interest in the Apollo Hill gold project from Hampton Hill Mining NL. The option expires 30 November 2010. Should Peel exercise the option, then consideration for the acquisition is 11,000,000 fully paid ordinary shares in Peel Exploration Limited.

Other than these matters, there were at the date of this report no other matters or circumstances which have arisen since 30 June 2010 that have significantly affected or may significantly affect:

1. the operations of the Group;
2. the results of those operations;
3. or the state of affairs of the Group.

20. Reconciliation of the cash flows from operating activities to loss after income tax

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Net cash outflow from operating activities		(615,337)	(635,860)	(614,007)	(635,140)
Share-based payments		-	(52,290)	-	(52,290)
Depreciation		(29,126)	(28,858)	(29,126)	(28,858)
Change in operating assets and liabilities					
Increase in receivables		15,706	6,755	15,706	6,755
decrease/(increase) in payables		(82,813)	(15,372)	(82,813)	(15,372)
Loss after income tax		<u>(711,570)</u>	<u>(725,625)</u>	<u>(710,240)</u>	<u>(724,905)</u>

21. Non-cash investing and financing activities

Acquisition of a mining lease by issue of 2,750,000 ordinary shares at 10 cents each	<u>275,000</u>	<u>-</u>	<u>275,000</u>	<u>-</u>
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22. Loss per share

	Consolidated	
	2010	2009
	\$	\$
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	(0.02)	(0.02)
Reconciliation of loss used in calculation of loss per share		
Loss used in calculating basic loss per share	<u>(711,570)</u>	<u>(725,625)</u>

	Consolidated	
	Number of shares 2010	Number of shares 2009
Weighted average number of shares used as the denominator		
Weighted average number of shares used in calculating basic loss per share	<u>39,399,001</u>	<u>30,926,750</u>

Effect of dilutive securities

Options on issue at reporting date could potentially dilute earnings per share in the future. The effect in the current year is to reduce the loss per share hence they are considered anti-dilutive. Accordingly diluted loss per share has not been disclosed.

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23. Key Management Personnel Disclosures

(a) Compensation of key management personnel

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Short-term employee benefits	291,468	254,325	291,468	254,325
Post-employment benefits	26,232	22,889	26,232	22,889
Long-term benefits	-	-	-	-
Share-based payments	-	52,290	-	52,290
	<u>317,700</u>	<u>329,504</u>	<u>317,700</u>	<u>329,504</u>

(b) Shares issued on exercise of compensation options

There were no shares issued on exercise of compensation options during the year.

(c) Option holdings of key management personnel

	Balance at the start of the year	Granted as compensation	Granted, non-compensation	Exercised	Balance at end of the year	Vested and exercisable	Unvested
30 June 2010							
Directors							
R Tyson	5,122,874	-	-	-	5,122,874	5,122,874	-
S Hadfield	4,722,873	-	-	-	4,722,873	4,722,873	-
C McGown	1,000,000	-	-	-	1,000,000	1,000,000	-
Executives							
D Hocking	200,000	-	-	-	200,000	200,000	-

All vested options are exercisable at the end of the year.

	Balance at the start of the year	Granted as compensation	Granted, non-compensation	Exercised	Balance at end of the year	Vested and exercisable	Unvested
30 June 2009							
Directors							
R Tyson	5,122,874	-	-	-	5,122,874	5,122,874	-
S Hadfield	4,722,873	-	-	-	4,722,873	4,722,873	-
C McGown	-	1,000,000	-	-	1,000,000	1,000,000	-
Executives							
D Hocking	200,000	-	-	-	200,000	200,000	-

All vested options are exercisable at the end of the year.

(d) Share holdings of key management personnel

Shares in Peel Exploration Limited (number)

	Balance at 1 July 2009	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2010
30 June 2010				
Directors				
G Hardie	-	-	8,015,517	8,015,517
R Tyson	2,644,750	-	1,153,500	3,798,250
S Hadfield	2,100,000	-	895,765	2,995,765
C McGown	-	-	1,000,000	1,000,000

Of the balance at 30 June 2010, the amounts held nominally in respect of each director are: R Tyson 2,800,000 and S Hadfield 1,000,000.

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	Balance at 1 July 2008	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2009
30 June 2009				
Directors				
R Tyson	2,598,750	-	46,000	2,644,750
S Hadfield	2,100,000	-	-	2,100,000

Of the balance at 30 June 2009, the amounts held nominally in respect of each director are: R Tyson 2,100,000 and S Hadfield 1,000,000.

