



Annual Report  
for the Financial Year ended 30 June 2008

**PEEL EXPLORATION LIMITED  
& CONTROLLED ENTITIES**

ABN 42 119 343 734

## Corporate Directory

### Directors

Simon Hadfield – Chairman  
Rob Tyson – Executive Director  
Craig McGown – Non-executive Director

### Share Registry

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Level 2, 45 St Georges Tce  
PERTH WA 6000

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### Company Secretary

David Hocking

### Solicitors to the Company

Steinepreis Paganin  
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Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### Registered Office

Level 1, 79 Hay St  
SUBIACO WA 6008

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Facsimile: +61 (0) 8 9388 1025

### Auditors

BDO Kendalls Audit & Assurance  
128 Hay St  
SUBIACO WA 6008

### Website

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# Peel Exploration Limited Annual Report 2008

## Chairman's Report

Dear Investor,

Since listing in May 2007, Peel Exploration Limited has been fortunate in being able to identify and acquire several valuable mineral projects in New South Wales, close to excellent infrastructure.

Standing out amongst these projects are the Attunga Tungsten Deposit (Attunga) and the Kensington gold-tungsten prospect (Kensington). Over the past 12 months at Attunga, Peel Exploration has independently identified and verified a JORC-compliant inferred resource of 1.29 Mt grading 0.61% WO<sub>3</sub> and 0.05% molybdenum for 9,400t WO<sub>3</sub> equivalent (using a 0.2% WO<sub>3</sub> equivalent cutoff).

Recent drilling by Peel Exploration has revealed tungsten-molybdenum mineralisation grading up to 24% WO<sub>3</sub>. The mineralisation at Attunga is outcropping at surface, extends to a depth of at least 200m, remains open and includes multiple high-grade zones.

Drilling at the Kensington prospect has identified widespread outcropping gold mineralisation over more than 800m of strike and we believe that this warrants continued exploration.

However, it is Attunga that the company is keen to fast-track. The focus of the company's activities will be to complete a scoping study at Attunga and a positive result will see Peel Exploration move to a full feasibility study.

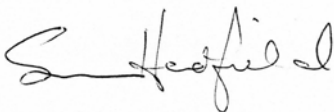
The Company also owns several highly prospective copper prospects in NSW which it will continue to explore as funds become available.

The directors of Peel Exploration believe it has achieved a great deal of success in its first year since being admitted to the ASX and will continue to develop its existing projects while searching for other opportunities.

I would like to thank my fellow directors Rob Tyson and Craig McGown and Company Secretary David Hocking for their contribution over the past 12 months. I would also like to thank Michael Kiernan, who resigned during the year, for his contribution as a director of the company.

Finally I would like to thank our shareholders for supporting the Company.

Yours sincerely



**Simon Hadfield**  
**CHAIRMAN**

30<sup>th</sup> September 2008

## Peel Exploration Limited Annual Report 2008

### Review of Operations

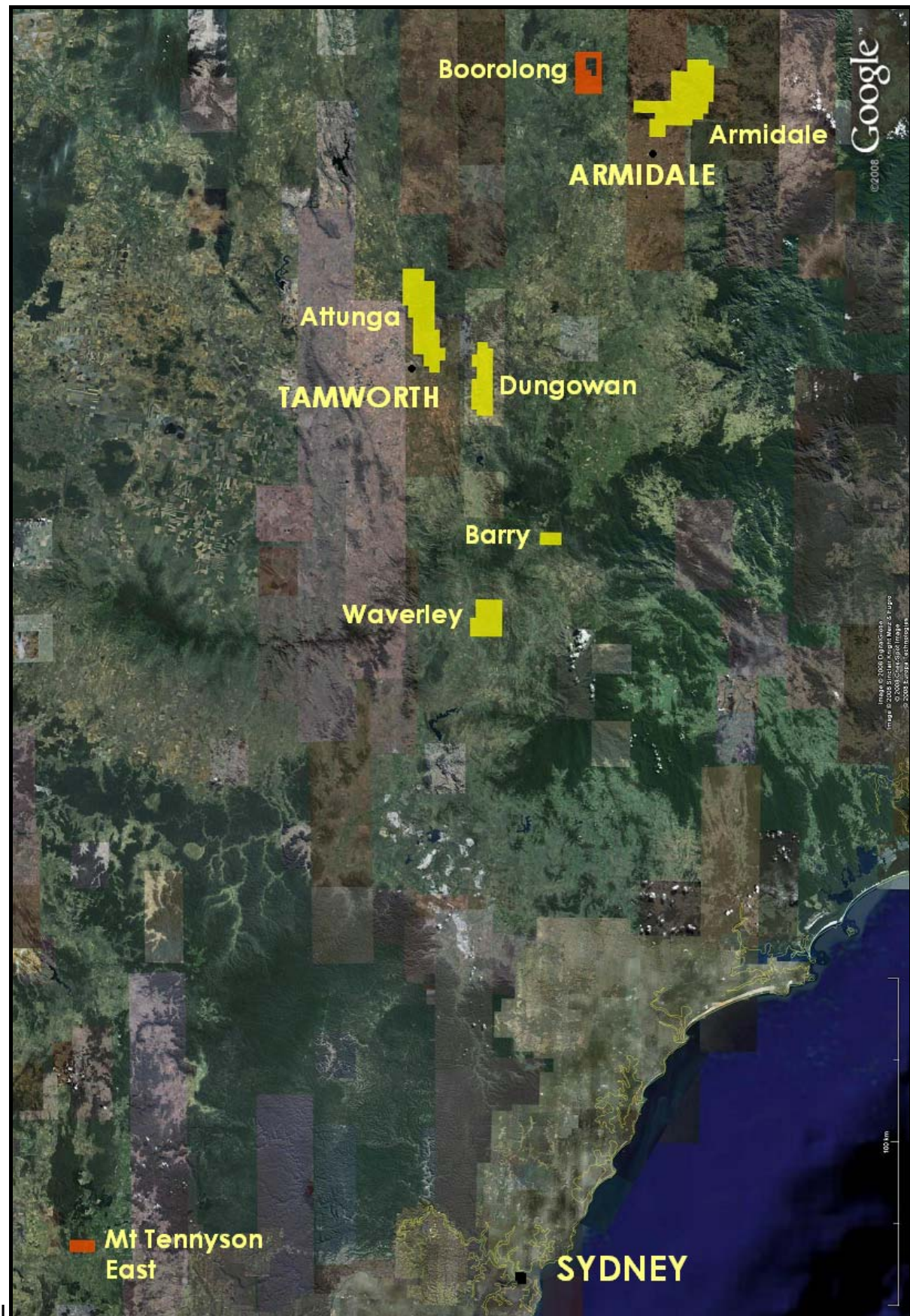
#### Background

Peel Exploration Limited (Peelex) was formed in April 2006 to prospect for base and precious metal deposits. The Company identified the New England Fold Belt, particularly the portion located within northern New South Wales, as a highly prospective and under explored region.

At September 2008, the Company had a portfolio of six 100%-owned exploration licences and a further two exploration licence applications (see Figure 1), all located in New South Wales, comprising:

- **EL6883 & EL6884 - Attunga** contains numerous historic gold, tungsten, molybdenum and copper mines/workings/prospects. Peelex has recently outlined a high-grade tungsten-molybdenum resource at the Attunga Tungsten Deposit (1.29 Mt at 0.61% WO<sub>3</sub> and 0.05% Mo), and also identified extensive gold mineralisation at the Kensington gold-tungsten prospect.
- **EL6613 - Dungowan** contains numerous historic copper mines/workings. High-grade copper mineralisation has been reported from Fishers copper mine, with 2,643t of ore produced at an average grade of 13.4% copper while at nearby Trough Gully copper mine, the lode finished in massive sulphide mineralisation.
- **EL6614 - Barry** is centred on a cluster of copper workings. Exploration in 1971 returned significant surface copper values, including 27 samples averaging 1.7% copper and 21 samples averaging 1.9% copper. No follow-up of these results has ever been reported.
- **EL6719 - Waverley** is centred on the historic Waverley silver-lead-zinc workings. Limited prospecting by Peelex has returned highly anomalous silver, lead and zinc values.
- **EL6722 - Armidale** contains several historic silver mines along with numerous gold, antimony, tungsten and molybdenum workings.
- **ELA3483 - Boorolong** contains the historic Boorolong molybdenum workings and Sutton Creek tin workings. Initial literature searches indicate possible high-grade molybdenum resources (non-JORC) present at Boorolong with little modern exploration.
- **ELA3594 - Mt Tennyson East** contains the historic Kirk and Wades (Mt Tennyson East) molybdenum-tungsten prospect. Initial literature searches indicate that tungsten-molybdenum mineralisation at Mt Tennyson East possibly represents an extension to the current Mt Tennyson molybdenum resource.

Figure 1 - Peelex Project Locations





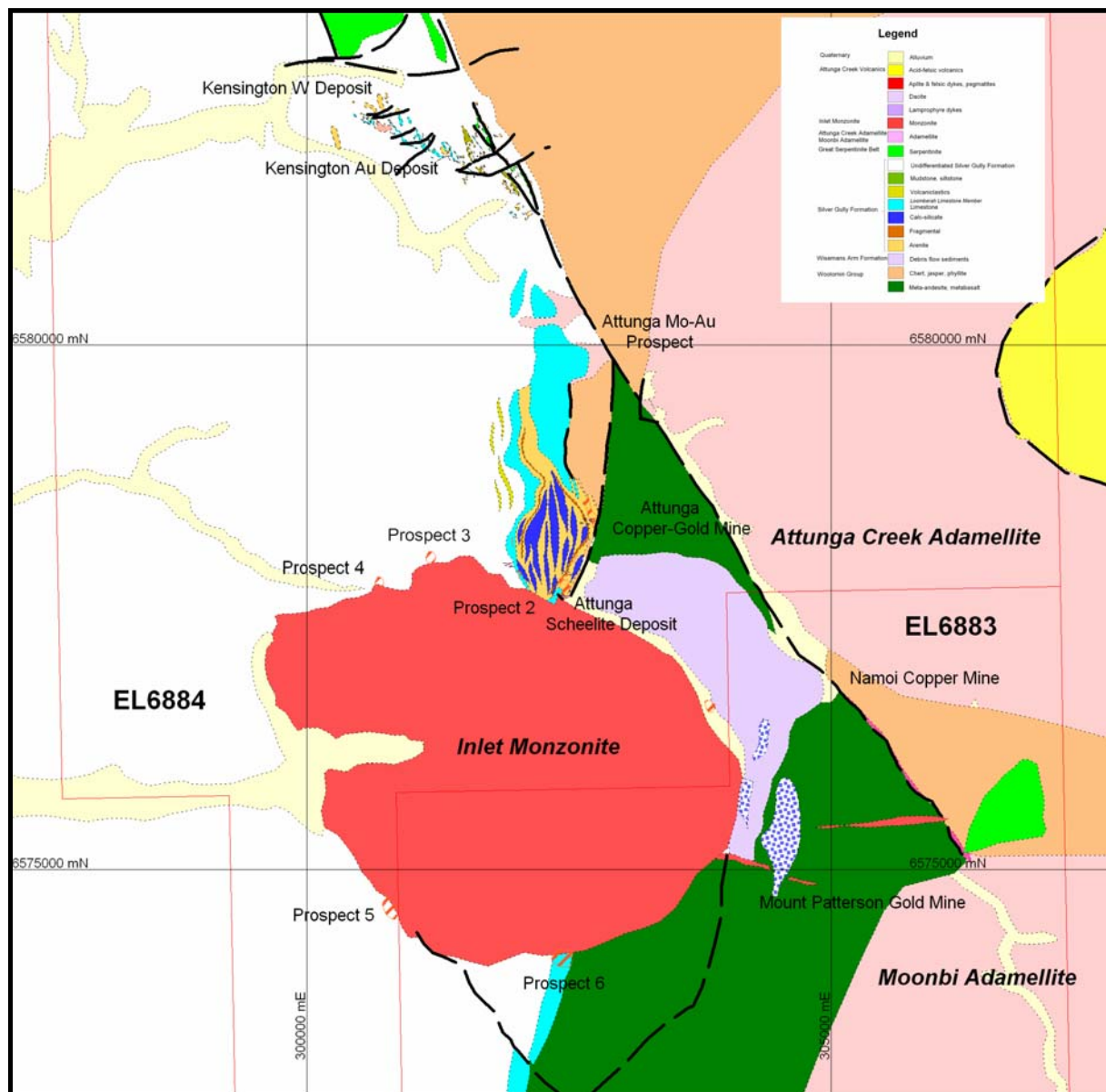
## Details on Assets

### EL6883 & EL6884 – Attunga (100% Peel Exploration Ltd)

EL6883 and EL6884 - the Attunga project - are located about 20 km north of Tamworth (pop ~42,000), or about 330 km north of Sydney, New South Wales. The licences cover a combined area of about 250 km<sup>2</sup> and were granted in September 2007.

Within the Attunga project, there are two specific areas of interest: the Attunga Tungsten Deposit area as defined by exploration in 1968-70, 2006 and 2008; and the Kensington gold-tungsten prospect area defined by historic workings and exploration between 1970 and 2008. The Attunga Project area is considered prospective for tungsten-molybdenum skarn-type mineralisation, gold (+/-tungsten) intrusive-related gold system type mineralisation, and base/precious metal skarn-type mineralisation.

Figure 2 - Peelex Attunga Project Geology and Prospects



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### Attunga Tungsten Deposit (aka Attunga Scheelite Deposit, Attunga Prospect 1)

In 1968, the Attunga Mining Corporation Pty Ltd (subsequently taken over by Endurance Mining Corporation) discovered the Attunga Tungsten Deposit. Geopeko Ltd subsequently entered into an option agreement and undertook an intensive, but confined diamond drilling program. In total 25 diamond drillholes for 4,236m to a maximum depth of about 290m were drilled, establishing a small high-grade "reserve" of 13,800t @ 2.82% WO<sub>3</sub>, 0.34% molybdenum. Subsequent explorers considered that a larger resource of lower grade material was present, and in 1983 Challenger Mining calculated a (non-JORC) resource of 1.25 Mt at 0.82% WO<sub>3</sub> and 0.14% molybdenum. Minimal further exploration was completed at the Attunga Tungsten Deposit in the ensuing years.

The Attunga Tungsten Deposit can be classified as a skarn deposit formed by the intrusion of the Inlet Monzonite into sedimentary rocks of the Middle Devonian Tamworth Group. Tungsten and molybdenum mineralisation occur as fine disseminations and veinlets of scheelite, molybdenite and, possibly, powellite; primarily within the skarn, monzonite and a fine-grained contact rock that Geopeko termed "scheelite rock". Minor mineralisation also occurs in the hornfels, calc-silicate hornfels and marble.

In September 2007, Peelex commissioned Geos Mining Mineral Consultants to complete an independent JORC-compliant resource estimation on the Attunga Tungsten Deposit based on available data. Importantly, all historic drilling relevant to the deposit was still available, with drilling from 1968-69 held in storage at the New South Wales Department of Primary Industries (NSW DPI) Londonderry drillcore library, and cuttings from 2006 RC drillhole ATRC-04 stored on site at the Attunga Tungsten Deposit. Historic exploration reports relevant to the Attunga Tungsten Deposit were recovered from the NSW DPI's interactive database for exploration and geoscience information (DIGS).

In October 2007, during Peelex's programme of relogging and assaying/reassaying historic drillcore, previously unrecognised high-grade tungsten-molybdenum mineralisation was identified with an interval of **2.44m at 4.3% WO<sub>3</sub> and 0.23% Mo from 89.97m** downhole returned from historic drillhole ATT-23. Further previously unrecognised high-grade tungsten-molybdenum mineralisation was identified in early 2008 when RC drillhole ATRC-04 (drilled in mid-2006) was re-sampled and assayed utilising XRF methodology. An intersection of **12m at 0.65% WO<sub>3</sub> and 0.07% Mo from 84m** downhole was returned.

In April 2008, Peelex announced completion of an independent JORC-compliant resource estimation for the Attunga Tungsten Deposit by Geos Mining. A high-grade tungsten-molybdenum inferred resource was defined with results including **1.29 Mt at 0.61% WO<sub>3</sub> and 0.05% Mo for 9,400t contained WO<sub>3</sub> equivalent** using a 0.2% WO<sub>3</sub> equivalent cutoff.

In July 2008, Peelex completed two RC drillholes (ATP1-D & ATP1-G) as partial fulfillment of an extensional and infill drilling programme designed by Geos Mining. Completion of the full drill programme was restricted due to inclement weather, rugged terrain, and drill rig availability. Peelex's primary aim was to gain sufficient material to commence early warning metallurgical testwork and drillhole ATP1-D was designed by Geos Mining for this purpose. Also in July 2008, Peelex commissioned NAGROM, metallurgical consultants, to commence early warning metallurgical testwork.

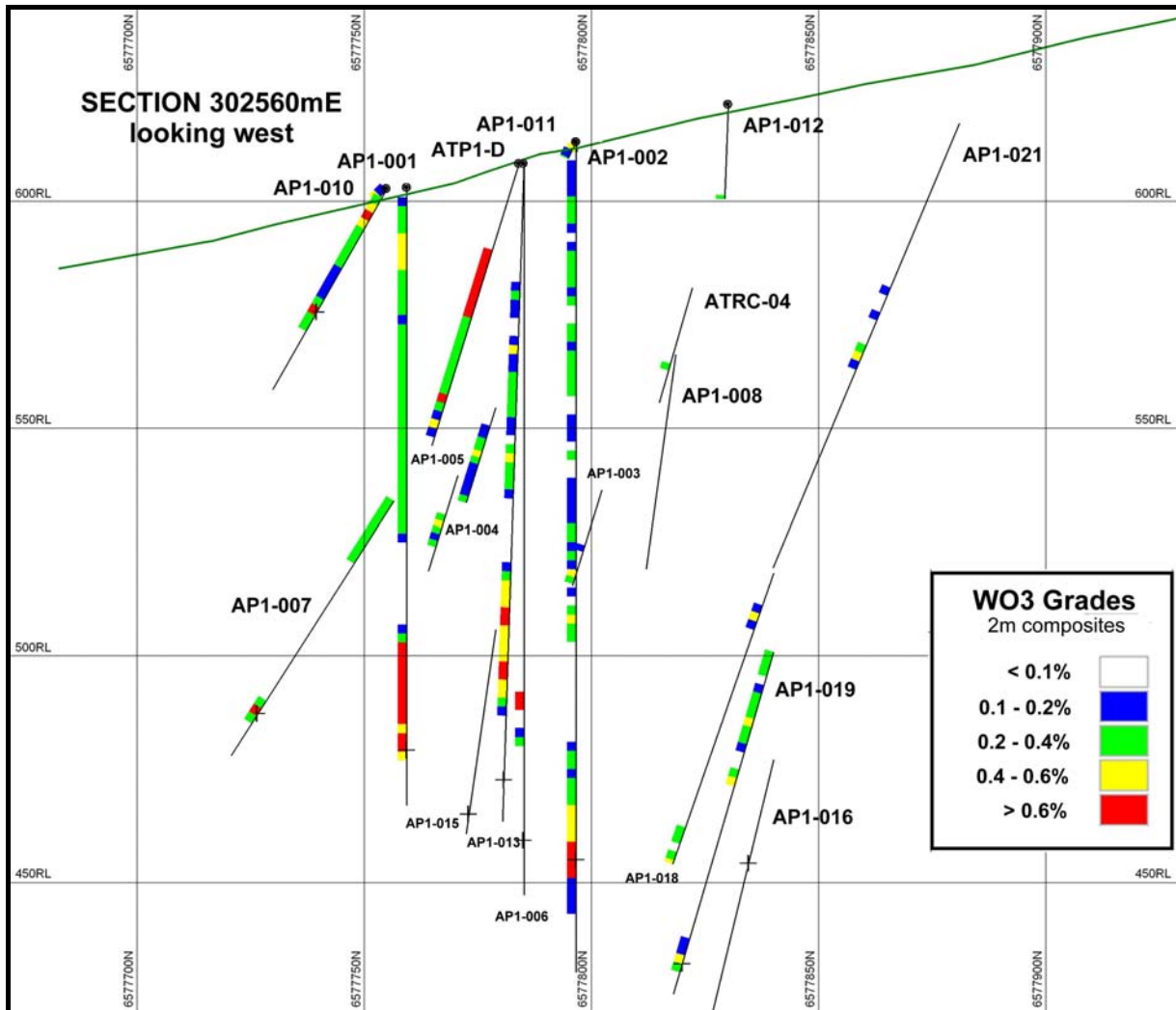
Subsequent to the financial year's end, in August 2008, Peelex announced high-grade assay results from drillhole ATP1-D with an intersection of **42m at 2.09% WO<sub>3</sub> and 0.17% Mo from 21m** downhole including an extraordinary interval of **2m at 24.21% WO<sub>3</sub> and 1.71%**

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**Mo from 22m** downhole. Drillhole ATP1-G returned an intersection of 10m at 0.27% WO<sub>3</sub> and 0.04% Mo from 39m downhole.

At September 2008, Peelex was awaiting initial metallurgical testwork results and had booked a drill rig for additional infill and extensional drilling scheduled for commencement in November 2008.

Figure 3 - Attunga Tungsten Deposit Section 302560E



### Attunga Prospects 2, 3, 4, 5 & 6

Several scheelite-bearing skarn prospects situated around the margin of the Inlet Monzonite were located by the Attunga Mining Corporation and Geopeko in 1969-70. Reported tungsten grades in rock chips were generally moderate (maximum rock chip assays of 1.41% WO<sub>3</sub> for Prospect 5) and drill testing was not extensive.

In May 2008, Peelex completed brief investigations of Prospect 5 and 6 utilising a NITON handheld XRF analyser. Highly-anomalous tungsten-molybdenum mineralisation was returned from surface rock face sampling and follow-up work is planned.



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### Kensington gold-tungsten prospect

The Kensington gold-tungsten prospect, located about 5 km north of the Attunga Tungsten Deposit, comprises a series of historic gold workings (pre-WW1) across 800m strike with mineralisation outcropping, and covered by a 1,500m long, +100 ppb gold geochemical anomaly, open in several directions. Peelex believes that Kensington represents an intrusive-related gold system.

Drilling in 1971 intersected extensive tungsten mineralisation, however the drill samples were not tested for gold. In 1983, a (non-JORC) resource of 4.2Mt @ 0.174% WO<sub>3</sub> was estimated by Challenger Mining. In 1987 diamond drilling by Challenger Mining intersected extensive low-grade gold mineralisation, however this work was not tested for tungsten. Drillholes Ken-7 - 68m (13m at 1.07 g/t gold from 0m) and Ken-6 - 150.9m (108m at 0.74 g/t gold from 8m) returned the most significant gold mineralisation although all holes were mineralised to some degree.

Gold mineralisation at Kensington is hosted in a complexly faulted/sheared suite of dioritic and andesitic breccias, andesitic volcanic greywacke (also described as lithic arenites) andesitic tuff, carbonaceous shale and lamprophyre.

In March 2008, Peelex reported that resampling and assaying of historic drillcore from Kensington had validated historic data and confirmed the presence of significant gold mineralisation. Resample assay results for drillhole Ken-6 yielded an intercept of **109m at 0.69 g/t gold from 8m**. Resample assay results also confirmed low-grade tungsten mineralisation to be present in the area.

**Table 1: Summary Challenger 1987 Kensington Diamond Drillcore Results**

Hole No.	Northing	Easting	Azimuth (mag)	Dip	Final Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Comment
Ken-1	6582610	300576	220	-60	145.40	43	65	22	0.40	Historic
And						84	89	5	0.46	Historic
And						122	127	5	0.73	Historic
Ken-2	6582433	300847	040	-45	150	61	106	45	0.32	Historic
Ken-3	6582341	300764	040	-45	151	26	91	65	0.47	Historic
Ken-4	6582420	300749	220	-45	49	33	39	6	0.60	Historic
Ken-5	6582495	300708	220	-45	108	0	19	19	0.51	Historic
And						30	52	22	0.37	Historic
Ken-6	6582554	300814	040	-45	150.9	8	117	109	0.69	Peelex
Incl						<b>8</b>	<b>31</b>	<b>23</b>	<b>1.62</b>	>0.5 g/t Au
Incl						<b>47</b>	<b>52</b>	<b>5</b>	<b>0.97</b>	>0.5 g/t Au
Incl						61	76	15	0.77	>0.5 g/t Au
Incl						106	116	10	0.69	>0.5 g/t Au
Ken-7	6582709	300835	220	-45	68	<b>6</b>	<b>13.2</b>	<b>7.2</b>	<b>1.82</b>	Peelex

In July 2008, Peelex completed an RC drilling programme comprising 10 holes for 1,229m with an aim of following up the most important historic drill results and also to test along strike from previous drilling.

Figure 4 – Drilling at Kensington



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In September 2008, Peelex announced that RC drilling completed at Kensington had encountered widespread gold mineralisation. Encouragingly, gold mineralisation was intersected in all drillholes.

**Table 2: Summary Peelex June/July 2008 Kensington RC Drill Results**

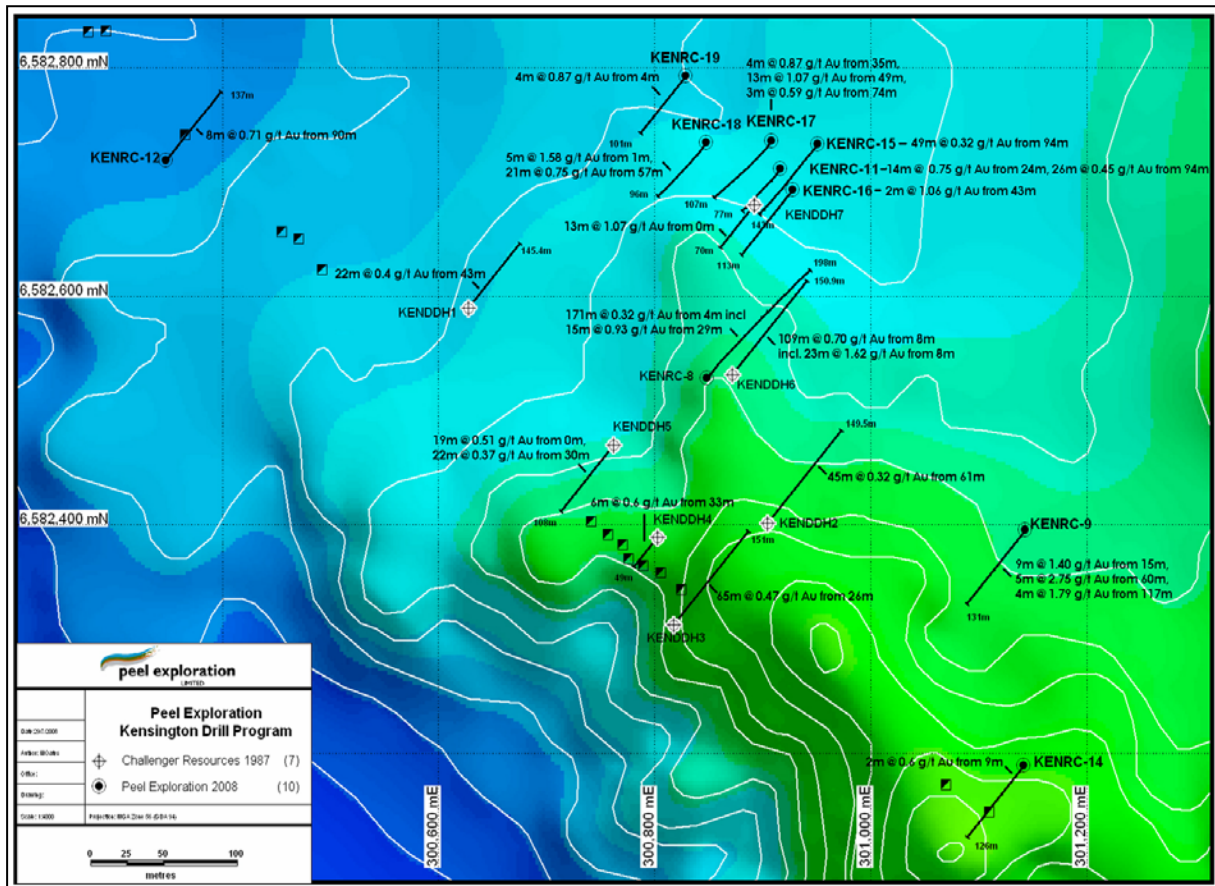
Hole No.	Northing	Easting	Azimuth (mag)	Dip	Final Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Comment
KENRC-8*	6582528	300849	40	-60	198	3	174	171	0.32	Bulk intersection
incl.						29	44	15	0.93	>0.5 g/t Au cut
incl.						58	60	2	0.77	>0.5 g/t Au cut
incl.						81	83	2	0.91	>0.5 g/t Au cut
KENRC-9	6582395	301143	220	-50	131	15	24	9	1.40	>0.5 g/t Au cut
And						60	65	5	2.76	>0.5 g/t Au cut
And						80	81	1	1.87	>1.0 g/t Au cut
And						83	84	1	1.87	>1.0 g/t Au cut
And						117	121	4	1.79	>0.5 g/t Au cut
KENRC-11*	6582711	300917	220	-50	77	24	38	14	0.78	Bulk intersection
KENRC-12*	6582719	300348	40	-50	137	72	108	36	0.31	Bulk intersection
incl.						90	98	8	0.71	>0.25 g/t Au cut
incl.						107	108	1	1.78	>1.0 g/t Au cut
KENRC-14	6582189	301142	220	-50	126	9	11	2	0.6	>0.5 g/t Au cut
KENRC-15*	6582733	300951	220	-50	143	94	143	49	0.32	Bulk intersection
KENRC-16*	6582693	300928	220	-50	113	43	45	2	1.06	>0.5 g/t Au cut
KENRC-17	6582736	300908	220	-50	107	35	39	4	0.87	>0.5 g/t Au cut
And						49	62	13	1.07	Bulk intersection
And						74	77	3	0.59	>0.25 g/t Au cut
KENRC-18	6582735	300848	220	-50	96	1	6	5	1.58	>0.5 g/t Au cut
And						56	79	23	0.71	>0.25 g/t Au cut
KENRC-19	6582793	300829				4	8	4	0.87	>0.5 g/t Au cut

Results received by Peelex continue to confirm that Kensington represents a significant gold-tungsten system.

The drilling has highlighted several areas requiring follow-up with a particular focus on the near-surface gold potential near KENRC-9, and about historic drillholes KENDDH-6 & -7. Drilling to date has been relatively shallow and Peelex believes that good potential exists for the discovery of an economic gold system. In addition to the above gold results, significant tungsten mineralisation in the form of scheelite was also identified via Niton XRF analyser and UV inspection. Some tungsten anomalous samples were sent for analysis at ALS Chemex with certain individual metre intervals returning up to 0.21% WO<sub>3</sub>.

At September 2008, Peelex was planning follow-up drilling at Kensington with a view to establishing near-surface resources.

Figure 5 - Kensington Drillhole Location Plan



### Mt Patterson gold prospect

The Mt Patterson gold prospect is located about 2.5 km southeast of the Attunga Tungsten Deposit. The prospect was briefly worked in the 1920s for minor gold production. The deposit comprises low-grade gold mineralisation hosted in brecciated, fractured andesite with calcite skarn. The breccia trends N-S for a strike length of at least 280m and is over 100m in width in continuous outcrop.

Previous explorers have returned rock-chips up to 41.7 g/t gold, and also defined a 300m long +300 ppb gold geochemical anomaly. An IP survey indicated a continuous resistive body at depth. No drilling has been undertaken.

### **EL6613 – Dungowan**

EL6613 - the Dungowan project - covers an area of about 125 km<sup>2</sup>, was granted in August 2006, and is located about 15 km east of Tamworth, or about 300 km north of Sydney, New South Wales. There are two specific project areas of interest within the Dungowan Project; numerous historic copper mines/workings in the vicinity of Dungowan as well as a number of historic gold workings in the vicinity of Limbri.

The licence area is considered prospective for polymetallic VHMS mineralisation, syngenetic (volcanic-related), exhalative gold mineralisation, and epigenetic structurally-controlled gold mineralisation related to regional deformation, metamorphism and granite-intrusive phases.



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The Dungowan project area is host to numerous historic copper mines and workings. The most significant copper deposits - Fishers (also known as Dungowan), Trough Gully, Mulla Creek, and Woolomin - were mostly worked about the turn of the 20<sup>th</sup> Century, and appear to represent polymetallic VHMS mineralisation. The polymetallic (copper-zinc-silver-gold) deposits all share common characteristics indicating a common origin. They are largely conformable with the enclosing sediments and volcanics, occurring as lenses (either singly or in groups) measuring up to 60m long and up to 4m thick, and extending down to at least 40m. The sulphide lenses are invariably closely associated with mafic volcanics, jaspers and cherts. Development of supergene enriched copper zones (chalcocite) is a feature of the Mulla Creek and Fishers deposits.

Minimal modern exploration has been completed at Dungowan. In late 2007, Peelex completed site investigations at Dungowan including surface geochemical sampling. In early 2008, Peelex completed a high-resolution airborne magnetic and radiometric survey with data interpretation completed mid-2008. Peelex plans to further investigate high-order geophysical anomalies identified and to drill test the most prospective and accessible historic workings.

### **EL6614 – Barry**

EL6614 - the Barry project - covers an area of about 24 km<sup>2</sup>, was granted in August 2006, and is located about 25 km southeast of Nundle, or about 260 km north of Sydney, New South Wales. The Barry project area is considered prospective for polymetallic VHMS mineralisation and intrusive-related precious/base metal mineralisation.

The Barry project area is host to several historic copper and molybdenum workings and occurrences. The project area at Barry is centred on the highly faulted Barry Igneous Complex which includes serpentinite, mafic and acid igneous rocks, containing porphyries, granophyres and trondhjemites.

Exploration conducted in the region in 1971 examining gold, copper and molybdenum prospects returned "strong traces of copper mineralisation... along an apparent strike of approximately 2 miles". Several series of consecutive assay results returned high grade copper values, which included 27 samples averaging 1.7% copper, 21 samples averaging 1.92% copper (plus significant silver and gold), 4 samples averaging 1.1% copper, 3 samples averaging 1.2% copper and 11 samples averaging 3.2% copper. The sample location map that accompanied the report is missing, along with all statutory reporting of exploration thereafter (covering a further 18 months). No follow-up exploration of these results has ever been reported.

In early 2008, Peelex completed a high-resolution airborne magnetic and radiometric survey with data interpretation completed in mid-2008. In the June quarter 2008, Peelex completed a site investigation and surface geochemical sampling programme at the Kasey (Back Barb) prospect. Full exploration at Barry has been hindered while access negotiations with a key landholder continue. Peelex plans to investigate the historic copper workings at Barry once access is approved.

### **EL6719 – Waverley**

EL6719 - the Waverley project - covers an area of about 100 km<sup>2</sup>, was granted in February 2007, and is located about 40 km northeast of Scone, or about 230 km north of Sydney, New South Wales. The licence encompasses the historic Waverley silver-lead-zinc workings and is considered prospective for intrusive-related precious-base metal mineralisation.



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The Waverley project area hosts the historic Waverley silver-lead-zinc workings which comprises pits, shafts and adits. Production was undertaken intermittently between 1868 and 1912. Mineralisation at Waverley is associated with a 3 km long NNE trending fault zone, comprising a series of pods and lenses, with pods reportedly measuring up to a maximum of 20m long and 3m wide. Prospecting in the mid-1990s returned values up to 739 ppm silver, 14% zinc and 9.4% lead.

During the June 2008 quarter, Peelex completed an investigation of the Waverley silver prospect with six rock chip samples collected. Several silver-anomalous rock chips were returned including a best result of 297 ppm silver and 2.02% zinc. Exploration by Peelex has also included a high-resolution airborne magnetic and radiometric survey flown in early 2008 with data interpretation completed mid-2008. Peelex is planning follow-up work at Waverley.

### **EL6722 – Armidale**

EL 6722 – the Armidale project - covers an area of about 300 km<sup>2</sup>, was granted in February 2007, and is located 5 km north of Armidale, or about 400 km north of Sydney, New South Wales. The licence encompasses numerous historic precious and base metals mines and workings, including three regionally-significant silver mines. The Armidale project is considered prospective for precious metals deposits.

The Armidale project area covers numerous historic gold, silver, antimony, and tungsten mines and workings, including the Taits Gully silver-gold mine and the Greengate silver-lead-zinc mine. The application area also contains the historic Whybatong silver-gold mine (adjacent to Taits Gully) which remains covered by a small mining lease (not owned by Peelex). The Taits Gully silver-gold mine is situated 15 km north of Armidale and comprises workings spread over a 2 km area. The two largest workings, the Mary Ann and the Endeavour mines, were first worked in 1901 and 1910 respectively. During this time until 1914 (when the mine ceased owing to World War 1) at least 36,400 oz silver and 400 oz gold were reportedly recovered. Exploration at Taits Gully in 1982 and in 1984 culminated in a small drilling programme with a best result of 7m at 48 ppm silver, 0.6% zinc, 0.3% lead, and 0.2 ppm gold from 54m returned.

Peelex believes that Taits Gully has not been adequately tested and that potential remains for the discovery of high-grade silver-gold mineralisation.

### **ELA3483 – Boorolong**

ELA3483 – the Boorolong project - contains the historic Boorolong molybdenum workings and Sutton Creek tin workings. Initial literature searches indicate possible high-grade molybdenum resources (non-JORC) present at Boorolong with little modern exploration having been undertaken.

### **ELA3594 - Mt Tennyson East**

ELA3594 – Mt Tennyson East project - contains the historic Kirk and Wades (Mt Tennyson East) molybdenum-tungsten prospect. Initial literature searches indicate that tungsten-molybdenum mineralisation at Mt Tennyson East possibly represents an extension to the current Mt Tennyson molybdenum resource, with minimal modern exploration having been undertaken.

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### Schedule of Tenements

New South Wales				
Project	Number	Holder	Ownership	Expiry
Dungowan	EL6613	Peel Exploration Ltd	100%	21 August 2010
Barry	EL6614	Peel Exploration Ltd	100%	21 August 2010
Waverley	EL6719	Peel Exploration Ltd	100%	25 February 2009
Armidale	EL6722	Peel Exploration Ltd	100%	25 February 2009
Attunga	EL6883	Peel Exploration Ltd	100%	21 September 2009
Attunga	EL6884	Peel Exploration Ltd	100%	21 September 2009

### Projects pending approval

Project	Number	Applicant
Boorolong	ELA3483	Peel Exploration Ltd
Mt Tennyson East	ELA3594	Peel Exploration Ltd



Rob Tyson  
Executive Director

*The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Tyson, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Tyson has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Tyson consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.*

# Peel Exploration Limited Annual Report 2008

## Directors Report

Your directors present their report on the Company for the financial year ended 30 June 2008.

## Directors

The following persons were directors of Peel Exploration Limited during the financial year and up to the date of this report.

S Hadfield  
R Tyson  
C McGown (appointed 1 February 2008)  
M Kiernan (resigned 20 February 2008)

## Directors' Interests in Shares and Options

Directors' interests in shares and options as at 30 June 2008 are set out in the table below.

<i>Director</i>	<i>Shares Directly and Indirectly Held</i>	<i>Options</i>
Simon Hadfield	2,100,000	4,722,873
Robert Tyson	2,598,750	5,122,874
Craig McGown	-	-

## Activities

The continuing principal activity of the Company is the exploration for economic deposits of minerals. For the period of this report, the emphasis has been on base and precious metals.

## Results

The loss of the Company for the financial year after providing for income tax amounted to \$757,648 (2007: \$409,724).

## Dividends

No dividends were paid or proposed during the year.

## Review of Operations

A review of the operations of the Company during the financial year and the results of those operations are contained in pages 2 to 13 in this report.

## Corporate Structure

Peel Exploration Limited is a limited Company that is incorporated and domiciled in Australia.

## Employees

The Company had five employees as at 30 June 2008 – in addition to the Directors. The Company uses consultants and contractors as required.

## Peel Exploration Limited Annual Report 2008

### Significant Changes

The Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial year, other than disclosed in this report.

### Matters Subsequent to the End of the Financial Period

1,000,000 options have been proposed to be issued to a director, C McGown, subject to shareholder approval at the AGM.

Other than this matter, there were at the date of this report no other matters or circumstances which have arisen since 30 June 2008 that have significantly affected or may significantly affect:

- i) the operations of the Company;
- ii) the results of those operations; or
- iii) the state of affairs of the Company.

### Likely Developments and Expected Results

As the Company's areas of interest are at an early stage, it is not possible to postulate the likely developments and any expected results.

### Information on directors

#### *Simon Hadfield – Non-Executive Chairman*

Mr Hadfield has more than 30 years company management experience and has held directorships in publicly-listed industrial and resource companies. Mr Hadfield is Managing Director of Resource Information Unit Pty Ltd.

#### *Robert Maclaine Tyson – Executive Director*

Mr Tyson is a geologist with more than 15 years resources industry experience having worked in exploration and mining-related roles for companies including Cyprus Exploration Pty Ltd, Queensland Metals Corporation NL, Murchison Zinc Pty Ltd, Normandy Mining Ltd and Equigold NL. Mr Tyson has more than five years of senior management experience.

#### *Craig McGown – Non-Executive Director (appointed 1 February 2008)*

Mr McGown is an Investment Banker with over 35 years experience consulting to companies in Australia and internationally, particularly in the natural resource sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Securities Institute of Australia. Mr McGown is the former Chairman of DJ Carmichael Pty Limited. He is currently a director of the corporate advisory business New Holland Capital Pty Limited and a Non-Executive Director of Bass Metals Ltd and Non-Executive Chairman of Pioneer Nickel Limited and Entek Energy Limited.

### Company secretary

The company secretary is Mr D Hocking who was appointed to the position of company secretary in March 2007. Mr Hocking is a qualified Chartered Accountant from the United Kingdom. He has more than 20 years commercial experience in Australia producing

## Peel Exploration Limited Annual Report 2008

management and financial reports for medium sized businesses in a range of industries including publishing, franchising, rural merchandising, financial services and the offshore oil industry. Mr Hocking also brings previous experience as a Company Secretary in a public company.

### Meetings of Directors

Director's attendance at Directors meetings are shown in the following table:

<i>Director</i>	<i>Number held whilst in office</i>	<i>Number attended</i>
R Tyson	9	9
S Hadfield	9	9
C McGown (appointed 1 February 2008)	5	5
M Kiernan (resigned 20 February 2008)	5	0

### Remuneration Report (Audited)

The remuneration report is set out under the following headings:

- a) Principles used to determine the nature and amount of remuneration
- b) Details of remuneration
- c) Service agreements
- d) Share-based compensation and
- e) Additional information.

#### a) Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

### Board and Senior Management

Fees and payments to the non-executive Directors and senior executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board.

Company policy in relation to issuing options and remunerating executives is that directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive directors has been fixed at a maximum of \$200,000 per annum to



## Peel Exploration Limited Annual Report 2008

be apportioned among the non-executive Directors in such a manner as they determine (refer below). Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

Remuneration is not linked to past company performance but rather towards generating future shareholder wealth through share price performance. The company listed on 11 May 2007 at 20c per share and the share price at 30 June 2008 was 19c. The shares recorded high and low points of 36c and 13c during the year, and are trading at 20c on 19<sup>th</sup> September 2008. The company has recorded a loss each financial year to date as it carries out exploration activities on its tenements.

### b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each of the Directors of Peel Exploration Ltd and those senior executives of the Company who received the highest emoluments during the year ended 30 June 2008 are set out in the following table.

**Table 1: Director and senior executive remuneration**

	<i>Short-Term Employment Benefits</i>			<i>Post Employment</i>	<i>Long-Term Benefits</i>	<i>Share Based Payment</i>		
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Super-annuation</i>	<i>Long-service leave</i>	<i>Options</i>	<i>Total</i>	<i>% Performance Related</i>
<b>2008</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Directors</b>								
RM Tyson	57,207			5,149			62,356	0%
S Hadfield	36,656			3,299			39,955	0%
C McGown	14,395			1,425			16,753	0%
ML Kiernan	26,200			2,358			28,558	0%
<b>Other executives</b>								
D Hocking			34,300	-		15,000	49,300	0%
<b>Total</b>	<b>134,457</b>	<b>-</b>	<b>34,300</b>	<b>12,231</b>	<b>-</b>	<b>15,000</b>	<b>195,988</b>	

	<i>Short-Term Employment Benefits</i>			<i>Post Employment</i>	<i>Long-Term Benefits</i>	<i>Share Based Payment</i>		
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Super-annuation</i>	<i>Long-service leave</i>	<i>Options</i>	<i>Total</i>	<i>% Performance Related</i>
<b>2007</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Directors</b>								
RM Tyson	-	-	-	-		107,500	107,500	0%
S Hadfield	-	-	-	-		107,500	107,500	0%
ML Kiernan	-	-	-	-		107,500	107,500	0%
<b>Other executives</b>								
D Hocking	-	-	9,625	-		-	9,625	0%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9,625</b>	<b>-</b>	<b>-</b>	<b>322,500</b>	<b>332,125</b>	

*Note: Options do not represent cash payments to Directors and executives and options granted may or may not be exercised by the Directors and executives.*

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### c) Service agreements

Remuneration and other terms of employment for the Directors and executives are not formalised in Service/Appointment agreements. Major provisions of employment are set out below:

**R Tyson** - There is no written contract for Mr Tyson, who received payments and benefits totalling \$62,356 (2007:\$107,500) in his role as executive director of the Company.

**S Hadfield** - There is no written contract for Mr Hadfield, who received payments and benefits totalling \$39,955 (2007:\$107,500) in his role as a director of the Company.

**C McGown** - There is no written contract for Mr McGown, who received payments and benefits totalling \$16,753 in his role as a director of the Company. Mr McGown was appointed a director on 1<sup>st</sup> February 2008.

**M Kiernan** - There is no written contract for Mr Kiernan, who received payments and benefits totalling \$28,588 (2007: \$107,500) in his role as a director of the Company. Mr Kiernan resigned as a director on 20 February 2008.

### d) Share-based compensation

Options over shares in Peel Exploration Limited are granted under the Peel Exploration Limited Employee Option Plan which was created in June 2008 and is subject to approval by shareholders at the next annual general meeting. The Employee Option Plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the plan, participants are granted options 50% of which vest immediately and the remainder vest after twelve months provided the employees are still employed by the Company at the end of the vesting period. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Once vested the options are exercisable at \$0.25 up to and including 30 November 2010. Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the company provided as remuneration to each director and key management personnel of Peel Exploration Limited are set out below. When exercisable, each option is convertible into one ordinary share of Peel Exploration Limited. Further information on the options is set out in note 13 to the financial statements.

**Table 2: Options granted as part of remuneration**

<i>Name</i>	<i>Number of options granted during year</i>		<i>Number of options vested during year</i>	
	2008	2007	2008	2007
<i>Directors</i>				
RM Tyson	-	2,500,000	-	2,500,000
S Hadfield	-	2,500,000	-	2,500,000
C McGown	-	-	-	-
M L Kiernan	-	2,500,000	-	2,500,000
<i>Other key management personnel</i>				
D Hocking	200,000	-	100,000	-

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date and the amount is included in

## Peel Exploration Limited Annual Report 2008

the remuneration tables above. Fair values at grant date have been determined using 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 year end 30 June 2008 included:

Underlying security spot price	\$0.185
Exercise price	\$0.25
Dividend rate	Nil
Standard deviation of returns (annualized)	75%
Risk-free rate	6.97%
Valuation date	23 June 2008
Expiration date	30 November 2010
Expiration period (years)	2.438
Black Scholes Valuation (\$ per security)	0.0750
Binomial Valuation (\$ per security)	0.0750

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting period is as follows:

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
8 March 2007	8 March 2007	30 November 2010	30 cents	4 cents
23 June 2008	23 June 2008 (50%) 23 June 2009 (50%)	30 November 2010	25 cents	7 cents

No options were exercised by directors of Peel Exploration Limited or other key management personnel during the year.

### e) Additional Information

#### Details of remuneration: cash bonuses, options

No cash bonuses have been paid by the Company. For each grant of options included in the table 2 on page 19, the percentage of grant that vested in the financial year, and the percentage that was forfeited, is set out below:

Name	Options					
	Year Granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
RM Tyson	2007	100%	-	-	nil	-
S Hadfield	2007	100%	-	-	nil	-
M L Kiernan	2007	100%	-	-	nil	-
D Hocking	2008	50%	-	30/06/09	nil	7,500

#### Share-based compensation: options

Further details relating to options issued as compensation in the current year are set out below:

## Peel Exploration Limited Annual Report 2008

Name	A Remuneration consisting of options	B Value at grant date
D Hocking	30.4%	15,000

No options were exercised by directors of Peel Exploration Ltd or other key management personnel during the year.

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

### *End of Audited Remuneration Report*

### Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
8.3.2007 (shareholders)	30.11.2010	20 cents	7,500,000
8.3.2007 (directors)	30.11.2010	30 cents	7,500,000
11.9.2007 (shareholders)	30.11.2010	20 cents	14,973,250
23.6.2008 (employees)	30.11.2010	25 cents	600,000
<b>Total</b>			30,573,250

No option holder has any right under the options to participate in any other share issue of the company.

### Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 30 June 2008 on the exercise of options:

Exercise date	Issue price of shares	Number of shares issued
24 October 2007	20 cents	26,750
<b>Total</b>		26,750

### Indemnification and Insurance of Directors and Officers

During the financial year the Company paid a premium to insure the directors and officers of the Company.

### Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## Peel Exploration Limited Annual Report 2008

### Environmental Performance

Peel Exploration Limited holds exploration licences issued by the NSW Department of Primary Industry which specifies guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the Department's guidelines and standards. There have been no significant known breaches of the licence conditions.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included at the end of this financial report.

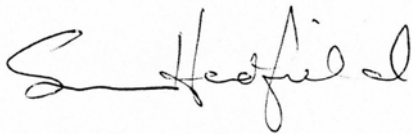
### Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd continues in office under section 327 of the Corporations Act 2001.

### Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important. Please refer to Note 14 in the Financial Report for details of non-audit services provided.

This report is made in accordance with a resolution of the Board of Directors:



**Simon Hadfield**

Chairman of Directors  
Perth, Western Australia,  
Dated on this the 30<sup>th</sup> day of September 2008.



# Peel Exploration Limited Annual Report 2008

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 \$	2007 \$
<b>Continuing operations</b>			
Revenue	3	164,472	13,461
Share-based remuneration to employees and directors		(45,000)	(322,500)
Exploration expenditure written-off		(558,920)	(56,719)
Administration expenses		<u>(318,200)</u>	<u>(43,966)</u>
Loss before income tax expense		<u>(757,648)</u>	<u>(409,724)</u>
Income tax expense	4	<u>-</u>	<u>-</u>
Loss for the year		<u><u>(757,648)</u></u>	<u><u>(409,724)</u></u>
Basic and diluted loss per share (cents per share)	21	(0.02)	(0.40)

The above income statements should be read in conjunction with the accompanying notes.

# Peel Exploration Limited Annual Report 2008

## BALANCE SHEET AS AT 30 JUNE 2008

	NOTE	2008 \$	2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,030,930	2,656,920
Trade and other receivables	6	<u>24,478</u>	<u>22,850</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,055,408</u>	<u>2,679,770</u>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	60,000	40,000
Plant and equipment	8	84,754	1,676
Exploration licenses	9	<u>-</u>	<u>11,425</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>144,754</u>	<u>53,101</u>
<b>TOTAL ASSETS</b>		<u>2,200,162</u>	<u>2,732,871</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<u>88,545</u>	<u>26,197</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>88,545</u>	<u>26,197</u>
<b>TOTAL LIABILITIES</b>		<u>88,545</u>	<u>26,197</u>
<b>NET ASSETS</b>		<u>2,111,617</u>	<u>2,706,674</u>
<b>EQUITY</b>			
Contributed equity	11	2,766,921	2,799,062
Accumulated losses	12	(1,172,536)	(414,888)
Reserves	12	<u>517,232</u>	<u>322,500</u>
<b>TOTAL EQUITY</b>		<u>2,111,617</u>	<u>2,706,674</u>

The above balance sheets should be read in conjunction with the accompanying notes.

# Peel Exploration Limited Annual Report 2008

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Attributable to equity holders of the company			
	Contributed equity	Accumulated losses	Reserves	Total equity
	\$	\$	\$	\$
<b>At 1 July 2006</b>	2,100	(5,164)	-	(3,064)
Loss for the year	-	(409,724)	-	(409,724)
Issue of share capital	3,032,700	-	-	3,032,700
Share issue expenses	(235,738)	-	-	(235,738)
Share-based payments	-	-	322,500	322,500
<b>At 30 June 2007</b>	<b>2,799,062</b>	<b>(414,888)</b>	<b>322,500</b>	<b>2,706,674</b>
Loss for the year	-	(757,648)	-	(757,648)
Issue of share capital	5,350	-	-	5,350
Issue of share options	-	-	150,000	150,000
Exercise of options	268	-	(268)	-
Share issue expenses	(37,759)	-	-	(37,759)
Share-based payments	-	-	45,000	45,000
<b>At 30 June 2008</b>	<b>2,766,921</b>	<b>(1,172,536)</b>	<b>517,232</b>	<b>2,111,617</b>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# Peel Exploration Limited Annual Report 2008

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(799,715)	(101,338)
Interest received		<u>164,472</u>	<u>13,461</u>
<b>Net cash outflow from operating activities</b>	20	<u>(635,243)</u>	<u>(87,877)</u>
<b>Cash flows from investing activities</b>			
Payments for mineral exploration expenditure		-	(8,205)
Payment of security deposits		(20,000)	(40,000)
Payments for purchase of plant and equipment		<u>(88,338)</u>	<u>(1,676)</u>
<b>Net cash outflow from investing activities</b>		<u>(108,338)</u>	<u>(49,881)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and options		155,350	3,032,700
Transaction costs of issue of shares		(37,759)	(235,738)
Loans to other parties		-	1,000
Proceeds from borrowings		<u>-</u>	<u>(4,372)</u>
<b>Net cash inflow from financing activities</b>		<u>117,591</u>	<u>2,793,590</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		(625,990)	2,655,832
Cash and cash equivalents at the beginning of the financial year		<u>2,656,920</u>	<u>1,088</u>
Cash and cash equivalents at the end of the financial year		<u><u>2,030,930</u></u>	<u><u>2,656,920</u></u>

The above cash flow statements should be read in conjunction with the accompanying notes.

# Peel Exploration Limited Annual Report 2008

## Notes to the Accounts for the year ended 30 June 2008

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for Peel Exploration Limited ("the Company").

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

##### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Peel Exploration Limited comply with International Financial Reporting Standards (IFRS).

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### (b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *Interest income*

Revenue is recognised as the interest accrues using the effective interest rate method.

#### (c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

#### (d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. An impairment loss of \$11,425 (2007: \$Nil) has been recognised for the year ending 30 June 2008.

# Peel Exploration Limited Annual Report 2008

## Notes to the Accounts for the year ended 30 June 2008

### **(e) Cash and cash equivalents**

For cash flow statement preparation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in the current liabilities of the balance sheet.

### **(f) Trade and other receivables**

Trade receivables, which generally have 30 to 90 day terms, are carried at nominal amounts due less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

### **(g) Other financial assets – security deposits**

Security deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

### **(h) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

### **(i) Plant and equipment**

All assets acquired, including plant and equipment are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Plant and equipment is included at cost less provision for depreciation and any impairment in value and depreciated on a straight-line basis commencing from the time the asset is held ready for use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### **(j) Exploration and evaluation expenditure**

Exploration licences are expensed through the profit and loss.

The company's policy with respect to exploration expenditure is to write off all costs as incurred. Accordingly, exploration expenditure of \$558,920 (2007: \$56,719) has been written off during the year. The decision to write off exploration expenditure as incurred does not indicate any change in the board's view of the intrinsic value of the mining leases held by the company. Rather, the decision was taken, as it is the most prudent treatment available under current accounting standards for such expenditure.

The carrying value of exploration and evaluation expenditure carried forward in respect of each area of interest is assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. Any resulting impairment loss is recognised as an expense in the income statement.

### **(k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(l) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period if the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

## Peel Exploration Limited Annual Report 2008

### Notes to the Accounts for the year ended 30 June 2008

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **(m) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity acquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

#### **(n) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **(o) Goods and services tax**

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable is included as a current asset in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from the taxation authority are classified as operating cash flows.

#### **(p) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

- (i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*  
Effective for annual reporting period commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company will adopt AASB 8 from 1 January 2009, but, at this stage, application is not expected to affect any amounts disclosed in the financial statements.
- (ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123*  
Applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial statements of the Company as it has no borrowings currently.
- (iii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101(Issued September 2007)*  
Applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the financial period. The Company intends to apply the revised standard from 1 January 2009.



# Peel Exploration Limited Annual Report 2008

## Notes to the Accounts for the year ended 30 June 2008

No initial application of any other issued and effective Australian Accounting Standard has had any significant effect on the current period or any prior period. Furthermore, no other new Australian Accounting Standard, which has been issued but is not yet effective, is expected to have any significant effect on a future reporting period.

### 2. FINANCIAL RISK MANAGEMENT

The net fair values of financial assets and financial liabilities approximate their carrying values, as disclosed in the balance sheet. The maximum exposure to credit risk at balance date is the carrying amount of financial assets (i.e., cash and receivables) as disclosed in balance sheet and notes to the financial statements. The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities is as follows:

	<b>Fixed interest rate maturing within 1 year</b>	<b>Non-interest bearing</b>	<b>Total</b>
	\$	\$	\$
<b>2008</b>			
<b>Financial assets &amp; liabilities</b>			
Cash and cash equivalents	1,977,932	52,998	2,030,930
Receivables – current	-	24,478	24,478
- non-current	-	60,000	60,000
Creditors & accruals	-	(88,545)	(88,545)
	<b>1,977,932</b>	<b>48,931</b>	<b>2,026,863</b>

Weighted average interest rate 7.20%

### 2007

#### Financial assets & liabilities

Cash and cash equivalents	2,613,460	43,460	2,656,920
Receivables – current	-	22,850	22,850
- non-current	-	40,000	40,000
Creditors & accruals	-	(26,197)	(26,197)
	<b>2,613,460</b>	<b>80,113</b>	<b>2,693,573</b>

Weighted average interest rate 6.18%

During the financial years under review, the only financial risks of any significance to which the company was exposed were:

- Cash flow interest rate risk on cash and cash equivalents;
- Credit risk on cash and cash equivalents;
- Liquidity risk; and
- Fair value estimation risk.

#### *Cash flow interest rate risk on cash and cash equivalents*

The Company manages its interest rate risk through the use of fixed term deposits, to manage the unpredictability of financial markets and seek to minimise potential adverse effects on financial performance. If interest rates had been 100 basis points higher/lower during the current year, the loss for the company would have been \$22,943 lower/higher.

#### *Credit risk*

At all times during the financial years under review the company's cash and cash equivalents maintained at bank or on fixed term deposit were invested with the National Australia Bank Limited. The board considers this entity to have sufficient financial strength to minimise the credit risk exposure of the company and, to date, has not seen fit to diversify its investments.

#### *Liquidity risk*

The company is exposed to liquidity risk to the extent that it has inadequate capital to undertake its business objectives, or to the extent that the available capital, which is adequate in amount, has been invested in a manner that precludes the payment of creditors in a timely fashion. The board constantly monitors the adequacy of capital and the manner in which it is invested. The company has no financial liabilities maturing greater than 6 months from the reporting date.

#### *Fair value estimation risk*

**Peel Exploration Limited Annual Report 2008**  
**Notes to the Accounts for the year ended 30 June 2008**

Fair value estimation risk applies to all receivable and payables balances, plus the plant & equipment held for operational purposes. In all cases, the carrying values of these assets and liabilities, as disclosed in the balance sheet, approximate their fair values.

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>3. REVENUE</b>		
Interest received	<u>164,472</u>	<u>13,461</u>
<b>4. INCOME TAX</b>		
<b>Income tax expense</b>		
Current tax	-	-
Deferred tax	<u>-</u>	<u>-</u>
<b>Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Accounting loss before income tax	<u>(757,648)</u>	<u>(409,724)</u>
At the statutory income tax rate of 30% (2007: 30%)	(227,294)	(122,917)
Expenditure not allowable for income tax purposes:		
Non-deductible expenses	13,500	96,750
Tax losses not brought to account	<u>213,794</u>	<u>26,167</u>
Income tax benefit reported in the income statement	<u>-</u>	<u>-</u>
The company has tax losses arising in Australia of \$138,604 (2007: \$29,595) that are available indefinitely for offset against future taxable profits of the company. No deferred tax asset has been recognised in respect of these losses at this point in time as the company is still engaged in exploration activities. The company also has an unrecognised deferred tax asset in respect of equity raising costs of \$11,328 (2007: \$70,721).		
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	52,998	43,460
Term deposit with a financial institution	<u>1,977,932</u>	<u>2,613,460</u>
	<u>2,030,930</u>	<u>2,656,920</u>
The above figures agree to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.		
The deposit is bearing a fixed interest rate of 7.20% (2007: 6.18%) and carries a 30 day term.		
<b>6. TRADE AND OTHER RECEIVABLES</b>		
GST recoverable from taxation authority	<u>24,477</u>	<u>22,850</u>
<b>7. RECEIVABLES (NON-CURRENT)</b>		
Security deposits on mining tenements	<u>60,000</u>	<u>40,000</u>
<b>8. PLANT AND EQUIPMENT</b>		
Plant and equipment		
At cost	90,014	1,676
Less accumulated depreciation	<u>5,260</u>	<u>-</u>
	<u>84,754</u>	<u>1,676</u>
<b>Reconciliation</b>		
Carrying amount at beginning of year	1,676	-
Additions	88,338	1,676
Depreciation expense	<u>(5,260)</u>	<u>-</u>
Carrying amount at end of year	<u>84,754</u>	<u>1,676</u>

**Peel Exploration Limited Annual Report 2008**  
**Notes to the Accounts for the year ended 30 June 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>9. EXPLORATION LICENCES</b>		
Opening balance	11,425	3,220
Payment of exploration licences	-	8,205
Written of during year	(11,425)	-
Closing balance	<u>-</u>	<u>11,425</u>
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade payables	88,545	23,197
Other payables	-	3,000
	<u>88,545</u>	<u>26,197</u>
<b>11. CONTRIBUTED EQUITY</b>		
(a) Share capital		
30,026,750 (2007: 30,000,000) ordinary shares fully paid	<u>2,766,921</u>	<u>2,799,062</u>
(b) Movements in ordinary share capital	<u>Shares</u>	<u>\$</u>
Balance 1 July 2006	2,100,000	2,100
Share issued as seed capital 17 July 2006	2,700,000	20,700
Share issued as seed capital 27 February 2007	10,200,000	12,000
Share issued pursuant to IPO 11 May 2007	15,000,000	3,000,000
Transaction costs on share issues	-	(235,738)
Balance 30 June 2007	<u>30,000,000</u>	<u>2,799,062</u>
Shares issued as result of exercise of options 24 October 2007	26,750	5,350
Initial cost of options exercised on 24 October 2007	-	268
Transaction costs on share issues	-	( 37,759)
Balance 30 June 2008	<u>30,026,750</u>	<u>2,766,921</u>
(c) Ordinary shares		
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.		
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.		
(d) Options		
Information relating to options issued during the year is set out in note 12.		
(e) Capital Risk Management		
In employing its capital (or equity as it is referred to on the balance sheet) the company seeks to ensure that it will be able to continue as a going concern and in time provide value to shareholders by way of increased market capitalisation or dividends. In the current stage of its development, the company has invested its available capital in acquiring and exploring mining tenements. As is appropriate at this stage, the company is funded entirely by equity.		

As it moves forward to develop its tenements towards a production stage, the company will adjust its capital structure to support its operational and strategic objectives, by raising additional capital or taking on debt, as is seen to be appropriate from time to time given the overriding objective of creating shareholder value. In this regard, the board will consider each step forward in the development of the company on its merits and in the context of the then capital markets, in deciding how to structure capital raisings.

**Peel Exploration Limited Annual Report 2008**  
**Notes to the Accounts for the year ended 30 June 2008**

	2008 \$	2007 \$
<b>12. RESERVES</b>		
<i>(i) Accumulated losses</i>		
Balance 1 July	(414,888)	(5,164)
Loss for the year	(757,648)	(409,724)
Balance 30 June	<u>(1,172,536)</u>	<u>(414,888)</u>
<i>(ii) Share-based payments reserve</i>		
Balance 1 July	322,500	-
Option expenses (payment on shareholder options)	149,732	-
Option expenses (employee options)	45,000	-
Option expenses (director options)	-	322,500
Balance 30 June	<u>517,232</u>	<u>322,500</u>

**Nature and purpose of reserve**

The share-based payment reserve represents the fair value of equity benefits provided to directors and employees as part of their remuneration for services provided to the company paid for by the issue of equity.

	Options	\$
Balance 1 July 2006	-	-
Issued to Shareholders on 8 March 2007	7,500,000	-
Issued to Directors on 8 March 2007	<u>7,500,000</u>	<u>322,500</u>
Balance 30 June 2007	15,000,000	322,500
Issued to Shareholders on 11 September 2007	15,000,000	150,000
Issued to employees on 23 June 2008	600,000	45,000
Options exercised during year	<u>(26,750)</u>	<u>(268)</u>
Balance 30 June 2008	<u>30,573,250</u>	<u>517,232</u>
<b>Options</b>		
- exercisable at 20 cents each on or before 30 November 2010	7,500,000	
- exercisable at 30 cents each on or before 30 November 2010	7,500,000	
- exercisable at 20 cents each on or before 30 November 2010	14,973,250	
- exercisable at 25 cents each on or before 30 November 2010	<u>600,000</u>	
	<u>30,573,250</u>	

Model inputs for the employee options granted during the year ended 30 June

2008 included:

Underlying Security spot price	\$0.185
Exercise price	\$0.25
Dividend rate	Nil
Standard deviation of returns (annualised)	75%
Risk free rate	6.97%
Valuation date	23 June 2008
Expiration date	30 November 2010
Expiration period (years)	2.438
Black Scholes Valuation (\$ per security)	0.075
Binomial Valuation (\$ per security)	0.075

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**Peel Exploration Limited Annual Report 2008**  
**Notes to the Accounts for the year ended 30 June 2008**

**13. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Details of key management personnel**

***Executive Director***

R Tyson

***Non-executive directors***

S Hadfield

C McGown (appointed 1 February 2008)

M Kiernan (resigned 20 February 2008)

***Other key management personnel***

The following person also had authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly during the financial year:

D Hocking, Company Secretary and Corporate Accountant

**Key management personnel compensation**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	168,757	9,625
Post-employment benefits	12,231	-
Long-term benefits	-	-
Share-based payments	15,000	322,500
	<b>195,988</b>	<b>332,125</b>

The Company has taken advantage of relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report in the directors' report.

**Equity instrument disclosures relating to key management personnel**

***Options provided as remuneration and shares issued on exercise of such options***

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in note 12.

***Option holdings***

The numbers of options over ordinary shares in the company held during the financial year by each director of Peel Exploration Limited and other key management personnel of the company, including their personally related parties, are set out below:

<b>30 June 2008</b>	Balance at the start of the year	Granted as compensation	Granted, non-compensation	Exercised	Balance at end of the year	Vested and exercisable	Unvested
<b><i>Directors</i></b>							
R Tyson	3,750,000	-	1,372,874	-	5,122,874	5,122,874	-
M Kiernan	4,000,000	-	1,622,874	-	5,622,874	5,622,874	-
S Hadfield	3,550,000	-	1,172,873	-	4,722,873	4,722,873	-
C McGown	-	-	-	-	-	-	-
<b><i>Other key management personnel</i></b>							
D Hocking	-	200,000	-	-	200,000	100,000	100,000

All vested options are exercisable at the end of the year.

**Peel Exploration Limited Annual Report 2008**  
**Notes to the Accounts for the year ended 30 June 2008**

**13. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)**

<b>30 June 2007</b>	Balance at the start of the year	Granted as compensation	Granted, non-compensation	Exercised	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors</b>							
R Tyson	-	2,500,000	1,250,000	-	3,750,000	3,750,000	-
M Kiernan	-	2,500,000	1,500,000	-	4,000,000	4,000,000	-
S Hadfield	-	2,500,000	1,050,000	-	3,550,000	3,550,000	-
N Hadfield	-	-	50,000	-	50,000	50,000	-
<b>Other key management personnel</b>							
D Hocking	-	-	-	-	-	-	-

Option holdings for Mr Kiernan are from date of appointment on 15 March 2007. Option holdings for Mr N T Hadfield are subsequent to his date of resignation as a director on 15 March 2007.

**Share holdings of key management personnel**

*Shares in Peel Exploration Limited (number)*

<b>30 June 2008</b>	Balance at 1 July 2007	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2008
<b>Directors</b>				
R Tyson	2,500,000	-	98,750	2,598,750
M Kiernan	3,000,000	-	-	3,000,000
S Hadfield	2,100,000	-	-	2,100,000
C McGown	-	-	-	-
<b>Other key management personnel</b>				
D Hocking	-	-	-	-

Shareholdings for Mr M L Kiernan are up to the date of resignation as a director on 20 February 2008. There were no shares issued during the year.

Of the balance at 30 June 2008, the amounts held nominally in respect of each director are: R Tyson 2,100,000; M Kiernan 3,000,000 and S Hadfield 1,100,000.

<b>30 June 2007</b>	Balance at 1 July 2006	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2007
<b>Directors</b>				
R Tyson	1,000,000	-	1,500,000	2,500,000
M Kiernan	-	-	3,000,000	3,000,000
S Hadfield	1,000,000	-	1,100,000	2,100,000
N Hadfield	-	-	100,000	100,000
<b>Other key management personnel</b>				
D Hocking	-	-	-	-

Of the balance at 30 June 2007, the amounts held nominally in respect of each director are: R Tyson 2,100,000; M Kiernan 3,000,000 and S Hadfield 1,100,000.

# Peel Exploration Limited Annual Report 2008

## Notes to the Accounts for the year ended 30 June 2008

### 13. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

#### Other transactions with key management personnel

A director, S Hadfield, is a director of Resource Information Unit Pty Ltd (RIU). RIU provides head office accommodation and secretarial services and charges the Company management fees on a monthly basis. Total fees charged to the Company by RIU for the year ended 30 June 2008 were \$24,097 (2007: \$3,000). This amount is included on the income statement within administration expenses and on the balance sheet within trade and other payables at year end.

The Company Secretary, D Hocking, provides accounting services to the Company. Fees for services rendered during the year ended 30 June 2008 totalled \$34,300 (2007: \$9,625). This amount has been included on the income statement within administration expenses. A payable to D Hocking of \$10,250 is included on the balance sheet within trade and other payables for accounting services received but unpaid as at year end.

Aggregate amounts of each of the above types of other transactions with key management personnel of Peel Exploration Limited:

	2008	2007
	\$	\$
Amounts recognised as expense		
Management fees	24,097	3,000
Accounting services	34,300	9,625
	<u>58,397</u>	<u>12,625</u>

Aggregate amounts payable to key management personnel or their affiliates at balance date relating to the above types of other transactions:

Current liabilities	<u>10,250</u>	<u>7,625</u>
---------------------	---------------	--------------

### 14. REMUNERATION OF AUDITORS

Amounts paid or due and payable to the auditors BDO Kendalls for:

Auditing or reviewing the financial report	15,736	7,750
Other services – consulting	10,463	-
	<u>26,199</u>	<u>7,750</u>

### 15. CONTINGENCIES

The Company had no contingent assets or liabilities for the years ended 30 June 2008 and 2007.

### 16. EXPENDITURE COMMITMENTS

Under the terms of mineral tenement licences held by the company, minimum annual expenditure obligations are required to be expended during the forthcoming financial year in order for the tenements to maintain a status of good standing. This expenditure may be subject to variation from time to time in accordance with Department of Industry and Resources regulations.

Expenditure commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	2008	2007
	\$	\$
Within one year	154,640	196,500
Later than one year but not later than five years	361,740	106,500
Later than five years	-	-
	<u>516,380</u>	<u>303,000</u>

### 17. SEGMENT INFORMATION

The consolidated entity operates predominantly in one business and geographical segment, being mineral exploration in Australia, and all of the assets of the consolidated entity are deployed for these purposes.



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**Notes to the Accounts for the year ended 30 June 2008**

**18. RELATED PARTIES**

**Transactions with related parties**

During the year there were no transactions with related parties other than the transactions shown in note 13.

**19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

The company has proposed, subject to shareholder approval at the AGM, to issue 1,000,000 options to C McGown exercisable at anytime on or before 30 April 2011 at an exercise price of 30cents.

Other than as disclosed above there has not arisen in the interval between the end of financial 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 company, the result of those operations and the state of affairs of the company in the financial year subsequent to 30 June 2008.

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>20. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX</b>		
Net cash outflow from operating activities	(635,243)	(87,877)
Share-based payments	(45,000)	(322,500)
Depreciation	(5,260)	-
Exploration licence fees written off	(11,425)	-
Changes in operating assets and liabilities		
Increase in receivables	1,628	21,850
Increase in payables	(62,348)	(21,197)
Loss after income tax	<u>(757,648)</u>	<u>(409,724)</u>

**21. EARNINGS PER SHARE**

	<b>2008</b>	<b>2007</b>
	<b>Cents</b>	<b>Cents</b>
<b>Basic earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.2)	(4.0)

**Diluted earnings per share**

There is no impact of dilutive shares as the company made a loss for the year, hence any dilution would reduce the loss per share.

**Reconciliation of loss used in calculation earnings per share**

*Basic earnings per share*

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Loss from continuing operations and attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u>(757,648)</u>	<u>(409,724)</u>

**Weighted average number of shares used as the denominator**

	<b>2008</b>	<b>2007</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>30,018,322</u>	<u>10,200,000</u>

There is no impact of dilutive shares as the company made a loss for the year, hence any dilution would increase the weighted average number of shares and reduce the loss per share.

# Peel Exploration Limited Annual Report 2008

## Notes to the Accounts for the year ended 30 June 2008

### 22. SHARE-BASED PAYMENTS

#### Employee option plan

An employee option plan, designed to provide long-term incentives for senior employees to deliver long-term shareholder returns, was established in June 2008. The plan will be placed before shareholders for approval at the next annual general meeting. Under the plan, participants are granted options of which 50% are vested immediately and the remainder after 12 months employment with the Company.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share at an exercise price of 25 cents.

Set out below are summaries of options granted under the plan

#### 30 June 2008

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
23 June 2008	30 November 2010	\$0.25	-	600,000	-	600,000	300,000

The remaining contractual life of share options outstanding at the end of the period was 2 years and 5 months.

#### *Fair value of options granted*

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was \$0.075 per option. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

Model inputs for the options granted during the year ended 30 June 2008 have been included in note 12.

#### 30 June 2007

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
8 March 2007	30 November 2010	\$0.30	-	7,500,000	-	7,500,000	7,500,000

#### Expenses arising from share based-payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2008	2007
	\$	\$
Options issued to directors	-	322,500
Options issued to employees	45,000	-
	<u>45,000</u>	<u>322,500</u>

**Peel Exploration Limited Annual Report 2008**  
**Notes to the Accounts for the year ended 30 June 2008**

**Directors' Declaration**

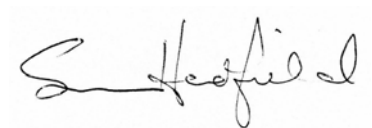
The Board of Directors of Peel Exploration Limited declares that:

- (a) the financial statements and associated notes and the additional disclosures in the Directors' Report designated as audited of the Company, comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the financial statements, associated notes and the additional disclosures included in the Directors' Report designated as audited of the Company, give a true and fair view of the financial position as at 30 June 2008 and performance of the Company for the financial year ended on that date;
- (c) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due;
- (d) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

The financial report has been made out in accordance with Australian Accounting Standards and the Corporations Act 2001.

