

PEEL EXPLORATION LIMITED
ABN 42 119 343 734

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of 1 Share for every 2 Shares held by Shareholders at an issue price of \$0.07 per Share to raise approximately \$1,540,207 (**Entitlement Issue**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. CHAIRMAN'S LETTER

Dear Fellow Shareholder,

Notwithstanding another tumultuous year on the global markets, your Company has continued to grow its asset base while maintaining a prudent approach to exploration and corporate expenditure. Peel Exploration Ltd has carried on with the systematic investigation of its 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 in the Goldfields of Western Australia.

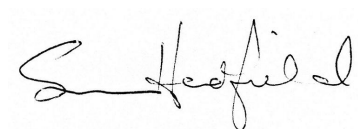
To continue with the advancement of your Company's assets, the board of directors is pleased to be able to offer this 1-for-2 pro-rata entitlement issue to Shareholders.

Dependent on whether Peel acquires the Apollo Hill gold project or not, two different expenditure scenarios are planned. Please see details in Section 5. Under scenario 1, the bulk of funds raised will be applied to exploration at the Apollo Hill gold project with the balance of funds to be used to explore Peel's other project areas, and for working capital. Under scenario 2, the bulk of funds raised will be applied to the May Day and Attunga project areas with the balance used at Peel's other project areas, and for working capital.

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 therefore encourage you as Shareholders to participate in what we as a Board consider to be an attractively priced entitlement issue.

Yours sincerely



Simon Hadfield

Non-executive Chairman

2. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

Timetable and important dates*

| | |
|---|-------------------------------------|
| Lodgement of Prospectus with ASIC | 22 September 2010 |
| Notice sent to Shareholders | 23 September 2010 |
| Ex Date | 28 September 2010 |
| Record Date for determining Entitlements | 5.00 pm (WST) on 5 October 2010 |
| Prospectus dispatched to Shareholders | 11 October 2010 |
| Closing Date | 5.00 pm (WST) on 8 November 2010 |
| Securities quoted on a deferred settlement basis | 9 November 2010 |
| Notify ASX of under-subscriptions | 11 November 2010 |
| Dispatch date/Shares entered into Shareholders' security holdings | 12 November 2010 |

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days' prior notice.

Important notes

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 22 September 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008*.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 4.6, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

3. CORPORATE DIRECTORY**Directors**

Robert Tyson
Managing Director

Simon Hadfield
Non-executive Chairman

Graham Hardie
Non-executive Director

Craig McGown
Non-executive Director

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Company Secretary

David Hocking

Auditors*

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Registered Office

Unit 1, 34 Kings Park Rd
West Perth WA 6005

ASX Code

PEX

Share Registry*

Computershare Investor
Services Pty Limited
level 2 Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Telephone: 1300 787 272

Website

www.peelex.com.au

General Enquiries

Rob Tyson - 0420 234 020

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 22,002,959 new Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of 1 new Share for every 2 Shares held on the Record Date at an issue price of \$0.07 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 22,002,959. The Offer will raise approximately \$1,540,207.10 prior to costs assuming that the Offer is fully subscribed. The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 31,553,000 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

4.2 How to accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.07 per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Peel Exploration Ltd – Trust Account**" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.3 Minimum subscription

There is no minimum subscription.

4.4 Underwriting

The Offer is not underwritten.

4.5 Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. Shareholders who wish to apply for Shares above their Entitlement can complete the Shortfall Application Form attached to the back of this Prospectus and return it, together with a cheque for the value of those Shortfall Shares (at \$0.07 per Share) to the Company.

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any Shares offered pursuant to the Shortfall Offer shall be \$0.07 being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus. The Shortfall shall be placed at the discretion of the Company. The Company reserves the right to allot to an applicant a lesser number of Shortfall Shares than the number for which the applicant applies, or to reject an application, or to not proceed with placing the Shortfall.

4.6 ASX listing

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.7 Allotment of Shares

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.8 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

4.9 Taxation implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

4.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.11 Privacy

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$1,540,207 (before expenses). The proceeds of the Offer, are planned to be used in accordance with the tables set out below:

| Item | Proceeds of the Offer assuming acquisition of Apollo Hill project ¹ | \$ ² |
|------|--|------------------|
| 1 | Apollo Hill project due diligence, drilling & exploration | 700,000 |
| 2 | May Day project drilling & exploration | 200,000 |
| 3 | Attunga project drilling, bulk sample and testwork | 200,000 |
| 4 | Other projects exploration | 150,000 |
| 5 | Working capital | 262,338 |
| 6 | Expenses of the Offer ³ | 27,869 |
| | Total | 1,540,207 |

Notes:

1. Refer to Section 8.2 of this Prospectus for a summary of the agreement with Hampton Hill Mining NL regarding the option to acquire the Apollo Hill Project.
2. In the event that less than the full subscription is raised, the proceeds of the Offer will be reduced firstly from item 4, then from item 3, then from item 2, then from item 1, then item 5 and lastly from item 6.
3. Refer to Section 7.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

| Item | Proceeds of the Offer assuming lapse of Apollo Hill project Option ¹ | \$ ² |
|------|---|------------------|
| 1 | May Day project drilling & exploration | 600,000 |
| 2 | Attunga project drilling, bulk sample and testwork | 400,000 |
| 3 | Other projects exploration | 250,000 |
| 4 | Working capital | 262,338 |
| 5 | Expenses of the Offer ³ | 27,869 |
| | Total | 1,540,207 |

Notes:

1. Refer to Section 8.2 of this Prospectus for a summary of the agreement with Hampton Hill Mining NL regarding the option to acquire the Apollo Hill Project.
2. In the event that less than the full subscription is raised, the proceeds of the Offer will be reduced firstly from item 3, then from item 2, then from item 1, then from item 4, and lastly from item 5.
3. Refer to Section 8.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above tables are a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer and pro forma consolidated balance sheet

The principal effect of the Offer, assuming all Shares offered under the Prospectus are issued, will be to:

- (a) increase the cash reserves by approximately \$1,512,338 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 44,005,917, to approximately 66,008,876 Shares following completion of the Offer; and

5.3 Consolidated balance sheet

The unaudited Balance Sheet as at 31 July 2010 and the unaudited Pro Forma Balance Sheet as at 31 July 2010 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares pursuant to the Offer in this Prospectus are issued.

The unaudited Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 31 July 2010 (unaudited)

| | 31 July 2010 Actual \$ | 31 July 2010 Pro-forma \$ |
|--------------------------------------|------------------------------|---------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 508,261 | 2,020,599 |
| Trade and other receivables | 21,872 | 21,872 |
| TOTAL CURRENT ASSETS | 530,133 | 2,042,471 |
| NON-CURRENT ASSETS | | |
| Security deposits | 125,000 | 125,000 |
| Plant and equipment | 43,533 | 43,533 |
| Exploration and evaluation costs | 275,000 | 275,000 |
| TOTAL NON-CURRENT ASSETS | 443,533 | 443,533 |
| TOTAL ASSETS | 973,666 | 2,486,004 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 57,342 | 57,342 |
| Provisions | - | - |
| TOTAL CURRENT LIABILITIES | 57,342 | 57,342 |
| NON-CURRENT LIABILITIES | | |
| Provisions | - | - |
| TOTAL NON-CURRENT LIABILITIES | - | - |
| TOTAL LIABILITIES | 57,342 | 57,342 |
| NET ASSETS | 916,324 | 2,428,662 |
| EQUITY | | |
| Issued capital | 4,162,547 | 5,674,885 |
| Accumulated Losses | (3,815,745) | (3,815,745) |
| Option reserve | 569,522 | 569,522 |
| TOTAL EQUITY | 916,324 | 2,428,662 |

5.4 Effect on capital structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

| Shares | Number |
|--|-------------------|
| Shares on issue at date of Prospectus | 44,005,917 |
| Shares now offered | 22,002,959 |
| Total Shares on issue after completion of the Offer¹ | 66,008,876 |

Notes:

¹ Assumes the Offer is fully subscribed.

| Options | Number |
|--|-------------------|
| Quoted exercisable at \$0.20 on or before 30 November 2010 | 22,473,000 |
| Unquoted exercisable at \$0.30 on or before 30 April 2011 | 1,000,000 |
| Unquoted exercisable at \$0.30 on or before 30 November 2010 | 7,500,000 |
| Unquoted exercisable at \$0.25 on or before 30 November 2010 | 580,000 |
| Options now offered | Nil |
| Total Options on issue after completion of the Offer | 31,553,000 |

6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

6.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

6.1.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general 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 Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

6.1.3 Dividend rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be

applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

6.1.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

6.1.5 Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

6.1.6 Future increase in capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

6.1.7 Variation of rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

7. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 Operating risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns and cyclone activity;
- (c) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and other force majeure events;
- (f) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (g) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (h) inability to obtain necessary consents or approvals.

7.2 Native Title and title risks

Both the *Native Title Act* 1993 (Cth), related State Native Title legislation and Aboriginal Land Rights and Aboriginal Heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company. The existence of outstanding registered Native Title claims means that the grant of a tenement in respect of a particular tenement application may be significantly delayed or thwarted pending resolution of future act procedures in the Native Title Act. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company. At this stage it is not possible to quantify the impact (if any) which these developments may have on the operations of the Company.

7.3 Environmental risks and regulations

The Company's projects are subject to Commonwealth and State laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the Tenements.

7.4 Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

7.5 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

7.6 Security investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

7.7 Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company. For example, any increased rentals under the Mining Act may impact on the Company's actual financial statements. The Company's capacity to explore and mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

7.8 Future capital requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

7.9 Reliance on key personnel and employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

In addition, Western Australia is currently experiencing a shortage of skilled labour including those skills utilised in the mining industry. The Company cannot guarantee that its mining and exploration activities will not be negatively affected by an inability to employ appropriately skilled staff.

7.10 General risks

The value of the Company's Securities are affected by a number of general factors which are beyond the control of the Company and its Directors.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices, local and international economic conditions and general investor sentiment.

The Company's share price can be afflicted by these factors which are beyond the control of the Directors.

7.11 Contractors and service providers

The Directors are unable to predict the risk of financial failure, default, insolvency or other managerial failure by any of the contractors used by the Company in any of its activities, or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

7.12 Strategic alliances

The Company may in the future seek to enter into strategic alliances with other parties, some of which may be corporations much larger than the Company. There is a risk in managing strategic alliances and partnerships with large corporations.

Should other participants in any strategic alliance not act in the best interests of the Company, this may have a material adverse effect on the Company's operations.

The Directors are unable to predict the risk of financial failure or default by a participant in any strategic alliance to which the Company may become a party.

8. ADDITIONAL INFORMATION

8.1 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 2009 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the year ended 2009 lodged with ASIC before the issue of this Prospectus; and
 - (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements:

| Date | Description of Announcement |
|-------------|---|
| 16/09/2010 | Change of Registered Office and Proxy Form |
| 15/09/2010 | Details of Company Address |
| 01/09/2010 | Notice of General Meeting/Proxy Form |
| 20/08/2010 | Appendix 3B |
| 30/07/2010 | Quarterly Activities Report |
| 30/07/2010 | Quarterly Cashflow Report |
| 05/07/2010 | Encouraging gold-lead-zinc at May Day, moly-gold at Attunga |
| 24/06/2010 | Peel Acquires Option Over Apollo Hill Gold Project |
| 24/06/2010 | HMM: Hampton grants option over Apollo Hill Gold Project |
| 11/05/2010 | RIU Sydney Resources Roundup Presentation |
| 30/04/2010 | Drilling underway at May Day gold-lead-zinc deposit |
| 30/04/2010 | Quarterly Cashflow Report |
| 30/04/2010 | Quarterly Activities Report |
| 15/04/2010 | Drilling intersects significant moly-copper at Attunga |
| 15/03/2010 | Change of Director's Interest Notice |
| 15/03/2010 | Half Year Accounts |
| 10/03/2010 | Change of Director's Interest Notice x 2 |
| 04/03/2010 | Follow-up Drilling underway at Attunga |
| 24/02/2010 | Initial Director's Interest Notice |
| 24/02/2010 | Director Appointment |
| 05/02/2010 | Change in substantial holding |
| 04/02/2010 | Change of Director's Interest Notice x 3 |
| 29/01/2010 | Quarterly Cashflow Report |
| 29/01/2010 | Quarterly Activities Report |
| 28/01/2010 | Ceasing to be a substantial holder from SRE |
| 28/01/2010 | Ceasing to be a substantial holder |
| 01/12/2009 | Shareholders reject push to overturn Peel Board |
| 01/12/2009 | Results of Meeting |
| 30/11/2009 | Results of Meeting |
| 27/11/2009 | 2009 AGM Presentation |
| 27/11/2009 | Chairman's Address to Shareholders |
| 24/11/2009 | Change of Director's Interest Notice |
| 24/11/2009 | Becoming a substantial holder from IMP |
| 23/11/2009 | Becoming a substantial holder |
| 20/11/2009 | Settlement of May Day Au-Pb-Zn acquisition and Appendix 3B |
| 18/11/2009 | Placement of Shortfall and Appendix 3B |
| 18/11/2009 | Request for trading halt |
| 18/11/2009 | Trading Halt |
| 17/11/2009 | Letter to Shareholders |
| 11/11/2009 | Change of Director's Interest Notice |
| 05/11/2009 | Notice of General Meeting/Proxy Form |
| 04/11/2009 | Change of Director's Interest Notice |
| 30/10/2009 | Quarterly Cashflow Report |
| 30/10/2009 | Quarterly Activities Report |
| 28/10/2009 | Notice of Annual General Meeting/Proxy Form |
| 28/10/2009 | Annual Report Final Format |
| 15/10/2009 | Change in substantial holding from SRE |
| 13/10/2009 | Change of Director's Interest Notice |
| 09/10/2009 | Change in substantial holding |
| 09/10/2009 | Change of Director's Interest Notice |
| 06/10/2009 | Change of Director's Interest Notice x 2 |
| 06/10/2009 | Top 20 securityholders |
| 06/10/2009 | Appendix 3B |
| 06/10/2009 | Completion of Non-Renounceable Entitlement Issue |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.peelex.com.au.

8.2 Material contracts

The following is a summary of the significant terms of a material agreement which relates to the business of the Company:

Call Option Deed with Hampton Hill Mining NL

On 24 June 2010, the Company entered into call option deed with Hampton Hill Mining NL (**Call Option Deed**) pursuant to which Hampton Hill Mining NL granted the Company an option to acquire the entire issued share capital of Apollo Mining Pty Ltd (**Call Option**). Apollo Mining Pty Ltd owns the Apollo Hill Gold Project in the north-eastern goldfields of Western Australia.

The Call Option Deed contains the following material terms:

(Expiration of Call Option) If not exercised, the Call Option will lapse on 30 November 2010;

(Aboriginal Heritage) During the option period, the Company must use its best endeavours to negotiate the satisfactory resolution of any aboriginal heritage issues in connection with the Apollo Hill Gold Project;

(Exercise of Option) The Call Option may be exercised by delivery to Hampton Hill Mining NL of a notice of exercise of option and two executed copies of an agreed form share sale agreement relating to the purchase of the entire issued share capital of Apollo Mining Pty Ltd (**Contract**);

(Contract) The Contract comes into effect immediately upon the exercise of the Call Option;

(Consideration) The consideration payable by the Company to Hampton Hill Mining NL is 11,000,000 Shares (**Consideration Shares**); and

(Royalty) The Company must pay Hampton Hill Mining NL a 5% gross overriding royalty on gold produced from the Apollo Hill Gold Project from the date production exceeds 1,000,000 ounces.

The Call Option Deed otherwise contains standard terms for an agreement of this nature, including warranties and indemnities given by both the Company and Hampton Hill Mining NL.

8.3 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in

connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

| Name | Shares | Options | Entitlement | Remuneration (\$) |
|----------------|-----------|-----------|-------------|-------------------|
| Graham Hardie | 8,015,517 | - | 4,007,759 | 18,168 |
| Rob Tyson | 3,798,250 | 5,122,874 | 1,899,125 | 119,900 |
| Simon Hadfield | 2,995,765 | 4,722,873 | 1,497,883 | 54,500 |
| Craig McGown | 1,000,000 | 1,000,000 | 500,000 | 54,500 |

Note:

- ^{1.} Each of the Directors has indicated that it is their present intention to subscribe for a minimum of 35% of their Entitlement under the Offer.

The table below shows the potential effect of the Offer on the shareholding and voting power of Mr Graham Hardie. If no other Shareholders take up their Entitlements and Mr Hardie takes up his full Entitlement, Mr Hardie will be issued with 4,007,759 Shares under the Offer, resulting in him holding 27.32% of the voting power in the Company. However, it is unlikely that no Shareholders will take up their Entitlement under this Offer. The voting power of Mr Hardie will reduce by a corresponding amount for the amount of Entitlements taken up by other Shareholders.

| Event | Number of Shares held by the Graham Hardie | Voting power of Graham Hardie in the Company |
|--|--|--|
| Holding as at the date of the Prospectus | 8,015,517 | 18.21% |
| After issue of Shares to Graham Hardie assuming no other Shareholders take up their Entitlements | 12,023,276 | 27.32% |
| After issue of Shares to Graham Hardie assuming 25% of Shareholders take up their Entitlements | 12,023,276 | 24.29% |
| After issue of Shares to Graham Hardie assuming 50% of Shareholders take up their Entitlements | 12,023,276 | 21.86% |
| After issue of Shares to Graham Hardie assuming 100% of Shareholders take up their Entitlements | 12,023,276 | 18.21% |

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company paid to the Directors a total of \$261,488 the year ended 30 June 2009 and \$247,068 for the year ended 30 June 2010. In addition to the above, the Directors have been paid fees totalling \$47,083 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Resource Information Unit Pty Ltd, a company controlled by Simon Hadfield, provides accommodation and secretarial services to the Company for \$3,000 per month.

8.4 Interests and consents of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$10,000 (excluding GST) for services in relation to this Prospectus. In the past two years, Steinepreis Paganin has been paid fees totalling \$33,264.50 (excluding GST) for legal services provided to the Company.

8.5 Legal proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

8.6 Estimated expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

| | \$ |
|-----------------------------|---------------|
| ASIC fees | 2,068 |
| ASX fees | 5,801 |
| Legal expenses | 10,000 |
| Printing and other expenses | 10,000 |
| Total | 27,869 |

8.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.090 on 16 August 2010 and various other dates

Lowest: \$0.070 on 30 June 2010 and 1 July 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.080 on 21 September 2010.

8.8 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9. DIRECTORS' CONSENT

Each of the Directors of Peel Exploration Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated the 22nd day of September 2010

A handwritten signature in black ink, appearing to read 'D. A. Hocking', is written over a solid black horizontal line.

**Signed for and on behalf of
Peel Exploration Limited
David Hocking – Company Secretary**

10. **DEFINITIONS**

Applicant means a Shareholder who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited (ACN 008 624 691).

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5:00pm (WST) on 8 November 2010 (unless extended).

Company means Peel Exploration Ltd (ABN 42 119 343 734).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to this Prospectus of 1 new Share for every 2 Shares held by a Shareholder on the Record Date to raise approximately \$1,540,207.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5:00pm (WST) on 5 October 2010.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

WST means Western Standard Time.