(e) Other transactions with key management personnel

A director, S Hadfield, is a director of Resource Information Unit Pty Ltd (RIU). RIU provides head office accommodation and secretarial services and charges the Company management fees on a monthly basis. Total fees charged to the Company by RIU for the year ended 30 June 2010 were \$36,000 (2009: \$36,000). During the year the Company also placed an advertisement to the value of \$1,600 (2009: \$1,510) in a publication owned and operated by RIU. These amounts are included in loss for the year within administration expenses and on the statement of financial position within trade and other payables at year end.

Aggregate amounts of each of the above types of other transactions with key management personnel of Peel Exploration Limited:

Amounts recognised as expense	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Management fees	36,000	36,000	36,000	36,000
Advertisements	1,600	1,510	1,600	1,510
	<u>37,600</u>	<u>37,510</u>	<u>37,600</u>	<u>37,510</u>

24. Share-based Payments

The Company has granted Director Options during the previous year pursuant to approval by shareholders obtained at Annual General Meeting.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Options granted to directors	-	52,290	-	52,290
Options granted to employees	-	-	-	-
	<u>-</u>	<u>52,290</u>	<u>-</u>	<u>52,290</u>

(a) Director options

Set out below are summaries of Directors options granted.

30 June 2010

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number
8 Mar'07	30 Nov'10	\$0.30	5,000,000	-	-	5,000,000	5,000,000
5 Dec'08	30 April'11	\$0.30	1,000,000	-	-	1,000,000	1,000,000
Total			6,000,000	-	-	6,000,000	6,000,000

30 June 2009

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number
8 Mar'07	30 Nov'10	\$0.30	5,000,000	-	-	5,000,000	5,000,000

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5 Dec'08	30 April'11	\$0.30	-	1,000,000		1,000,000	1,000,000
Total			5,000,000	1,000,000	-	6,000,000	6,000,000

(b) Employee option plan

An employee option plan, designed to provide long-term incentives for senior employees to deliver long-term shareholder returns, was established in June 2008. The plan was approved by shareholders at annual general meeting. Under the plan, participants are granted options of which 50% are vested immediately and the remainder after 12 months employment with the Company.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share at an exercise price of 25 cents.

Set out below are summaries of options granted under the plan.

30 June 2010

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
23 Jun'08	30 Nov'10	\$0.25	600,000	-	-	600,000	600,000

30 June 2009

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
23 Jun'08	30 Nov'10	\$0.25	600,000	-	-	600,000	600,000

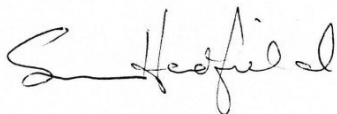
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Director's Declaration

The Board of Directors of Peel Exploration Limited declares that:

- (a) the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 30 June 2010 and performance for the financial year ended on that date of the company and consolidated entity.
- (b) The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (c) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (d) the remuneration disclosures set out in the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001; and
- (e) the Board of Directors have been given the declaration by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



S. Hadfield
Chairman of Directors

Perth
30 September 2010

Peel Exploration Limited Annual Report 2010

Auditor's Independence Declaration



Tel: +8 6382 4600
Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2010

Board of Directors
Peel Exploration Limited
34 Kings Park Road
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF PEEL EXPLORATION LIMITED

As lead auditor of Peel Exploration Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Peel Exploration Limited and the entity it controlled during the period.

A handwritten signature in blue ink that reads 'Glyn O'Brien'.

Glyn O'Brien
Director

A handwritten logo in blue ink that reads 'BDO'.

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Peel Exploration Limited Annual Report 2010

Independent Auditor's Report



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www.bdo.com.au

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Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL EXPLORATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Peel Exploration Limited, which comprises the statements of financial position as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Peel Exploration Limited Annual Report 2010



Auditor's Opinion

In our opinion:

- (a) the financial report of Peel Exploration Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (a) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Peel Exploration Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', written over a faint blue stamp that includes the BDO logo.

Glyn O'Brien
Director

Signed in Perth, Western Australia
Dated this 30th day of September 2010

Peel Exploration Limited Annual Report 2010

Corporate Governance Statement

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were adopted on 20th March 2007. Copies of relevant corporate governance policies are available in the corporate governance section of the Company's web-site at www.peel.com.au.

