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**PEEL EXPLORATION LIMITED**

ABN 42 119 343 734

**HALF-YEAR CONSOLIDATED FINANCIAL REPORT**

**31 DECEMBER 2009**

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# PEEL EXPLORATION LIMITED

ABN 42 119 343 734

## Corporate Directory

### Directors

Simon Hadfield	Non-executive Chairman
Robert Tyson	Managing Director
Craig McGown	Non-executive Director
Graham Hardie	Non-executive Director

### Company Secretary

David Hocking

### Registered Office

Level 1, 79 Hay Street, Subiaco, WA 6008

Telephone: (61-8) 9382 3955  
Facsimile: (61-8) 9388 1025  
E-mail: admin@Peel.com.au  
Web-site: www.peelex.com.au

### Share Registry

Computershare Investor Services Pty Ltd  
Level 2, 45 St. George's Terrace, Perth WA 6000

Telephone: (61) 1300 664 593  
Facsimile: (61-8) 9323 2033  
E-mail: perth.services@computershare.com.au  
Web-site: www.computershare.com.au

### Auditors

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

### Solicitors

Steinepreis Paganin  
Level 4, Next Building, 16 Milligan St, Perth WA  
6000

### Bankers

National Australia Bank Limited

### Home Exchange

ASX code: PEX

## Contents

Directors' report .....	2
Statement of Comprehensive Income.....	3
Statement of Financial Position.....	4
Statement of Cash Flows.....	5
Statement of Changes in Equity.....	6
Notes to the financial statements.....	7
Directors' declaration.....	9
Auditor's independence declaration.....	10
Independent auditor's review report.....	11

## PEEL EXPLORATION LIMITED

### Directors' Report

The directors present their report on the consolidated entity consisting of Peel Exploration Limited and the subsidiary it controlled at the end of, or during, the half-year ended 31 December 2009.

#### Directors

The following persons held office as directors throughout the entire financial period and up to the date of this report, unless otherwise indicated:

Robert Tyson - Managing Director	Craig McGown - Non-executive Director
Simon Hadfield - Chairman	Graham Hardie - Non-executive Director, appointed 24/02/2010

#### Results

The loss of the Group for the half-year ended 31 December 2009 after providing for income tax amounted to \$388,620 (2008: \$760,750).

#### Dividend

No dividends were paid or proposed during the half-year.

#### Review of Operations

The principal continuing activity of the Group is the acquisition of mineral tenements, mineral exploration and investment. During the half-year Peel Exploration Limited continued to explore its tenements which are predominantly located in the New England region of New South Wales. There has been ongoing regional geological mapping and surface geochemical work at the Attunga tungsten-gold-copper tenement in preparation for a drilling program in the New Year. During the period the group completed the acquisition of the 'May Day' gold-base metal deposit from Imperial Corporation Limited (see Note 8). The 'May Day' deposit is located approximately 100 kilometres south of the mining town of Cobar in central NSW and comprises a 100 hectare mining lease – ML 1361. The group has also lodged an exploration licence application (ELA3776) covering approximately 84 square kilometres surrounding the 'May Day' deposit.

Further information on the Group's activities during the half-year financial period can be found in the Peel Exploration Limited quarterly activity reports.

#### Significant changes

During the period Peel Exploration Limited increased contributed equity by \$1,260,626 through the issue of 13,059,167 shares at an average issue price of 9.65 cents each (net of costs). The increase in contributed equity included 2,750,000 shares issued at 10 cents each as consideration for a Mining Lease located in NSW.

#### Subsequent events

Subsequent to 31 December 2009 Mr Graham Hardie was appointed a Director of Peel Exploration Limited on 24 February 2010. No other event has occurred subsequent to 31 December 2009 requiring disclosure in, or amendment to, these financial statements.

#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the directors and on behalf of the Board by:



**R. Tyson**  
Managing Director  
Perth, Western Australia  
12 March 2010

**PEEL EXPLORATION LIMITED**

**Consolidated Statement of Comprehensive Income  
for the Half-Year ended 31 December 2009**

	<b>Consolidated Entity</b>	
	<b>31-Dec 2009</b>	<b>31-Dec 2008</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	16,197	63,526
Share-base remuneration to employees and directors	-	(52,290)
Employee and directors' benefits expenses	(197,387)	(266,226)
Exploration expenditure written-off	(128,499)	(437,186)
Administration expenses	(78,931)	(68,114)
Loss before income tax expense	<u>(388,620)</u>	<u>(760,750)</u>
Income tax expense	-	-
Loss after tax from continuing operations	<u>(388,620)</u>	<u>(760,750)</u>
Total comprehensive income for the period attributable to the members of Peel Exploration Limited	<u>(388,620)</u>	<u>(760,750)</u>
	Cents	Cents
Basic and diluted loss per share	1.11	2.53

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**PEEL EXPLORATION LIMITED**

**Consolidated Statement of Financial Position  
for the Half-Year ended 31 December 2009**

		<b>Consolidated Entity</b>	
	<b>NOTE</b>	<b>31-Dec 2009 \$</b>	<b>30-Jun 2009 \$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,466,882	901,020
Trade and other receivables		18,820	31,233
<b>TOTAL CURRENT ASSETS</b>		<u>1,485,702</u>	<u>932,253</u>
<b>NON-CURRENT ASSETS</b>			
Security deposits		103,000	80,000
Plant and equipment		42,900	55,896
Exploration expenditure	8	275,000	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>420,900</u>	<u>135,896</u>
<b>TOTAL ASSETS</b>		<u>1,906,602</u>	<u>1,068,149</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		70,364	103,917
<b>TOTAL CURRENT LIABILITIES</b>		<u>70,364</u>	<u>103,917</u>
<b>TOTAL LIABILITIES</b>		<u>70,364</u>	<u>103,917</u>
<b>NET ASSETS</b>		<u>1,836,238</u>	<u>964,232</u>
<b>EQUITY</b>			
Issued capital	3	4,162,547	2,901,921
Accumulated losses		(2,895,831)	(2,507,211)
Reserves		569,522	569,522
<b>TOTAL EQUITY</b>		<u>1,836,238</u>	<u>964,232</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

PEEL EXPLORATION LIMITED

**Consolidated Statement of Cash Flows**  
For the half year to 31 December 2009

	<b>Consolidated Entity</b>	
	<b>31-Dec</b>	<b>31-Dec</b>
	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(411,496)	(742,205)
Interest received	16,197	63,526
<b>Net cash outflow from operating activities</b>	<u>(395,299)</u>	<u>(678,679)</u>
<b>Cash flows from investing activities</b>		
Payment of security deposits	(43,000)	-
Refund of security deposits	20,000	-
Payments for purchase of plant and equipment	(1,465)	-
<b>Net cash outflow from investing activities</b>	<u>(24,465)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	1,030,941	-
Transaction cost of issue of shares and options	(45,315)	-
<b>Net cash inflow from financing activities</b>	<u>985,626</u>	<u>-</u>
<b>Net (decrease)/ increase in cash held</b>	(565,862)	(678,679)
Net cash at the beginning of the half-year	2,030,930	2,030,930
<b>Net cash at the end of the half-year</b>	<u>1,466,882</u>	<u>1,352,251</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**PEEL EXPLORATION LIMITED**

**Consolidated Statement of Changes in Equity  
for the Half-Year ended 31 December 2009**

	Attributable to equity holders of the company			Total Equity \$
	Contributed Equity \$	Accumulated Losses \$	Other Reserves \$	
<b>At 1 July 2008</b>	2,766,921	(1,933,286)	569,522	1,403,157
Total comprehensive income for the half-year	-	(760,750)	-	-
Transactions with owners in their capacity as owners				
Share-based payment expense	-	-	52,290	52,290
<b>At 31 December 2008</b>	<u>2,766,921</u>	<u>(1,933,286)</u>	<u>569,522</u>	<u>1,403,157</u>
<b>At 1 July 2009</b>	2,901,921	(2,507,211)	569,522	964,232
Total comprehensive income for the half-year	-	(388,620)	-	(388,620)
Transactions with owners in their capacity as owners				
Issue of share capital	1,305,941	-	-	1,305,941
Expenses of issue of share capital	(45,315)	-	-	(45,315)
<b>At 31 December 2009</b>	<u>4,162,547</u>	<u>(2,895,831)</u>	<u>569,522</u>	<u>1,836,238</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Notes to the Accounts

### 1. Basis of preparation of Half-Year Financial Statements

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These interim financial statements do not include all the notes of the type normally included in an annual financial statement and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statement. Accordingly, this interim financial statement is to be read in conjunction with the annual financial statement for the year ended 30 June 2009 and any public announcements made by Peel Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the following.

#### Change in Accounting Policy

##### Segment Reporting

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

##### Presentation of Financial Statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months period ended on 31 December 2009.

### 2. Segment Information

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

	<b>31-Dec 2009</b>	31-Dec 2008
	\$	\$
Revenue from external sources	-	-
Reportable segment (loss)	(168,888)	(564,809)
Reportable segment assets	317,900	70,324
<b>Reconciliation of reportable segment (loss)</b>		
Reportable segment (loss)	(168,888)	(564,809)
Other profit	16,197	63,526
Unallocated: - Corporate expenses	<u>(235,929)</u>	<u>(259,467)</u>
Loss before tax	<u>(388,620)</u>	<u>(760,750)</u>

## PEEL EXPLORATION LIMITED

### 3. Issued Capital

Movements in ordinary share capital	Shares	\$
Balance at 1 July 2008	30,026,750	2,766,921
Balance at 31 December 2008	<u>30,026,750</u>	<u>2,766,921</u>
Balance at 1 July 2009	30,926,750	2,901,921
Shares issued from exercise of options	250	50
Shares issued pursuant to Rights Issue	3,293,400	329,340
Transaction costs of Rights Issue	-	(45,315)
Shares issued pursuant to placement	7,015,517	701,552
Shares issued for acquisition of Mining License	<u>2,750,000</u>	<u>275,000</u>
<b>Balance at 31 December 2009</b>	<b><u>43,985,917</u></b>	<b><u>4,162,548</u></b>

### 4. Contingencies

The Group had no contingent assets or liabilities for the half-year ended 31 December 2009.

### 5. Related Parties

#### Transactions with related parties

During the financial period the group paid \$18,000 (2008: \$18,000) for head office accommodation and secretarial services to RIU Pty Ltd, a company controlled by Mr S Hadfield.

### 6. Events occurring after the Balance Sheet date

Subsequent to 31 December 2009 Mr Graham Hardie was appointed a Director of Peel Exploration Limited on 24<sup>th</sup> February 2010.

Other than the above, there has not arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material or unusual nature, which is likely in the opinion of the Directors, to affect substantially the operation of the Group, the results of those operations and the state of affairs of the Group in the financial period subsequent to 31 December 2009.

### 7. Dividends

No dividends were paid during the period.

### 8. Exploration Expenditure

During the period Peel Exploration Limited acquired the 'May Day' gold-base metal deposit located 100 kilometres south of the mining town of Cobar in central NSW. The acquisition which comprised a 100 hectare mining lease; ML1361 was in return for the issue of 2,750,000 ordinary shares valued at 10 cents each to Imperial Corporation Limited.

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 8 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the period then ended; and
- (b) there are reasonable grounds to believe that Peel Exploration Limited will be able to pay its debts as and when they become due and payable.

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



**R. Tyson**  
Managing Director

Perth, Western Australia  
12 March 2010

12<sup>th</sup> March 2010

Peel Exploration Limited  
Level 1, 79 Hay Street  
SUBIACO WA 6008

Dear Board Members

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

As lead auditor of Peel Exploration Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

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



**Glyn O'Brien**  
Director



**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

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

### Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Peel Exploration Limited for the period ended 31 December 2009 included on Peel Exploration Limited's web site. The disclosing entity's directors are responsible for the integrity of Peel Exploration Limited's web site. We have not been engaged to report on the integrity of Peel Exploration Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Peel Exploration Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Peel Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Independence**

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

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Peel Exploration Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Audit (WA) Pty Ltd**



**Glyn O'Brien**  
Director

Signed in Perth, Western Australia  
Dated this 12<sup>th</sup> day of March 2010.