
PEEL MINING LIMITED
ABN 42 119 343 734

HALF-YEAR CONSOLIDATED FINANCIAL REPORT
31 DECEMBER 2013

Corporate Directory

Directors

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

Company Secretaries

Ryan Woodhouse

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Share Registry

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Auditors

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

Solicitors

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

Bankers

National Australia Bank Limited

Home Exchange

ASX code: PEX

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Directors' Report

The directors present their report on the consolidated entity consisting of Peel Mining Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

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
Graham Hardie - Non-executive Director

Results

The loss of the Group for the half-year ended 31 December 2013 after providing for income tax amounted to \$(390,146) 2012: \$(927,350).

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 Mining Limited continued to explore its tenements which are located in New South Wales, Western Australia and New Zealand.

Mallee Bull Project

The Mallee Bull project is a copper-polymetallic discovery located approximately 100km south of Cobar in Western NSW. During the half year ending December 2013, Stage 2 of the Mallee Bull farm-in agreement with CBH Resources Ltd was completed. Drilling and exploration proceeded under Stage 3 of the agreement which takes CBH's interest in the project to 50%. Peel remains an operator throughout the farm-in process.

Diamond drilling in the half year commenced with drillhole BDDD001 at the Butcher's Dog prospect north of Mallee Bull. A DHEM survey of the hole identified a new, very strong offhole anomaly (~170 millisecond time constant) beneath BDDD001's drillhole position; it is the strongest anomaly identified to date at the Mallee Bull and Butcher's Dog prospects. A further 7022.2m of diamond drilling was completed at Mallee Bull targeting geophysical anomalies identified through down hole EM surveys and a magnetotelluric (MT) survey conducted over both prospect areas. Drillholes encountered minor but significant copper mineralisation accompanied by moderate-to-strong chlorite and intense sericite alteration with plentiful high-strain quartz veins, identical to the Mallee Bull footwall/stringer style mineralisation. Encouragingly, the location of the mineralised intercepts is at distance from the main Mallee Bull mineralised zone. Drilling also obtained material for metallurgical test work; hole MBDD017 and wedges, which were drilled down dip of mineralisation at Mallee Bull, intersected extensive zones of stringer-style chalcopyrite mineralisation to ~825m downhole, representing a greater than 50m increase in vertical extent of mineralisation. Given the down dip nature of drilling however, no true width estimates for the mineralisation are possible. A shallow, high grade copper interval grading 13m @ 5.5% Cu, 59 g/t Ag, 1.68 g/t Au from 225m (~215m below surface) within the hanging wall was also encountered. Resource definition drilling also commenced as part of a programme to enable a maiden resource estimate for Mallee Bull by May 2014.

Close-spaced RAB drilling was completed August, designed to test for shallow gold mineralisation near the workings of the Four Mile gold field. Generally low gold values were returned, however elevated base metals and pathfinder elements were returned from several drillholes in close proximity to Mallee Bull.

Core intervals from MBDD009W2W1 representative of the two dominant styles of mineralisation identified at Mallee Bull to date (Stringer Sulphide/footwall lode and Massive Sulphide/Hanging-wall lode) were assessed by ALS Metallurgy for initial flotation and particle mineralogy. The Stringer Sulphide composite yielded excellent flotation results with concentrates of ~25% copper at a recovery between 90-95% returned from test work. The Massive Sulphide composite demonstrated reduced recovery and grade from roughing floats largely due to the strong association of pyrite and chalcopyrite. The results indicate that the bulk of mineralisation (~80%) at Mallee Bull as defined by drilling to date (i.e. Stringer Sulphide) is potentially recoverable via simple metallurgical processes. Further test work on the Massive sulphides is being currently completed.

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Cobar Superbasin Project

Progress of Peel's 100%-owned Cobar Superbasin project continued with diamond drilling, surface geophysical and geochemical surveys, and geological mapping.

Diamond hole PSCDD001 (639.2m) was completed at the newly acquired Sandy Creek project, targeting a strong DHEM off-hole conductor, and intersected several broad zones of mineralisation including a 19m zone of variable pyrrhotite - dominant sulphides from 493m featuring a 4m zone averaging 48 g/t Ag, 0.50% Cu, 9.63% Pb, 1.1% Zn from 493m. The hole confirms the potential for the presence of economic mineralisation at Sandy Creek, which bears many similarities to Mallee Bull at an early stage of exploration.

On Peel's broader Cobar Superbasin Project, an extensive review of historical data and preliminary field work was undertaken, resulting in the definition of many prospects that warrant closer scrutiny. Geochemical sampling also continued over the prospect areas, with more than 10,000 multi-element portable XRF samples collected since commencement of exploration.

Apollo Hill Project

An RC drilling programme comprising of 11 holes was completed over the Apollo Hill licences E39/1198 and M39/296 in November 2013 to test for extensions to the main mineralised zone, drilling a total of 1655m. Results indicated the presence of mineralisation extending to the south-east of the inferred resource at Apollo Hill Main Zone, with an evident continuation of quartz veining and ankerite alteration within the felsic schist-meta basalt contact that has been associated with the bulk of mineralisation at Apollo Hill to date. Significant intercepts within M39/296 included 21m @ 1.27 g/t from 91m at PARC22 including 5m @ 4.22 g/t Au from 91m and 8m @ 1.33g/t Au from 123m, 2m @ 2.79 g/t Au from 101m at PARC25, and from within E39/1198 included 25m @ 0.62 g/t from 37m at PARC32 including 5m @ 1.18 g/t at the Ra Zone.

Additional metallurgical test work regarding Apollo Hill mineralisation was also undertaken, and field reconnaissance completed over the project licence areas; a number of additional prospects have been identified for follow-up exploration work.

Attunga Project

A single diamond drill hole was completed at the Attunga Tungsten deposit; AWP001 was drilled for future metallurgical test work purposes and confirmed the high-grade nature of the Attunga Tungsten Deposit. Significant results include 3.1m @ 0.2% WO₃ from 5.9m; 3m @ 0.17% WO₃ from 14m; 4m @ 0.32% WO₃ from 76m; and 35m @ 0.31% WO₃ from 91m (including 22m @ 0.42% WO₃ from 104m).

Other Projects

No field work was completed on the Rise & Shine, Ruby Silver and Morawa projects during the half year.

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

Significant changes

During the period Peel Mining Limited increased shares on issue by 2,214,286 shares due to the purchase of exploration license EL7403 (Sandy Cree) from Weddarla Pty Ltd.

Events occurring after reporting period

There were no material events occurring after the reporting period.

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 13.

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



R. Tyson
Managing Director
Perth, Western Australia
14 March, 2014

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Half-Year ended 31 December 2013**

		Consolidated Entity	
		31-Dec 2013	31-Dec 2012
	Note	\$	\$
Revenue from continuing operations		101,233	24,679
Depreciation		(42,177)	(14,028)
Employee and directors' benefit expenses		(182,868)	(209,453)
Exploration expenditure written off	5	-	-
Share based payment expense	9	(34,847)	(543,301)
Administration expenses		(231,487)	(185,247)
Profit/(Loss) before income tax expense		<u>(390,146)</u>	<u>(927,350)</u>
Income tax expense		-	-
Profit/(Loss) after tax from continuing operations		<u><u>(390,146)</u></u>	<u><u>(927,350)</u></u>
Total comprehensive income/(loss) for the period attributable to the members of Peel Mining Limited		<u><u>(390,146)</u></u>	<u><u>(927,350)</u></u>
		Cents	Cents
Basic loss per share		(0.30)	(0.84)
Diluted loss per share		n/a	n/a

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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**Consolidated Statement of Financial Position
as at 31 December 2013**

		Consolidated Entity	
	Note	31-Dec 2013	30-Jun 2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		3,827,195	6,360,673
Trade and other receivables		1,140,763	212,913
TOTAL CURRENT ASSETS		<u>4,967,958</u>	<u>6,573,586</u>
NON-CURRENT ASSETS			
Security deposits		337,904	229,904
Plant and equipment		238,192	228,090
Property		836,692	-
Exploration expenditure	5	8,961,107	7,071,419
TOTAL NON-CURRENT ASSETS		<u>10,373,895</u>	<u>7,529,413</u>
TOTAL ASSETS		<u>15,341,853</u>	<u>14,102,999</u>
CURRENT LIABILITIES			
Trade and other payables		1,225,089	405,936
TOTAL CURRENT LIABILITIES		<u>1,225,089</u>	<u>405,936</u>
TOTAL LIABILITIES		<u>1,225,089</u>	<u>405,936</u>
NET ASSETS		<u>14,116,764</u>	<u>13,697,063</u>
EQUITY			
Issued capital	4	17,911,805	17,136,805
Accumulated losses		(4,952,911)	(4,562,765)
Reserves		1,157,870	1,123,023
TOTAL EQUITY		<u>14,116,764</u>	<u>13,697,063</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 2013**

	Attributable to equity holders of the company			Total Equity \$
	Contributed Equity \$	Accumulated Losses \$	Other Reserves \$	
At 1 July 2012	10,089,725	(3,086,837)	579,722	7,582,610
Total comprehensive loss for the half-year	-	(927,350)	-	(927,350)
	<u>10,089,725</u>	<u>(4,014,187)</u>	<u>579,722</u>	<u>6,655,260</u>
<i>Transactions with equity holders in their capacity as equity holders</i>				
Issue of share capital	28,000	-	-	28,000
Expenses of issue of share capital	-	-	543,301	543,301
	-	-	-	-
At 31 December 2012	<u>10,117,725</u>	<u>(4,014,187)</u>	<u>1,123,023</u>	<u>7,226,561</u>
At 1 July 2013	17,136,805	(4,562,765)	1,123,023	13,697,063
Total comprehensive income for the half-year	-	(390,146)	-	(390,146)
	<u>-</u>	<u>(390,146)</u>	<u>-</u>	<u>(390,146)</u>
<i>Transactions with equity holders in their capacity as equity holders</i>				
Issue of share capital	775,000	-	-	775,000
Issue of Options	-	-	34,847	34,847
Expenses of issue of share capital	-	-	-	-
At 31 December 2013	<u>17,911,805</u>	<u>(4,952,911)</u>	<u>1,157,870</u>	<u>14,116,764</u>

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

Consolidated Statement of Cash Flows
For the half year to 31 December 2013

		Consolidated Entity	
		31-Dec	31-Dec
		2013	2012
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(532,789)	(287,308)
Interest received		113,166	21,442
Net cash outflow from operating activities		<u>(419,623)</u>	<u>(265,866)</u>
Cash flows from investing activities			
Payments for mineral exploration	2	(2,582,493)	(2,008,624)
Payment of security deposits		(108,000)	(30,000)
Refund of security deposits		-	55,000
Payments for purchase of property, plant and equipment		(923,362)	(12,496)
Proceeds from disposal of interest in E&E asset through farm-out	2	1,500,000	2,500,000
Net cash inflow/(outflow) from investing activities		<u>(2,113,855)</u>	<u>503,880</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		-	28,000
Transaction cost of issue of shares		-	-
Net cash inflow from financing activities		<u>-</u>	<u>28,000</u>
Net increase/(decrease) in cash and cash equivalents		(2,533,478)	266,787
Cash and cash equivalents at the start of the half-year		<u>6,360,673</u>	<u>629,049</u>
Cash and cash equivalents at the end of the half-year		<u>3,827,195</u>	<u>895,063</u>

The above Consolidated Statement of Cash Flows 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 2013 have 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 2013 and any public announcements made by Peel Mining 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. In addition the following accounting policy was adopted:

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farminee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmenor as a gain on disposal.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other than for the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits which came into effect on 1 July 2013 from Peel's perspective. Peel have reviewed the impact of applying these new standards compared to the previous standards AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards and concluded that there is no material impact on the Group's performance and position arising from the initial application of these standards and, apart from additional note disclosures required under AASB 13, they are therefore immaterial in the context of Peel's financial report for the interim half-year reporting period ended 31 December 2013 or the comparative information.

2. Mallee Bull Project Farm-in by CBH Resources Limited

During the period, Stage-3 of the farm-in by CBH Resources Limited (CBH) to the Group's Mallee Bull Project was commenced. This saw CBH pay the Group \$1,500,000 and \$900,000 subsequently to exploration on the project to as part of their earn-in to acquire an additional 20% of the project. CBH had previously contributed \$5,000,000 to acquire a 30% interest. These amounts have been included in the Group's Consolidated Statement of Cashflows and Consolidated Statement of Financial Position, however per the Group's accounting policy, the contributions are off-set against the expenditure incurred resulting in no gain or loss recognised (net effect) in the capitalised Exploration Expenditure asset. As at 31 December 2013, \$985,884 of the total balance of Trade and other payables related to the Mallee Bull Project. This amount is offset by \$900,000 included in Trade and other receivables to be recouped from CBH.

3. Segment Information

Management has determined that the Group has one reportable segment, being mineral exploration within Australasia. The Group is focused only on mineral exploration and the Board monitors the Group based on actual versus budgeted exploration expenditure incurred. 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	31-Dec
	2013	2012
	\$	\$
Revenue from external sources	-	-
Reportable segment (loss)	(42,177)	(10,411)

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3. Segment Information (Continued)

Reconciliation of reportable segment (loss)

Reportable segment (loss)	(42,177)	(10,411)
Other revenue	101,233	24,679
Unallocated: Corporate expenses	(449,202)	(941,618)
Loss before tax	<u>(390,146)</u>	<u>927,350</u>

	31-Dec 2013	31-Dec 2012
	\$	\$
Reportable segment assets	<u>10,035,991</u>	<u>7,745,910</u>

4. Contributed equity

	Number of Shares	\$
<i>Movements in ordinary share capital</i>		
Balance at 1 July 2013	129,871,683	17,136,805
Shares issued for the purchase of Sandy Creek tenement	2,214,286	775,000
Balance at 31 December 2013	<u>132,085,969</u>	<u>17,911,805</u>

Movements in ordinary share capital

Balance at 1 July 2012	110,571,683	10,089,725
Shares issued pursuant to the exercise of employee options	350,000	28,000
Balance at 31 December 2012	<u>110,921,683</u>	<u>10,117,725</u>

	31-Dec 2013	30-Jun 2013
	\$	\$
5. Exploration expenditure		
At cost	<u>8,961,107</u>	<u>7,071,419</u>
<i>Reconciliations</i>		
Movement in the carrying amounts of capitalised exploration expenditure between the beginning and end of the half-year		
Opening balance	7,071,419	6,864,104
Acquisition of mining lease	775,000	250,000
Other exploration expenditure	3,514,688	5,010,770
Written off during the period	-	(53,455)
Farm out of Gilgunnia Project	(2,400,000)	(5,000,000)
Closing net book amount	<u>8,961,107</u>	<u>7,071,419</u>

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

6. Subsidiary companies

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary companies.

Name	Country of Incorporation	Class of Shares	Equity Holding	
			31-Dec 2013	30-June 2013
			%	%
Peel Environmental Services Limited	Australia	Ordinary	100	100
Apollo Mining Pty Ltd	Australia	Ordinary	100	100

7. Contingencies

The Group had no contingent assets or liabilities for the half-year ended 31 December 2013.

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8. Related Parties

Transactions with related parties

During the financial period the Group paid \$29,880 (2012: \$18,000) for head office accommodation and secretarial services and charges to RIU Pty Ltd, a company controlled by Mr S Hadfield.

9. Share Based Payments

During the period the Company has granted options to its employees through its Employee Share Option Plan. Total expenses arising from share-based payment transactions recognised during the period were as follows.

	31-Dec 2013 Number	31-Dec 2013 Value (\$)
Options granted to employees (pro-rated due to vesting conditions)	320,000	34,847
Total	<u>320,000</u>	<u>34,847</u>

Fair value of options granted

The assessed fair value at grant date of options granted to directors of the company and employees during the period ended 31 December 2013 was 17 cents per option and 4 cents per option respectively. Employee options were valued on a prorated basis as a result of the vesting condition attached to these options (50% of the options vest one year from grant date). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2013 included:

	Employee Options
(a) Options are granted for no consideration and vest accordingly	50% vest immediately, 50% vest in one year from grant date
(b) Exercise Price	50 cents
(c) Grant Date	12 September 2013
(d) Expiry Date	30 June 2015
(e) Share Price at Grant Date	38 cents
(f) Expected Price Volatility	100%
(g) Expected Dividend Yield	0.00%
(h) Risk-free interest rate	2.70%

Options Exercised

Nil employee options were exercised during the period.

10. Events occurring after the Reporting date

No events occurring after the reporting date.

12. Dividends

No dividends were paid during the period.

13. Fair Value Measurement

Financial assets and financial liabilities that are not measured at fair value on a recurring basis

At 31 December 2013 and 30 June 2013, the carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short term nature.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 10 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 2013 and of its performance for the period then ended; and
- (b) there are reasonable grounds to believe that Peel Mining 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
14 March 2014

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

As lead auditor for the review of Peel Mining Limited for the half-year ended 31 December 2013, 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 Mining Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Peel Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Peel Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 company 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 internal 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 half-year 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 2013 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 Mining 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 Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review 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 Mining 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 2013 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', written over the printed name.

Glyn O'Brien

Director

Perth, 14 March 2014