Board of Directors

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders. Day to day management of the Company's affairs and the implementation of corporate strategies and policy initiatives are formally delegated by the Board to the Managing Director and senior executives, as set out in the Company's Board charter.

Board composition

The Board charter states that:

- the Board is to comprise an appropriate mix of both executive and non-executive directors.
- the roles of Chairman and Managing Director will not be combined.
- the Chairman is elected by the full Board and is required to meet regularly with the Managing Director.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders being represented on the Board. Consequently, at various times there may not be a majority of directors classified as being independent, according to ASX guidelines. However, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions or to vote on the matter.

Directors' independence

The experience, qualifications and term of office of directors are set out in the Directors' Report. The Board comprises four directors none of whom is considered independent under the principles set out below. Having regard to the share ownership structure of the Company, it is considered appropriate by the Board that a major shareholder may be represented on the Board and if nominated, hold the position of Chairman. Such appointment would not be deemed to be independent under ASX guidelines. The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the Chairman must declare his interest and abstain from any consideration or voting on the relevant matter. Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman, which shall not be unreasonably withheld.

Performance assessment

The Board has adopted a formal process for self assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties.

Corporate reporting

The Managing Director and Chief Financial Officer provide a certification to the Board on the integrity of the Company's external financial reports. The Board does not specifically require an additional certification that the financial statements are founded on a sound system of risk management and that compliance and control systems are operating efficiently and effectively. The Board considers that risk management and internal compliance and control systems are sufficiently robust for the Board to place reliance on the integrity of the financial statements without the need for an additional certification by management.

The company has established policies for the oversight and management of material business risk.

Board Committees

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship makes use of committees. To this end the Board has established or may establish the following committees:

- Audit committee;
- Nomination committee; and
- Remuneration committee.

At present the board has deemed the Company's current size does not sufficiently warrant the establishment of the above-mentioned committees; however the Board will continually re-evaluate this position as necessary. If or when these committees are established, each will have its own written charter. Matters determined by the committees will be submitted to the full Board as recommendations for Board consideration.

If or when an audit committee is established, the committee will oversee accounting and reporting practices and will also be responsible for:

- Co-ordination and appraisal of the quality of the audits conducted by the Company's external auditors;
- Determination of the independence and effectiveness of the external auditors;

Peel Exploration Limited Annual Report 2010

- Assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- Reviewing the adequacy of the reporting and accounting controls of the Company.

If or when a remuneration committee is established, the remuneration committee will review all remuneration policies and practices for the Company, including overall strategies in relation to executive remuneration policies and compensation arrangements for the Managing Director and Non-Executive Directors, as well as all equity based remuneration policies.

Details of the Company's current remuneration policies are set out in the Remuneration Report section of the Directors' Report. The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances.

The responsibility for the selection of potential directors and to review membership lies with the full Board of the Company and consequently no separate nomination committee has been established. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the establishment of a separate nomination committee will be reconsidered.

External Auditors

The performance of the external auditor is reviewed annually. BDO Audit (WA) Pty Ltd was appointed as the external auditors in 2006. It is both the Company's and BDO Audit (WA) Pty Ltd's policy to rotate audit engagement partners at least every five years and the review partner every five years.

The external auditors provide an annual declaration of their independence to the Board. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Code of Conduct

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, officers, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Trading in the Company's securities by directors and senior executives is not permitted in the two months immediately preceding the release of the Company's annual and half-year financial results. Any transactions to be undertaken must be notified to the Chairman or Managing Director in advance.

Continuous Disclosure and Shareholder Communications

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Managing Director and Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site. All shareholders receive a copy of the Company's annual report. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's web-site.