This declaration has been made out after the Board Of Directors received the declaration by the Executive Director and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors..

A handwritten signature in black ink, appearing to read 'S. Hadfield', is written over a light blue rectangular background.

S. Hadfield  
Chairman of Directors

Perth  
30 September 2008

24 September 2008

The Directors  
Peel Exploration Limited  
Level 1, 79 Hay Street  
Subiaco, WA 6008

Dear Sirs

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

As lead auditor of Peel Exploration Limited for the year ended 30 June 2008, 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 audit; and
- any applicable code of professional conduct in relation to the audit.



**Glyn O'Brien**  
Director



**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Perth, Western Australia.

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

We have audited the accompanying financial report of Peel Exploration Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### Auditor's Opinion

In our opinion:

- (a) the financial report of Peel Exploration Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion, the Remuneration Report included in the Directors' Report of Peel Exploration Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

### BDO Kendalls Audit & Assurance (WA) Pty Ltd



**Glyn O'Brien**  
Director

Signed at Perth, Western Australia  
Dated this 24<sup>th</sup> day of September 2008.

## Peel Exploration Limited Annual Report 2008

### Corporate Governance Statement

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were adopted on 20<sup>th</sup> March 2007. Copies of relevant corporate governance policies are available in the corporate governance section of the Company's web-site at [www.peel.com.au](http://www.peel.com.au).

### Board of Directors

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders. Day to day management of the Company's affairs and the implementation of corporate strategies and policy initiatives are formally delegated by the Board to the Managing Director and senior executives, as set out in the Company's Board charter.

#### *Board composition*

The Board charter states that:

- the Board is to comprise an appropriate mix of both executive and non-executive directors.
- the roles of Chairman and Managing Director will not be combined.
- the Chairman is elected by the full Board and is required to meet regularly with the Managing Director.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders being represented on the Board. Consequently, at various times there may not be a majority of directors classified as being independent, according to ASX guidelines. However, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions or to vote on the matter.

#### *Directors' independence*

The experience, qualifications and term of office of directors are set out in the Directors' Report. The Board comprises three directors one of whom is considered independent under the principles set out below. Having regard to the share ownership structure of the Company, it is considered appropriate by the Board that a major shareholder may be represented on the Board and if nominated, hold the position of Chairman. Such appointment would not be deemed to be independent under ASX guidelines. The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the Chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

Mr Craig McGown who is a non-executive director and does not hold shares in the Company is an independent director under the ASX recommended principles in relation to the assessment of the independence of directors.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman, which shall not be unreasonably withheld.

#### *Performance assessment*

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the



## Peel Exploration Limited Annual Report 2008

previous 12 months and examining ways in which the Board can better perform its duties. A formal assessment was undertaken during the year, using a self-assessment checklist as the basis for evaluation of performance against the requirements of the Board charter.

### *Corporate reporting*

The Managing Director and Chief Financial Officer provide a certification to the Board on the integrity of the Company's external financial reports. The Board does not specifically require an additional certification that the financial statements are founded on a sound system of risk management and that compliance and control systems are operating efficiently and effectively. The Board considers that risk management and internal compliance and control systems are sufficiently robust for the Board to place reliance on the integrity of the financial statements without the need for an additional certification by management.

The company has established policies for the oversight and management of material business risk.

### **Board Committees**

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship makes use of committees. To this end the Board has established or may establish the following committees:

- Audit committee;
- Nomination committee; and
- Remuneration committee.

At present the board has deemed the Company's current size does not sufficiently warrant the establishment of the above-mentioned committees; however the Board will continually re-evaluate this position as necessary. If or when these committees are established, each will have its own written charter. Matters determined by the committees will be submitted to the full Board as recommendations for Board consideration.

If or when an audit committee is established, the committee will oversee accounting and reporting practices and will also be responsible for:

- Co-ordination and appraisal of the quality of the audits conducted by the Company's external auditors;
- Determination of the independence and effectiveness of the external auditors;
- Assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- Reviewing the adequacy of the reporting and accounting controls of the Company.

If or when a remuneration committee is established, the remuneration committee will review all remuneration policies and practices for the Company, including overall strategies in relation to executive remuneration policies and compensation arrangements for the Managing Director and Non-Executive Directors, as well as all equity based remuneration policies.

Details of the Company's current remuneration policies are set out in the Remuneration Report section of the Directors' Report. The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances.

## **Peel Exploration Limited Annual Report 2008**

The responsibility for the selection of potential directors and to review membership lies with the full Board of the Company and consequently no separate nomination committee has been established. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the establishment of a separate nomination committee will be reconsidered.

### **External Auditors**

The performance of the external auditor is reviewed annually. BDO Kendalls were appointed as the external auditors in 2006. It is both the Company's and BDO Kendall's policy to rotate audit engagement partners at least every five years and the review partner every five years.

The external auditors provide an annual declaration of their independence to the Board. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Code of Conduct**

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, officers, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Trading in the Company's securities by directors and senior executives is not permitted in the two months immediately preceding the release of the Company's annual and half-year financial results. Any transactions to be undertaken must be notified to the Chairman or Managing Director in advance.

### **Continuous Disclosure and Shareholder Communications**

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Managing Director and Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site. All shareholders receive a copy of the Company's annual report. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's web-site.

## Peel Exploration Limited Annual Report 2008

Information relating to shareholders at 22 September 2008.

### *Substantial shareholders*

	Holder	No. Ord Shares	%
1	Crawley Investments Pty Ltd	3,000,000	10.0
2	Mr Laurence James Kiernan	3,000,000	10.0
3	Mr Robert MacLaine Tyson	2,598,750	8.3
4	Mr Simon Hadfield	2,100,000	7.0
5	Ms Lisa Duperouzel	1,500,000	5.0
6	Mrs Linda Sala Tenna	1,500,000	5.0

### *Distribution of shareholders*

Range	No. of Holders	No. Ord Shares	%
1 – 1,000	-	-	-
1,001 – 5,000	19	54,383	0.18
5,001 – 10,000	88	848,593	2.83
10,001 – 100,000	302	9,444,544	31.45
100,001 – 9,999,999	27	19,679,230	65.54
<b>Total</b>	<b>436</b>	<b>30,026,750</b>	<b>100.0</b>

### *Twenty largest shareholders*

	Holder	No.Ord Shares	%
1.	Crawley Investments Pty Ltd	3,000,000	10.00
2.	Laurence James Kiernan	3,000,000	10.00
3.	Robert MacLaine Tyson	2,100,000	7.00
4.	Lisa Duperouzel	1,500,000	5.00
5.	Linda Sala Tenna	1,500,000	5.00
6.	Salamar Pty Ltd	1,100,000	3.67
7.	Simon Hadfield	1,000,000	3.33
8.	ANZ Nominees Limited	605,010	2.01
9.	Blue Crystal Pty Ltd	600,000	2.00
10.	Classic Capital Pty Ltd	500,000	1.67
11.	Ron & Liz Nominees Pty Ltd (Ronald James Super	450,000	1.50
12.	KB33 Capital Pty Ltd	425,000	1.42
13.	Jordan and Flynn Tyson	400,000	1.33
14.	Rodney Malcolm Jones + Carol Robin Jones (Hoperidge Enterprises Pty Ltd Super a/c)	305,000	1.02
15.	Paul Hodder + James Ramsay + Daniel Foster (Delta Blue Investments a/c)	300,000	1.00
16.	Hoperidge Enterprises Pty Ltd (Jones Family a/c)	300,000	1.00
17.	Scott Paul Jones + Rodney Malcolm Jones + Carol Robin Jones (Scopa Family a/c)	300,000	1.00
18.	Wonder Holdings Pty Ltd	290,000	0.97
19.	Stephen James Lambert + Ruth Lynette Lambert + Simon Lee Lambert (Lambert Retirement a/c)	275,000	
20.	MAJ Pty Ltd (Wallace Super Fund a/c)	250,000	0.83
		<b>18,200,01</b>	<b>60.63</b>

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At the prevailing market price of \$0.20 per Share there were six Shareholders with less than a marketable parcel of \$500 at 22 September 2008.

### *Distribution of Optionholders*

Range	No. of Holders	No. Ord Shares	%
1 – 1,000	5	3,635	0.02
1,001 – 5,000	69	317,135	2.12
5,001 – 10,000	130	1,077,071	7.19
10,001 – 100,000	121	3,418,161	22.83
100,001 – 9,999,999	22	10,157,248	67.84
<b>Total</b>	<b>347</b>	<b>14,973,250</b>	<b>100.00</b>

### *Twenty largest Optionholders*

	Holder	Options	%
1.	Crawley Investments Pty Ltd	1,622,874	10.84
2.	Laurence James Kiernan	1,622,874	10.84
3.	Robert MacLaine Tyson	1,172,874	7.83
4.	Lisa Duperouzel	750,000	5.01
5.	Linda Sala Tenna	750,000	5.01
6.	Salamar Pty Ltd	672,873	4.49
7.	Simon Hadfield	500,000	3.34
8.	Classic Capital Pty Ltd	495,748	3.31
9.	ANZ Nominees Limited	302,505	2.02
10..	Blue Crystal Pty Ltd	300,000	2.00
11.	Hoperidge Enterprises Pty Ltd (Jones Family a/c)	265,000	1.77
12.	Ron & Liz Nominees Pty Ltd (Ronald James Super Fund a/c)	225,000	1.50
13.	KB33 Capital Pty Ltd (Charity a/c)	212,500	1.42
14.	Jordan + Flynn Tyson	200,000	1.34
15.	Paul Hodder + James Ramsay + Daniel Foster (Delta Blue Investments a/c)	150,000	1.00
16.	Scott Paul Jones + Rodney Malcolm Jones + Carol Robin Jones (Scopa Family a/c)	150,000	1.00
17.	Wonder Holdings Pty Ltd	145,000	0.97
18.	Gratitude Holdings Pty Ltd (Swarts Investment a/c)	135,000	0.90
19.	MAJ Pty Ltd (Wallace Super Fund a/c)	125,000	0.83
20.	Dennis Ivan Rakich (The Rakich Retirement a/c)	125,000	0.83
		<b>9,922,248</b>	<b>66.25</b>

At the prevailing price of \$0.06 per Option there were one hundred and sixty one Optionholders with less than a marketable parcel of \$500 at 22 September 2008.

At 23 September 2008 there were 436 holders of ordinary shares in the Company.

The following shares and options are restricted by ASX:

- Ordinary fully paid shares, restricted for 24 months from date of quotation (17 May 2007) - 13,929,950
- 30 November 2010 20c Options restricted for 24 months from date of issue (7 March 2007) – 7,000,000
- 30 November 2010 30c Options restricted for 24 months from date of issue (8 March 2007) – 7,500,000

## Peel Exploration Limited Annual Report 2008

### Voting Rights

The voting rights attaching to the ordinary shares, set out in Clause 12.11 of the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is 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 being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited)"

### Statement under ASX Listing Rule 4.10.19

From the date of admission of the Company's shares on ASX (17 May 2007) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates.