

PEEL EXPLORATION LIMITED

ABN 42 119 343 734

RIGHTS ISSUE PROSPECTUS

For a non-renounceable rights issue of one (1) Option for every two (2) Shares held by Shareholders registered at 5.00pm (WST) on 10 August 2007 at an issue price of 1 cent per Option (**Rights Issue**).

Each Option has an expiry date of 30 November 2010 and an exercise price of \$0.20.

Important Notice

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to another document the information of which is deemed to be incorporated in this Prospectus.

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Important Notice

This Prospectus is dated 31 July 2007.

A copy of this Prospectus was lodged with the ASIC on 31 July 2007. The ASIC takes no responsibility for the contents of this Prospectus.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made within seven (7) days after the date of this Prospectus for permission for the Options offered by this Prospectus to be listed for Quotation.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Options. There are risks associated with an investment in Peel Exploration and the Options offered under this Prospectus must be regarded as a speculative investment. The Options offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Options.

Details of the definitions and abbreviations used in this Prospectus are set out in section 7.

Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means this Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in the IPO Prospectus lodged with ASIC on 21 March 2007.

In referring to the IPO Prospectus, the Company:

- (a) identifies the IPO Prospectus as being relevant to the offer of Options under this Prospectus and containing information that will provide investors and their professional advisers to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to:
 - (A) the Options; and
 - (B) the underlying Shares;
 - (ii) the capacity of the Company to issue the underlying Shares; and
 - (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of Peel Exploration;
- (b) refers investors and their professional advisers to section 4 of this Prospectus which summarises the information in the IPO Prospectus deemed to be incorporated in this Prospectus;
- (c) informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus by contacting the Company at its registered office during normal business hours during the Offer Period; and
- (d) advises that the information in the IPO Prospectus will be primarily of interest to investors and their professional advisers or analysts.

Timetable and Important Dates

EVENT	DATE
Prospectus lodged with the ASIC and ASX / Shareholders informed of Rights Issue	31 July 2007
Notice in relation to the Rights Issue dispatched to Shareholders	2 August 2007
Shares quoted on an "ex" basis	3 August 2007
Record Date for determining entitlements under Rights Issue	10 August 2007
Despatch Prospectus / Opening Date	13 August 2007
Closing Date	30 August 2007
Options quoted on a deferred settlement basis	31 August 2007
ASX informed of under subscriptions	3 September 2007
Deferred settlement trading ends, holding statements dispatched and normal trading commences	4 September 2007

* These dates are indicative only. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary.

1. CORPORATE DIRECTORY

Directors

Michael Kiernan
Non-Executive Chairman

Rob Tyson
Executive Director

Simon Hadfield
Non-Executive Director

Company Secretary

David Hocking

Registered Office

Level 1, 79 Hay Street
Subiaco WA 6008

Telephone: (08) 9382 3955

Facsimile: (08) 9388 1025

Website: www.peelex.com.au

Auditor

BDO Kendalls*
128 Hay Street
Subiaco WA 6008

Share Registry

Computershare Investor Services Pty Ltd*
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

or;

Computershare Investor Services Pty Ltd*
GPO Box D182
Perth WA 6840

Telephone: 1300 557 010

Facsimile: (08) 9323 2033

Solicitors

Steinepreis Paganin
Lawyers & Consultants
Level 4, Next Building
16 Milligan Street
Perth WA 6000

ASX Code

PEX

* These parties are included for information purposes only and were not involved in the preparation of this Prospectus.

2. CHAIRMAN'S LETTER

31 July 2007

Dear Shareholder,

The Board of Peel Exploration Limited is pleased to offer Shareholders the opportunity to participate in a one (1) for two (2) non-renounceable rights issue as proposed in the IPO Prospectus.

All Shareholders registered as at 5.00pm WST on 10 August 2007 will be entitled to participate in a non-renounceable rights issue of Options on the basis of one (1) Option for every two (2) Shares then held. The price payable on application for each Option is 1 cent per Option.

Each Option has an expiry date of 30 November 2010 and an exercise price of \$0.20.

The Closing Date for acceptances is 5.00pm WST on 30 August 2007.

The Board recommends all Shareholders take up their entitlement.

The Board takes this opportunity to thank all Shareholders for your support since listing and looks forward to your continued support in the future.

Yours faithfully

A handwritten signature in black ink, appearing to be 'MK', written in a cursive style.

Michael Kiernan
Chairman

3. DETAILS OF THE OFFER

3.1 Rights Issue

Pursuant to this Prospectus, the Company is making a pro-rata non-renounceable rights issue to Shareholders who are registered on the Record Date.

The Options will be offered on the basis of one (1) Option for every two (2) Shares held on the Record Date. The maximum number of Options which could therefore be issued under the Rights Issue is 15,000,000.

Each Option has an expiry date of 30 November 2010 and an exercise price of \$0.20.

In the calculation of any entitlement, fractions will be rounded down to the nearest whole number.

3.2 Entitlement

The number of Options to which each Shareholder is entitled (**Entitlement**) is shown on the enclosed Entitlement and Acceptance Form. Shareholders may accept their Entitlement in full or part.

3.3 Purpose of the Offer

The purpose of the Offer is to meet the Company's commitment to issue Options as disclosed in the IPO Prospectus.

3.4 Use of Funds

It is intended to apply funds raised from the Offer as detailed below:

Use of Funds	Amount \$
Expenses of the Offer	20,000
Working capital and administration	130,000
Total	150,000

3.5 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares	Number
Shares on issue at date of the Prospectus ¹	30,000,000
Shares offered under this Prospectus	Nil
Total	30,000,000

Options	Number
Total Options on issue at the date of the Prospectus ²	15,000,000
Total Options offered pursuant to this Prospectus	15,000,000
Total	30,000,000

Notes:

- 1 Includes 14,890,000 Shares which are not quoted on ASX. These Shares are subject to various escrow restrictions imposed by ASX. All Shares are ordinary fully paid shares.
- 2 7,500,000 of these Options are exercisable at \$0.20 on or before 30 November 2010 and 7,500,000 are exercisable at \$0.30 on or before 30 November 2010. Please refer to the IPO Prospectus for further details.

3.6 Action Required

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 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 the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Shares 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 \$0.01 per Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

If you wish to participate in the Offer you must forward the completed Entitlement and Acceptance Form, together with your cheque drawn on an Australian bank or bank draft made payable in Australian currency to **"Peel Exploration Limited – Option Issue"** and crossed **"Not Negotiable"** in the enclosed envelope to:

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

or;

Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6840

Your completed Entitlement and Acceptance Form and cheque must reach the share registry no later than 5.00p.m. WST on the Closing Date.

The Offer is non-renounceable so that a holder of Shares may not sell or transfer all or part of their Entitlement. Pursuant to the ASX Listing Rules, the Company will allow an extension of at least 3 Business Days to member organisations of ASX to lodge acceptances after the Closing Date.

3.7 Closing Date

The Closing Date for the Rights Issue is 5.00pm WST on 30 August 2007. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

3.8 Issue of Options

The Options will be issued and option certificates dispatched as soon as practicable after the Closing Date.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

3.9 Minimum Subscription

There is no minimum subscription.

3.10 Oversubscriptions

Oversubscriptions will not be accepted.

3.11 Underwriting

The offer is not underwritten.

3.12 Shortfall

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.

The offer of Options under the Shortfall is independent from the Offer and will remain open after the Offer has closed for a period not exceeding 3 months. The issue price of any Options offered pursuant to the Shortfall Offer shall be at \$0.01 each, being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus. The Directors cannot guarantee that any application

to participate in the Shortfall Offer will be successful. In relation to the Shortfall Offer, the Directors reserve the right to allot to an applicant a lesser number of Options than the number for which the application applies, or to reject an application or to not proceed with the placing of the Shortfall. If the number of Options allotted is fewer than the number applied for, surplus application monies will be refunded in full. Interest will not be paid on monies refunded.

3.13 ASX Quotation

Application for Official Quotation of the Options the subject of this Prospectus will be made within seven (7) days of the date of this Prospectus.

If the Options are not admitted to Official Quotation within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Options offered by this Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with Section 724 of the Corporations Act.

3.14 Residents Outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. 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 such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. No action has been taken to register or qualify these Options or otherwise permit a public offering of the securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Options pursuant to this Prospectus. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

3.15 Clearing House Electronic Subregister System ("CHESS") and Issuer Sponsorship

The Company will not be issuing Option certificates. The Company participates in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS 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 Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

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

3.16 Privacy Act

If you complete an application for Options, 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 or optionholder 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 share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its 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 (as amended), the Corporations Act and certain rules such as the ASTC Settlement 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.

3.17 Enquiries

If you have any questions concerning your entitlement, please contact the Company's Secretary, David Hocking, on (08) 9382 3955.

4. INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS

4.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however, it incorporates by reference information contained in the IPO Prospectus that has been lodged with the ASIC.

The information to be incorporated by reference into this Prospectus is summarised below in section 4.2 and will primarily be of interest to investors and their professional advisers or analysts.

Investors and their professional advisers are able to obtain a copy of the IPO Prospectus free of charge by contacting the Company at its registered office during normal business hours during the Offer Period. The IPO Prospectus will also be available by searching the ASIC's records in relation to Peel Exploration, or by visiting the Company's website at www.peelex.com.au.

4.2 Summary of Information Deemed to be Incorporated

Set out below is a summary of the information contained in the IPO Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether they need to obtain a copy of the IPO Prospectus for the purposes of making an informed investment decision in relation to the Options.

The sections referred to in this section 4.2 are references to sections in the IPO Prospectus.

Section 3 – Investment Overview

Section 3 contains details of the capital structure and objectives of the Company at the time of the IPO Prospectus.

Section 4 – Details of the Offer

Section 4 contains details of the offer of Shares pursuant to the IPO Prospectus.

Section 5 – Company and Project Overview

Section 5 contains the following information:

- (a) the business strategy and background of the Company;
- (b) a summary of the Company's exploration program and projects; and
- (c) information relating to the Directors and details of the Company's corporate governance policy.

Section 6 – Independent Geologist's Report

Section 6 contains the Independent Geologist's Report prepared by Geological and Management Services Pty Ltd dated on or about 21 March 2007. The report was included in the IPO Prospectus to assist investors and their financial advisers in making an assessment of the Company's tenements. The report also assesses

the geology of the tenements and discusses the risks involved in exploration of the tenements.

Sections 7 – Investigating Accountant’s Report

Sections 7 contains the Investigating Accountant’s Report prepared by Howarth Securities (WA) Pty Ltd dated 14 March 2007. The report was included in the IPO Prospectus to assist investors and their financial advisers in making an assessment of the financial position of the Company.

Section 8 – Solicitor’s Report on Tenements

Section 10 contains the Solicitor’s Report on Tenements prepared by Steinepreis Paganin dated 20 March 2007. The Solicitor’s Report contains information in relation to the Company’s tenements, a schedule of the Company’s tenements and the conditions attaching to each of the tenements. The report was included in the IPO Prospectus to assist investors and their financial advisers in making an assessment of the Company’s title to the tenements.

Section 9 – Risk Factors

Section 9 notes that an investment in Peel Exploration has risks reasonably expected of an investment in a business of its type. It details a number of factors that may impact on the success and future profitability of Peel Exploration. The factors referred to are economic risks, market conditions, exploration success, operating risks, resource estimates, commodity price volatility and exchange rate risks, environmental risks, title and native title risks, additional requirements for capital, reliance on key management and the speculative nature of the investment.