Peel Exploration Limited Annual Report 2010

Shareholder Information

Information relating to shareholders at 28 September 2010

Distribution of shareholders

Range	No. of Holders	No. Ord Shares	%
1 - 1,000	3	630	-
1,001 - 5,000	19	59,184	0.13
5,001 - 10,000	74	691,006	1.57
10,001 - 100,000	296	10,186,564	23.15
100,001 - 9,999,999	42	33,068,533	75.15
Total	434	44,005,917	100.0

Twenty largest shareholders

	No. Ord Shares	%
1. Point Nominees Pty Ltd (Jackson Super Fund)	8,015,517	18.22
2. Robert MacLaine Tyson	2,800,000	6.37
3. Imperial Corporation Limited	2,750,000	6.25
4. Lisa Duperouzel	1,300,000	2.96
5. Linda Sala Tenna	1,200,000	2.73
6. JP Morgan Nominees Australia Limited	1,100,000	2.50
7. Salamar Pty Ltd	1,100,000	2.50
8. Simon Hadfield	1,000,000	2.27
9. Ionikos Pty Ltd (The McGown Super Fund)	1,000,000	2.27
10. Jason Mark Moultrie	1,000,000	2.27
11. UBS Wealth Management Australia Nominees Pty Ltd	1,000,000	2.27
12. Walsec Pty Ltd (Piper Super Fund)	1,000,000	2.27
13. Katana Asset Management Pty Ltd	912,000	2.07
14. Simon Hadfield + Fiona Hadfield (Salamar Pty Ltd Super Fund a/c)	895,765	2.04
15. Blue Crystal Pty Ltd	800,000	1.82
16. Hoperidge Enterprises Pty Ltd (Jones Family a/c)	500,000	1.14
17. Rodney M Jones + Carol R Jones (Hoperidge Enterprises Pty Ltd Super a/c)	500,000	1.14
18. Wythenshawe Pty Ltd	500,000	1.14
19. Ron & Liz Nominees Pty Ltd (Ronald James Super Fund a/c)	450,000	1.02
20. KB33 Capital Pty Ltd	425,000	0.97
	28,248,282	64.19

Substantial shareholders

	No. Ord Shares	%
1 Point Nominees Pty Ltd (Jackson Super Fund)	8,015,517	18.2
2 Robert MacLaine Tyson	3,798,250	8.6
3 Simon Hadfield	2,995,765	6.8
4 Imperial Corporation Limited	2,750,000	6.3

At the prevailing market price of \$0.07 per Share there were thirty one Shareholders with less than a marketable parcel of \$500 at 28 September 2010.

Peel Exploration Limited Annual Report 2010

Distribution of Optionholders

Range	No. of Holders	Options	%
1 - 1,000	5	2,505	0.01
1,001 - 5,000	69	317,135	1.41
5,001 - 10,000	124	1,022,071	4.55
10,001 - 100,000	105	3,737,294	16.63
100,001 - 9,999,999	24	17,393,995	77.40
Total	332	22,473,000	100.00

Twenty largest Optionholders

Holder	Options	%
1. Crawley Investments Pty Ltd	3,122,874	13.90
2. Laurence James Kiernan	3,122,874	13.90
3. Robert MacLaine Tyson	2,222,874	9.89
4. Amelia Rose McNamara	1,500,000	6.67
5. Paul James Lauder	1,300,000	5.78
6. Salamar Pty Ltd	1,222,873	5.44
7. Simon Hadfield	1,000,000	4.45
8. Iain Slater	568,500	2.53
9. Jordan + Flynn Tyson	400,000	1.78
10.. KB33 Capital Pty Ltd (Charity a/c)	362,500	1.61
11. Hoperidge Enterprises Pty Ltd (Jones Family a/c)	350,000	1.56
12. Blue Crystal Pty Ltd	325,000	1.45
13. Ewan Matthew Jansen	250,000	1.11
14. Andrew Kenneth Bruce Mortimer	200,000	0.89
15. Scott Robert Fairfax Seville	200,000	0.89
16. Dr Rosemary Elizabeth Anne Green	177,500	0.79
17. Scott P Jones + Rodney M Jones + Carol R Jones (Scopa Family a/c)	150,000	0.67
18. Ron & Liz Nominees Pty Ltd (Ronald James Super Fund a/c)	145,500	0.65
19. Wonder Holdings Pty Ltd	145,500	0.65
20. Roger Leigh Little	128,500	0.57
	16,893,995	75.17

At the prevailing price of \$0.002 per Option there were three hundred and nineteen Option holders with less than a marketable parcel of \$500 at 28 September 2010. At 28 September 2010 there were 434 holders of ordinary shares in the Company. At the date of this report there were no shares or options restricted by the ASX.

Voting Rights

The voting rights attaching to the ordinary shares, set out in Clause 12.11 of the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited)"

Statement under ASX Listing Rule 4.10.19

From the date of admission of the Company's shares on ASX (17 May 2007) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates.