
PEEL EXPLORATION LIMITED
ABN 42 119 343 734

HALF-YEAR CONSOLIDATED FINANCIAL REPORT

31 DECEMBER 2010

Corporate Directory

Directors

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

Company Secretary

David Hocking

Registered Office

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Telephone: (61-8) 9382 3955
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E-mail: rtyson@peelex.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

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PEEL EXPLORATION LIMITED

Directors' Report

The directors present their report on the consolidated entity consisting of Peel Exploration Limited and its controlled subsidiaries at the end of, or during, the half-year ended 31 December 2010.

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
Simon Hadfield - Chairman

Craig McGown - Non-executive Director
Graham Hardie - Non-executive Director

Results

The loss of the Group for the half-year ended 31 December 2010 after providing for income tax amounted to \$257,753 (2009: \$275,700).

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 located in New South Wales and Western Australia.

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 \$3,222,378 through the issue of 43,771,398 shares at an average issue price of 7.4 cents each. The increase in contributed equity included 11,000,000 shares issued at 9.5 cents each as consideration for the acquisition of all the share capital of Apollo Mining Pty Ltd which owns an exploration project near Leonora in Western Australia.

Subsequent events

Since 31 December 2010 the Company has announced the grant of an exploration licence covering the historic Ruby-Tulloch-Rockvale silver field located approximately 30km east of Armidale in north-eastern New South Wales. Other than the above no event has occurred subsequent to 31 December 2010 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 10.

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



R. Tyson
Executive Director
Perth, Western Australia
11 March 2011

PEEL EXPLORATION LIMITED

**Consolidated Statement of Comprehensive Income
for the Half-Year ended 31 December 2010**

	Consolidated Entity	
	31-Dec 2010	31-Dec 2009
Note	\$	\$
Revenue from continuing operations	12,136	16,197
Depreciation	(16,792)	(14,461)
Director fees	(75,000)	(50,000)
Exploration expenditure	4 (17,960)	(27,260)
Administration expenses	(160,137)	(200,176)
Loss before income tax expense	<u>(257,753)</u>	<u>(275,700)</u>
Income tax expense	-	-
Loss after tax from continuing operations	<u>(257,753)</u>	<u>(275,700)</u>
Total comprehensive loss for the period attributable to the members of Peel Exploration Limited	<u>(257,753)</u>	<u>(275,700)</u>
	Cents	Cents
Basic and diluted loss per share	(0.51)	(0.79)

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 2010**

		Consolidated Entity	
	Note	31-Dec 2010	30-Jun 2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		451,954	710,490
Term deposits with maturity greater than 3 months		1,900,000	-
Trade and other receivables		32,661	46,939
TOTAL CURRENT ASSETS		<u>2,384,615</u>	<u>757,429</u>
NON-CURRENT ASSETS			
Security deposits		125,000	125,000
Plant and equipment		32,265	46,033
Exploration expenditure	4	3,266,702	1,891,521
TOTAL NON-CURRENT ASSETS		<u>3,423,967</u>	<u>2,062,554</u>
TOTAL ASSETS		<u>5,808,582</u>	<u>2,819,983</u>
CURRENT LIABILITIES			
Trade and other payables		210,704	186,730
TOTAL CURRENT LIABILITIES		<u>210,704</u>	<u>186,730</u>
TOTAL LIABILITIES		<u>210,704</u>	<u>186,730</u>
NET ASSETS		<u>5,597,878</u>	<u>2,633,253</u>
EQUITY			
Issued capital	3	7,384,925	4,162,547
Accumulated losses		(2,356,569)	(2,098,816)
Reserves		569,522	569,522
TOTAL EQUITY		<u>5,597,878</u>	<u>2,633,253</u>

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

**Consolidated Statement of Changes in Equity
for the Half-Year ended 31 December 2010**

	Attributable to equity holders of the company			Total Equity \$
	Contributed Equity \$	Accumulated Losses \$	Other Reserves \$	
At 1 July 2009	2,901,921	(2,507,211)	569,522	964,232
Adjustment on change in accounting policy	-	1,119,965	-	1,119,965
Restated total equity at 1 July 2009	2,901,921	(1,387,246)	-	2,084,197
Total comprehensive loss for the half-year	-	(275,700)	-	(275,700)
	2,901,921	(1,662,946)	569,522	1,808,497
<i>Transactions with owners in their capacity as owners</i>				
Issue of share capital	1,305,941	-	-	1,305,941
Expenses of issue of share capital	(45,315)	-	-	(45,315)
At 31 December 2009	4,162,547	(1,662,946)	569,522	3,069,123
At 1 July 2010	4,162,547	(2,098,816)	569,522	2,633,253
Total comprehensive loss for the half-year	-	(257,753)	-	(257,753)
	4,162,547	(2,356,569)	569,522	2,375,500
<i>Transactions with owners in their capacity as owners</i>				
Issue of share capital	3,342,598	-	-	3,342,598
Expenses of issue of share capital	(120,220)	-	-	(120,220)
At 31 December 2010	7,384,925	(2,356,569)	569,522	5,597,878

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

PEEL EXPLORATION LIMITED

Consolidated Statement of Cash Flows
For the half year to 31 December 2010

	Consolidated Entity	
	31-Dec	31-Dec
	2010	2009
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(215,045)	(298,579)
Payments for mineral exploration expenditure	(330,181)	(112,917)
Interest received	12,136	16,197
Net cash outflow from operating activities	<u>(533,090)</u>	<u>(395,299)</u>
Cash flows from investing activities		
Payment for term deposits	(1,900,000)	-
Payment of security deposits	(10,000)	(43,000)
Refund of security deposits	10,000	20,000
Payments for purchase of plant and equipment	(2,824)	(1,465)
Net cash outflow from investing activities	<u>(1,902,824)</u>	<u>(24,465)</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	2,297,598	1,030,941
Transaction cost of issue of shares	(120,220)	(45,315)
Net cash inflow from financing activities	<u>2,177,378</u>	<u>985,626</u>
Net increase in cash and cash equivalents	(258,536)	565,862
Cash and cash equivalents at the start of the half-year	<u>710,490</u>	<u>901,020</u>
Cash and cash equivalents at the end of the half-year	<u>451,954</u>	<u>1,466,882</u>

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

PEEL EXPLORATION LIMITED

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 2010 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 2010 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.

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.

	31-Dec 2010	31-Dec 2009
	\$	\$
Revenue from external sources	-	-
Reportable segment (loss)	(34,751)	(41,721)
Reconciliation of reportable segment (loss)		
Reportable segment (loss)	(34,752)	(41,721)
Other profit	12,136	16,197
Unallocated: - Corporate expenses	(235,137)	(250,176)
Loss before tax	<u>(257,753)</u>	<u>(275,700)</u>
	31-Dec 2010	30-Jun 2010
	\$	\$
Reportable segment assets	3,299,363	1,937,554

3. Contributed equity

<i>Movements in ordinary share capital</i>	Shares	\$
Balance at 1 July 2010	43,985,917	4,162,547
Shares issued pursuant to a 'Rights Issue'	22,002,959	1,540,207
Shares issued as consideration for the acquisition of a subsidiary company	11,000,000	1,045,000
Shares issued pursuant to placement	10,748,439	752,391
Shares issued pursuant to the exercise of options	20,000	5,000
Transaction costs of Rights Issue	-	(120,220)
Balance at 31 December 2010	<u>87,757,315</u>	<u>7,384,925</u>

PEEL EXPLORATION LIMITED

	31-Dec	30-Jun
	2010	2010
	\$	\$
4. Exploration expenditure		
At cost	3,266,702	1,891,521
<i>Reconciliations</i>		
Movement in the carrying amounts of capitalised exploration expenditure between the beginning and end of the half-year		
Opening balance , 1 July	1,891,521	1,119,965
Acquisition of an exploration tenement	1,045,000	-
Acquisition of mining lease	-	275,000
Other exploration expenditure	336,539	668,988
Written off during the period	(6,358)	(172,432)
Closing net book amount, 31 December	<u>3,266,702</u>	<u>1,891,521</u>

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

5. Subsidiary companies

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary companies in accordance with the accounting policy described in note 1.

<i>Name</i>	Country of Incorporation	Class of Shares	Equity Holding	
			2010	2009
			%	%
Peel Environmental Services Limited	Australia	Ordinary	100	100
Apollo Mining Pty Ltd	Australia	Ordinary	100	-

6. Contingencies

The Group had no contingent assets or liabilities for the half-year ended 31 December 2010.

7. Related Parties

Transactions with related parties

During the financial period the group paid \$18,000 (2009: \$18,000) for head office accommodation and secretarial services and charges to RIU Pty Ltd, a company controlled by Mr S Hadfield.

8. Events occurring after the Balance Sheet date

Since 31 December 2010 the Company has announced the grant of an exploration licence covering the historic Ruby-Tulloch-Rockvale silver field located approximately 30km east of Armidale in north-eastern New South Wales. 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 2010.

9. Dividends

No dividends were paid during the period.

10. Acquisition of Apollo Mining Pty Ltd

During the half-year Peel Exploration Limited acquired the whole of the share capital of Apollo Mining Pty Ltd from Hampton Hill Mining NL. The consideration was 11,000,000 fully paid ordinary shares in Peel Exploration Limited at 9.5 cents each. Apollo Mining Pty Ltd owns exploration leases at the Apollo Hill gold prospect near Leonora in Western Australia. After due consideration of AASB 3 the directors have determined that the acquisition of Apollo Mining Pty Ltd constituted the acquisition of an individual asset rather than an operating business. Consequently the transaction has been recognised as an individual asset in the financial statements.

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 2010 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
Executive Director

Perth, Western Australia
11 March 2010

11 March 2011

Peel Exploration Limited
34 Kings Park Rd,
WEST PERTH WA 6005

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 2010, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Peel Exploration Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising 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's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 consolidated entity's financial position as at 31 December 2010 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 Ltd 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, which has been given to the directors of Peel Exploration Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



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 2010 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

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', with the letters 'BDO' written above it.

Glyn O'Brien
Director

Signed in Perth, Western Australia
Dated this 11th day of March 2011.