Section 10 – Additional Information

Section 10 sets out additional information required to be disclosed in the IPO Prospectus including:

- (a) rights attaching to the Shares offered by the IPO Prospectus;
- (b) terms and conditions of Options on issue at the date of the IPO Prospectus;
- (c) disclosure of interests of Directors, including share qualifications, remuneration and holdings;
- (d) interests of persons named in the IPO Prospectus;
- (e) details of the consents of persons named in the IPO Prospectus;
- (f) a statement that certain existing security holders may be required by ASX to enter into agreements which restrict dealings in Shares held by them;
- (g) expenses of the offer;
- (h) a statement that the Company is not involved in any legal proceedings, nor are any proceedings pending or threatened against the Company;
- (i) a statement regarding the electronic version of the IPO prospectus;

- (j) a statement that the acquisition and disposal of Shares in the Company may have taxation consequences and a recommendation that investors seek their own taxation advice; and
- (k) a statement that the Directors believe that reliable financial forecasts can not be prepared and were not included in the IPO Prospectus.

5. FURTHER INFORMATION

5.1 Listing on ASX and Escrow of Securities

Peel Exploration Limited was admitted to the Official List on 15 May 2007 with Official Quotation of its Shares commencing on 17 May 2007.

Pursuant to chapter 9 of the ASX Listing Rules a number of the securities issued pursuant to the IPO Prospectus have been made subject to escrow requirements.

Details of these securities subject to escrow and the periods of escrow of those securities are as follows:

- (a) 13,890,000 Shares escrowed until 16 May 2009; and
- (b) 1,000,000 Shares escrowed until 16 May 2008.

The balance of 15,110,000 Shares are quoted and freely tradeable on ASX. The Company also has 15,000,000 unquoted Options on issue.

5.2 Activities Since Listing on ASX and Further Material Contracts

Since listing on ASX, the Company has completed a number of objectives contemplated in the IPO Prospectus. In particular, the following key activities have been undertaken by the Company since listing:

- (a) engagement of Geos Mining Mineral Consultants Pty Ltd to manage the exploration of Peel's exploration tenure; and
- (b) commencement of exploration activities; and
- (c) application for exploration licences covering the historic Attunga-Kensington mineral field.

Other than as stated in this Prospectus, the Company is not aware of any material matter or circumstance that would impact on the contents of the IPO Prospectus or the activities and prospects of the Company and be relevant to assist investors or their professional advisers in making an informed assessment of relevant matters.

Other than as described above, the Company has not entered into any other material contracts since listing on ASX.

5.3 Continuous Disclosure and Documents Available for Inspection

The Company is listed on ASX and its Shares are quoted on ASX.

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from or inspected at an office of the ASIC. These include the IPO

Prospectus referred to in section 4 of this Prospectus, and are also available on the Company's website: www.peelex.com.au.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since lodgement of the IPO Prospectus on 21 March 2007. As at the time of lodging this Prospectus the only such documents were:

Date	Details
23/07/2007	Quarterly Cashflow Report
23/07/2007	Quarterly Activities Report
29/06/2007	Lodges ELAs for Attunga Intrusive-Related Gold System
31/05/2007	Advances exploration drive
24/05/2007	Becoming a substantial holder x 2
23/05/2007	Becoming a substantial holder x 4
23/05/2007	Initial Director's Interest Notice x 3
17/05/2007	Media Release: Peel Exploration Posts Strong Start on ASX
16/05/2007	Constitution
15/05/2007	Distribution Schedule
15/05/2007	Restricted Securities
15/05/2007	Top 20 Shareholders
15/05/2007	Corporate Governance Statement
15/05/2007	Pre-Quotation Disclosure
15/05/2007	Appendix 1A
15/05/2007	ASX Circular: Admission to Official List
15/05/2007	Admission to Official List
02/04/2007	Disclosure Document

5.4 Trading History

Official Quotation of the Shares commenced on 17 May 2007 and consequently, the trading history on ASX as at the date of this Prospectus is limited to that period.

The highest and lowest recorded market sale prices of the Shares quoted on ASX during the period from commencement of Official Quotation to the date of this Prospectus were 41 cents on 27 July 2007 and 27 cents on 17 May 2007 respectively.

The last market sale price of the Shares on ASX on the last day that trading took place in these shares prior to the date of this Prospectus was 41 cents on 27 July 2007.

5.5 Pro-Forma Statement of Financial Position

	Balance Sheet 30 June 2007 (Unaudited) \$	Pro Forma Balance Sheet 30 June 2007 (Unaudited) \$
<i>Current Assets</i>		
Cash and cash equivalents	2,656,920	2,786,920
Receivables	22,850	22,850
<i>Total Current Assets</i>	2,679,770	2,809,770
<i>Non-Current Assets</i>		
Security deposits	40,000	40,000
Plant and equipment	1,676	1,676
Deferred exploration expenditure	11,425	11,425
<i>Total Non-Current Assets</i>	53,101	53,101
<i>TOTAL ASSETS</i>	2,732,871	2,862,871
<i>Current Liabilities</i>		
Trade creditors	23,197	23,197
<i>Total Current Liabilities</i>	23,197	23,197
<i>TOTAL LIABILITIES</i>	23,197	23,197
<i>NET ASSETS</i>	2,709,674	2,839,674
<i>Equity</i>		
Issued capital	2,799,062	2,929,062
Accumulated losses	(89,388)	(89,388)
<i>TOTAL EQUITY</i>	2,709,674	2,839,674

The above pro-forma is based on the unaudited balance sheet as at 30 June 2007, updated for the effect of the Offer (assuming it is fully subscribed).

5.6 Terms and Conditions of Options

The material terms and conditions of the Options will be as follows:

- (a) each Option entitles the holder to one (1) Share in the Company;
- (b) the exercise price of each Option will be \$0.20 each;

- (c) the Options are exercisable at any time on or prior to 5.00pm (WST) on 30 November 2010 (**Expiry Date**) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- (d) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;
- (e) subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation of the Options and all Shares issued upon exercise of the Options on ASX;
- (g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

5.7 Rights Attaching to Shares upon Conversion of Options

The rights attaching to Shares in the Company are:

- (a) set out in the Constitution of the Company, a copy of which is available for inspection during normal business hours at the registered business office of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following are the more important rights, privileges and restrictions attaching to the Shares offered for subscription by this Prospectus:

- (a) 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.

- (b) 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:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) 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
- (iii) 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 them, or in respect of which they are 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 as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividends, all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, 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 the liquidator 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 of the Company, 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 shares in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted shares at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) 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 or the Listing Rules.

(f) Variation of Rights

Pursuant to 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.

5.8 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Options. Taxation consequences will depend on particular circumstances. Neither Peel Exploration nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Options in Peel Exploration or dealing with an entitlement in this Rights Issue.

5.9 Interests of Directors and Experts

A full disclosure of the interests of Directors, experts and promoters of and to the Company for the period commencing on incorporation of the Company and to the date of issue of the IPO Prospectus are set out in sections 10.3, 10.4 and 10.5 of the IPO Prospectus and other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in securities in the Company as set out in the table below:

Director	Shares	Options (\$0.30 exercise)	Options (\$0.20 exercise)
Michael Kiernan	3,000,000	2,500,000	1,500,000
Rob Tyson	2,500,000	2,500,000	1,250,000
Simon Hadfield	2,500,000	2,500,000	1,250,000

Steinepreis Paganin have acted as solicitors to the Company and will be paid approximately \$5,000 for providing legal services in respect of this Offer. Subsequently, fees will be charged in accordance with normal charge out rates.

5.10 Consents

Persons who make statements in this Prospectus or who made statements in the IPO Prospectus which are being incorporated by reference into this Prospectus need to provide their written consent for such use.

Each of the parties referred to in this section 5.10:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

BDO Kendalls (formerly known as Howarth's Audit (WA) Pty Ltd) have given their written consent to being named as auditor to the Company in this Prospectus and to the inclusion by reference in this Prospectus of its Independent Accountant's Report and financial information set out in section 7 of the IPO Prospectus, in the form and context in which the report is included in the IPO Prospectus. BDO Kendalls have not withdrawn their consent prior to lodgement of this Prospectus with the ASIC.

Geological and Management Services Pty Ltd has given its written consent to the incorporation by reference into this Prospectus of the Independent Geologist's Report set out in section 6 of the IPO Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin have given their written consent to being named as the solicitors to the Company in this Prospectus and to the incorporation by reference into this Prospectus of the information set out in section 8 of the IPO Prospectus. Steinepreis Paganin have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

5.11 Legal Proceedings

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

5.12 Expenses of the Issue

The total expenses of the issue are estimated to be \$20,000 comprising legal and due diligence costs, printing and other administrative expenses, including ASX quotation fees.

6. **AUTHORITY OF DIRECTORS**

Each of the Directors has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act.

Dated the 31st day of July 2007

A handwritten signature in black ink, appearing to read 'R. M. Tyson', with a horizontal line extending to the right from the end of the signature.

Signed for and on behalf of
PEEL EXPLORATION LIMITED
by Rob Tyson
Director

7. DEFINITIONS

Applicant means a person who submits an Entitlement and Acceptance Form or a Shortfall Application Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691).

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

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

CHES means ASX Clearing House Electronic Subregister System.

Closing Date means 5.00p.m. WST on 30 August 2007 (unless extended), except in relation to the offer of the Shortfall (if any) which may remain open for a period of 3 months after this date.

Company or **Peel Exploration** means Peel Exploration Limited (ABN 42 119 343 734).

Constitution means constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company from time to time.

Dollars or **\$** means Australian dollars unless otherwise stated.

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

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

IPO Prospectus means the prospectus lodged by the Company with the ASIC on 21 March 2007 for the offer of 15,000,000 Shares at an issue price of 20 cents each to raise up to \$3,000,000.

Offer means the offer of Options pursuant to this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of ASX.

Opening Date means 13 August 2007.

Option Holders means those parties holding options to acquire Shares.

Option means an option for the issue of a Share.

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

Record Date means 5.00p.m. on 10 August 2007.

Rights Issue means the non-renounceable rights issue of Options to Shareholders pursuant to this Prospectus.

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

Shareholder means a holder of Shares.

Shortfall means the Options (if any) not taken up under the Rights Issue.

Shortfall Offer means the offer of the Shortfall pursuant to this Prospectus.

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

WST means Western Standard Time, Perth, Western Australia.

SHORTFALL APPLICATION FORM

**PEEL EXPLORATION LIMITED
ABN 42 119 343 734**

I/We declare that this application is completed according to the declarations/appropriate statements and in accordance with the instructions and agree to be bound by the Constitution of Peel Exploration Limited. I/We agree to take any number of Options equal to or less than the number applied for. I/We authorise the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions.

NOTE: Return of this Shortfall Application Form with your cheque, bank draft or transfer of funds directly to the Company's bank account (subject to prior arrangement) for the application monies will constitute your offer to subscribe for Options in the Company. No signature is required. You should read the Prospectus before completing this Shortfall Application Form.

USE BLOCK LETTERS
Print your name

TITLE	GIVEN NAMES	SURNAME	Tax File Number(s) or exemption category		

TITLE JOINT APPLICATION NO. 2 OR ACCOUNT DESIGNATION

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ADDRESS

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SUBURB/TOWN STATE P/CODE

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CONTACT NAME TELEPHONE WORK TELEPHONE HOME

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PID HIN

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I/WE APPLY FOR	APPLICATION MONEY	Date
	A\$	

Cheque Details

DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE

Cheques should be made payable to "Peel Exploration Limited - Option Issue".

INSTRUCTIONS TO APPLICANTS

Please complete all relevant sections of the Shortfall Application Form using BLOCK LETTERS. If you have any questions on how to complete this Shortfall Application Form please telephone David Hocking (Company Secretary) on (08) 9382 3955.

Before completing this Shortfall Acceptance Form, applicants should read the Prospectus to which it relates.

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

Forward the Shortfall Application Form together with your remittance for application money at \$0.01 per Option to:

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

or;

Computershare Investor Services Pty Ltd*
GPO Box D182
Perth WA 6840

Only cheques and/or bank drafts in Australian currency and drawn or payable on a bank within Australia should be sent, made payable to "Peel Exploration Limited – Option Issue" and crossed "Not Negotiable".

A receipt for payment will not be forwarded.

Personal cheques drawn on overseas banks in Australian Dollars or in a foreign currency will not be accepted. These will be returned and the application deemed invalid.