



Annual Report  
for the Financial Year ended 30 June 2009

PEEL EXPLORATION LIMITED  
& CONTROLLED ENTITIES  
ABN 42 119 343 734

# Peel Exploration Limited Annual Report 2009

## Corporate Directory

### Directors

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

### Share Registry

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PERTH WA 6000

Telephone: +61 (0)8 9323 2000  
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### Company Secretary

David Hocking

### Solicitors to the Company

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

### Registered Office

Level 1, 79 Hay St  
SUBIACO WA 6008

Telephone: +61 (0) 8 9382 3955  
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### Auditors

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008

### Website

[www.peelex.com.au](http://www.peelex.com.au)

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# Peel Exploration Limited Annual Report 2009

## Chairman's Report

Dear Fellow Shareholders,

The global financial crisis over the past year has created an extremely challenging environment for investors and the resources sector in general. Peel Exploration Limited is fortunate in having a strong core project at our Attunga Tungsten Deposit, in northern New South Wales.

During the year ended of 30 June 2009 your Company has made excellent progress advancing the Attunga Tungsten Deposit, identifying a potentially relatively simple process route for the recovery of scheelite concentrate from ore. Late in the financial year, additional high-grade tungsten intercepts were returned from drilling offering further encouragement regarding the exploration potential at Attunga.

Your Company was also buoyed by the significant discovery of copper-gold mineralisation at the nearby Attunga Copper Mine. The intercept of 75m at 1.02 g/t gold, 0.87% copper, 0.09% molybdenum, 0.06% bismuth and 22 g/t silver from 136m is extremely encouraging for the longer term prospectivity at Attunga.

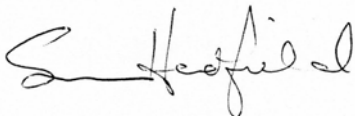
Elsewhere, Peel has remained vigilant to exploration opportunities and most recently has conditionally agreed to acquire the historic May Day gold-base metal deposit near Cobar. May Day has significant gold-base metal mineralisation immediately below a shallow, historic open pit. Peel believes that May Day offers a potentially rapid path to production and cash flow, benefiting from its situation on a granted mining lease located in one of Australia's major mining districts.

Whilst it is too early to say that the world is entering a phase of recovery and growth, it is clear that companies with strong projects in advanced stages of exploration will be in the best position to benefit from improving economic circumstances. Peel is positioning itself in anticipation of better times.

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 Oates and Steve Leggett who have helped to manage our exploration programmes.

Finally I would like to thank our shareholders for their continued support.

Yours sincerely



**Simon Hadfield**  
**CHAIRMAN**

30<sup>th</sup> September 2009

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## Review of Operations

### Background

Peel Exploration Limited is focused on precious, base and specialty metals exploration predominantly in the New England region of New South Wales, Australia. Since listing in May 2007, Peel has identified and acquired several valuable mineral projects in New South Wales, close to excellent infrastructure.

At September 2009, Peel Exploration held five separate mineral projects covering approximately 470 km<sup>2</sup> of granted exploration licences, all located in New South Wales, Australia. The most advanced of these projects and the focus of the Company is the Attunga Project, located approximately 20 kms north of Tamworth.

- **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.
- **EL6722 - Armidale** contains several historic silver mines along with numerous gold, antimony, tungsten and molybdenum workings.
- **EL7272 - 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.
- **EL7356 - Yerranderie** contains the historic Yerranderie silver field area. Literature searches indicate that substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie. Peel plans to investigate the potential to retreat and remediate the Yerranderie environs.

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## Details on Assets

**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 three specific areas of interest: the Attunga Tungsten Deposit area; the Attunga Copper Mine prospect and the Kensington gold-tungsten prospect. The Attunga Project area is considered prospective for tungsten-molybdenum skarn-type mineralisation, base/precious metal skarn-type mineralisation, and gold (+/-tungsten) intrusive-related gold system type mineralisation.

### **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 tungsten resource. Subsequent explorers considered that a larger resource of lower grade material was present. 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, powellite and molybdenite; primarily within skarn, monzonite and a fine-grained contact rock that Geopeko termed "scheelite rock". Minor mineralisation also occurs in hornfels, calc-silicate hornfels and marble.

In September 2007, Peel 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 drillcore 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 Peel'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 AP1-23. 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, Peel 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, Peel completed two RC drillholes (ATP1-D & ATP1-G) as partial fulfillment of an extensional and infill drilling programme designed by Geos Mining. Peel'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.

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In August 2008, Peel 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 a very high grade interval of 2m at 24.21% WO<sub>3</sub> and 1.71% 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. Also in August 2008, Peel engaged NAGROM, metallurgical consultants, to complete Phase 1 metallurgical testwork.

During the March quarter 2009, Phase 1 metallurgical testwork results were finalised with high grade WO<sub>3</sub> concentrate products derived along with a potential process flowsheet. The key outcomes from the work done are:

- Scheelite grain size at Attunga is predominantly greater than 0.1 mm (100 micron).
- Grind size fraction of +75 to -125 micron yielded 80% recovery of WO<sub>3</sub> to 16% of original circuit mass via conventional gravity (spirals) primary concentration.
- Magnetic properties of gangue material (garnet) offers additional simple primary concentration route. The grind size fraction +75 to -125 micron gravity (spirals) concentrates were successfully upgraded via magnetic rollers to a 47% WO<sub>3</sub> grade concentrate with 79% overall recovery of WO<sub>3</sub>.
- Flotation testwork on tails and fines (-75 micron), and cleaner work/ore dressing of spiral concentrate/magnetic separation products yielded positive upgrade and recovery of WO<sub>3</sub> content.
- Molybdenum is predominantly held chemically in scheelite, as powellite solid solution. Cursory leach work of fine ground concentrate product has shown potential for the separation of WO<sub>3</sub> and molybdenum.

Metallurgical testwork completed to date was derived from RC drill cuttings which are not considered optimum for metallurgical work. Notwithstanding this fact, Peel is very encouraged by the results of Phase 1 testwork.

The potential process flow sheet identified would involve staged crushing and grinding, conventional gravity concentration (spirals), drying of gravity concentrates, removal of magnetic gangue material via magnetic circuit, and flotation of fine (-75 micron) spiral tails. Secondary processing/mineral dressing would involve further flotation work.

In June 2009, Peel announced that drilling at Attunga had returned new high grade tungsten intercepts including 27m at 0.54% WO<sub>3</sub> and 0.06% Mo from 19m (including 2m at 3.38% WO<sub>3</sub> and 0.27% Mo) from 22m in RC drillhole AP1-026, and 2m at 0.59% WO<sub>3</sub> and 0.03% Mo from 58m in RC drillhole AP1-027.

The true width of the mineralisation encountered in AP1-026 is estimated to be about 25-30% of the downhole width, and is unknown for AP1-027. Drillhole AP1-026 was one of three extensional drillholes completed at the Attunga Tungsten Deposit. These holes were designed to test for northern and down-dip extensions to the current resource. Peel is encouraged by the mineralisation encountered; particularly the shallow nature as defined in AP1-026, and believes that good potential exists to delineate additional mineralisation at the Attunga Tungsten Deposit.

Several scheelite-bearing skarn prospects analogous to the Attunga Tungsten Deposit 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.

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Peel has 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.

### **Attunga Copper Mine**

The Attunga Copper Mine, located about 800m north of the Attunga Tungsten Deposit was discovered in 1902 and worked over various periods up until World War 2. The prospect had been held under licence since 1968 but reverted back to Peel's tenure in February 2009.

Total recorded production was about 1,600t ore grading ~6% copper, ~8 g/t gold and ~150 g/t silver. Other significant metals present include bismuth, molybdenum and tungsten. Workings comprised pits, shafts and levels and extended to about 80m below surface with sulphide mineralisation including chalcopyrite and chalcocite reported to occur in the deeper levels.

Mineralisation at the Attunga Copper Mine occurs in a garnet skarn similar to that at the Attunga Tungsten Deposit indicating that the deposits are genetically-related. Modern exploration had been very limited, however an IP survey completed in the mid-1980s defined multiple anomalies with only very shallow airtrac drilling (deepest hole = 14m) ever completed.

In April 2009, Peel completed a transient electromagnetics (TEM) survey with results suggesting that the presence of a moderate, shallow conductor, centred approximately 200m north of the historic Attunga Copper Mine workings.

In May 2009, Peel announced the discovery of strong polymetallic (copper-gold dominant) mineralisation at the Attunga Copper Mine. Drillhole ACM-004 returned 75m at 1.02 g/t gold, 0.87% copper, 0.09% molybdenum, 0.06% bismuth, and 22 g/t silver from 136m including 27m at 1.60 g/t gold, 1.66% copper, 0.18% molybdenum, 0.1% bismuth, and 39 g/t silver from 136m. Drillhole ACM-4 is one of six drillholes that Peel has just completed to test the Attunga Copper Mine area. ACM-4 was designed to test an historic IP anomaly located to the south of the historic workings and intersected mineralisation is interpreted to be sub-vertical in geometry. The true width of the above intervals is construed to be approximately 25% of the downhole intercepts.

Results for other drillholes in the Attunga Copper Mine area yielded significant mineralisation in several drillholes with several drillholes experiencing difficult drilling conditions in alteration clays and not reaching target depths.

The discovery at the Attunga Copper Mine supports Peel's belief that the Attunga skarn deposits are part of a larger metalliferous system, possibly including a porphyry/mineralised granite source.

### **Kensington gold prospect**

The Kensington gold 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. Peel 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 large low grade tungsten resource was estimated by a previous explorer. In 1987 diamond drilling by Challenger Mining intersected extensive low-grade gold mineralisation, however this work was not tested for tungsten. Drillholes

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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, metasediments and lamprophyre.

In March 2008, Peel 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.

In July 2008, Peel 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.

In September 2008, Peel announced that RC drilling completed at Kensington had encountered widespread gold mineralisation. Highly anomalous to low-grade gold mineralisation was intersected in all drillholes.

In May 2009, Peel completed one RC drillhole at the Kensington gold prospect. The drillhole was designed to test a shallow, chargeable anomaly defined from a recent IP survey. Ken-10 intercepted wide zones of low grade gold mineralisation within a package of sediments that included carbonaceous shale.

Peel believes that Kensington holds good potential to host a significant gold system with mineralisation remaining open.

### **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.

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



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with data interpretation completed mid-2008. In 2009, Peelex completed field investigations of geophysical anomalies. No significant results were returned.

### **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.

During the year Peelex completed field investigations at Taits Gully including surface geochemical sampling utilising a field portable XRF (Niton). Only low order results were returned.

### **EL7272 - Mt Tennyson East**

EL7272 – 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.

No field work was completed during the year

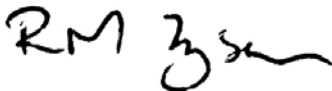
### **EL7356 - Yerranderie**

EL7356 – Yerranderie project - contains the historic Yerranderie silver field area. Literature searches indicate that substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie. Peel plans to investigate the potential to retreat and remediate the Yerranderie environs.

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### Schedule of Tenements

New South Wales				
Project	Number	Holder	Ownership	Expiry
Dungowan	EL6613	Peel Exploration Ltd	100%	21 August 2010
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
Mt Tennyson East	EL7272	Peel Exploration Ltd	100%	20 January 2011
Yerranderie	EL7356	Peel Exploration Ltd	100%	24 Jun 2011



Rob Tyson  
Managing 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 2009

## Directors Report

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") comprising Peel Exploration Limited and its 100% owned subsidiary Peel Energy Limited for the financial year ended 30 June 2009.

### 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

### Directors' Interests in Shares and Options

Directors' interests in shares and options as at 30 June 2009 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	-	1,000,000

### Activities

The continuing principal activity of the Group 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 Group for the financial year after providing for income tax amounted to \$1,334,675 (2008: \$757,648).

### Dividends

No dividends were paid or proposed during the year.

### Review of Operations

A review of the operations of the Group during the financial year and the results of those operations are contained in pages 3 to 9 in this report.

### Corporate Structure

The Group comprises Peel Exploration Limited, a limited Company incorporated and domiciled in Australia and its 100% owned subsidiary Peel Energy Limited also incorporated and domiciled in Australia. Peel Energy Limited was incorporated on 14 January 2009.

### Significant Changes

During the financial year the Peel Exploration Limited increased contributed equity by \$135,000 through the issue of 900,000 ordinary shares at \$0.15 each. The cash received from the increase in contributed equity was used principally to continue the company's exploration program at its Attunga project.

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

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

#### (a) Non-renounceable entitlement issue

A prospectus for a pro-rata non-renounceable entitlement issue of one new share for every three shares held by shareholders at an issue price of 10 cents to raise approximately \$1,030,892 was despatched by the Company to shareholders on 7 September 2009. The closing date of the offer is 25 September 2009. At that date the Company had received acceptances for 3,293,400 shares raising \$329,340.

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## (b) Acquisition of new mining lease

The company has announced the details of a conditional agreement to acquire a 100% interest in the May Day gold and base metal deposit from Imperial Corporation Ltd. The agreement is conditional on completion of due diligence investigations and the renewal of Mining Lease 1361. Consideration for the acquisition is 2,750,000 fully paid ordinary shares in Peel Exploration Limited.

Other than these matters, there were at the date of this report no other matters or circumstances which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

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

## Likely Developments and Expected Results

As the Group'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*

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 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	9	9

## 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.

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

The objective of the remuneration framework of Peel Exploration Limited 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 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 group performance but rather towards generating future shareholder wealth through share price performance. Peel Exploration Limited listed on 11 May 2007 at 20c per share and the share price at 30 June 2009 was 16c (2008: 19c). The shares recorded high and low points of 26c and 15c during the year, and are trading at 9c on 19<sup>th</sup> September 2009. The company has recorded a loss each financial year to date as it carries out exploration activities on its tenements. No dividends have been paid.

## 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 2009 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>Total</i>	<i>% Performance Related</i>
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Superannuation</i>	<i>Long-service leave</i>	<i>Options</i>		
<b>2009</b>	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
RM Tyson	91,925	-	-	8,273	-	-	100,198	0%
S Hadfield	50,000	-	-	4,500	-	-	54,500	0%
C McGown	50,000	-	-	4,500	-	52,290	106,790	0%
<b>Other executives</b>								
D Hocking	62,400	-	-	5,616	-	-	68,016	0%
<b>Total</b>	<b>254,325</b>	<b>-</b>	<b>-</b>	<b>22,889</b>	<b>-</b>	<b>52,290</b>	<b>329,504</b>	

## Peel Exploration Limited Annual Report 2009

	<i>Short-Term Employment Benefits</i>			<i>Post Employment</i>	<i>Long-Term Benefits</i>	<i>Share Based Payment</i>	<i>Total</i>	<i>% Performance Related</i>
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Superannuation</i>	<i>Long-service leave</i>	<i>Options</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>	

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

### 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 \$100,198 (2008: \$62,356) 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 \$54,500 (2008: \$39,955) 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 \$106,790 (2008: \$16,753) in his role as a director of the Company.

### d) Share-based compensation

#### Directors

During the year options over one million shares in Peel Exploration Limited were granted to a director; Mr Craig McGown. The options vested immediately and were granted for nil consideration pursuant to approval by shareholders at the last Annual General meeting. The options are exercisable at 30cents at any time up to 30 April 2011. The assessed fair value of \$52,290 is included in 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.

#### Employees

Options over shares in Peel Exploration Limited may be granted under the Peel Exploration Limited Employee Option Plan which was created in June 2008 and approved by shareholders at 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.

## Peel Exploration Limited Annual Report 2009

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>	
	2009	2008	2009	2008
<b>Directors</b>				
C McGown	1,000,000	-	1,000,000	-
<b>Other key management personnel</b>				
D Hocking	-	200,000	100,000	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 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 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
23 June 2008	23 June 2008 (50%) 23 June 2009 (50%)	30 November 2010	25 cents	7 cents
5 December 2008	5 December 2008	30 April 2011	30 cents	5 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 above, the percentage of grant that vested in the financial year, and the percentage that was forfeited, is set out below:

<b>Name</b>	<b>Options</b>					
	<b>Year Granted</b>	<b>Vested %</b>	<b>Forfeited %</b>	<b>Financial years in which options may vest</b>	<b>Minimum total value of grant yet to vest \$</b>	<b>Maximum total value of grant yet to vest \$</b>
RM Tyson	2007	100%	-	-	nil	-
S Hadfield	2007	100%	-	-	nil	-
D Hocking	2008	50%	-	30/06/09	nil	-
C McGown	2009	100%	-	30/06/09	nil	-

# Peel Exploration Limited Annual Report 2009

## Share-based compensation: options

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

Name	A Remuneration consisting of options	B Value at grant date
C McGown	49.0%	52,290

No options were exercised by directors of Peel Exploration Ltd or other key management personnel in 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*

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## Shares under option

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

<i>Date options granted</i>	<i>Expiry date</i>	<i>Issue price of shares</i>	<i>Number under option</i>
8 March 2007 (shareholders)	30 November 2010	20 cents	7,500,000
8 March 2007 (directors)	30 November 2010	30 cents	7,500,000
11 September 2007 (s/holders)	30 November 2010	20 cents	14,973,250
23 June 2008 (employees)	30 November 2010	25 cents	600,000
5 December 2009 (director)	30 April 2011	30 cents	1,000,000
			<u>31,573,250</u>

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

No ordinary shares of the Company were issued during the year on the exercise of options.

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

	<i>Issue price of shares</i>	<i>Number of shares issued</i>
24 October 2007	20 cents	<u>26,750</u>
		<u>26,750</u>

## Indemnification and Insurance of Directors and Officers

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

## Proceedings on behalf of the Company

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

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

## 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.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.



# Peel Exploration Limited Annual Report 2009

## **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.

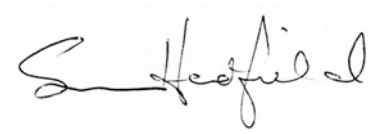
## **Auditor**

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:

A handwritten signature in black ink, appearing to read 'S Hadfield', is centered on the page. The signature is written in a cursive style with a large initial 'S'.

## **Simon Hadfield**

Chairman of Directors

Perth, Western Australia

Dated on this the 30<sup>th</sup> day of September 2009.

# Peel Exploration Limited Annual Report 2009

## Income Statements

for year ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	3	98,750	-	98,750	164,472
Depreciation expenses	8	(28,859)	-	(28,859)	(5,260)
Directors fees		(109,000)	-	(109,000)	(84,333)
Salaries and employee benefits		(344,713)	-	(344,713)	(167,858)
Share-based remuneration to employees	22	(52,290)	-	(52,290)	(45,000)
Exploration expenditure written off		(640,717)	-	(640,717)	(383,802)
Administration expenses		(257,846)	-	(257,126)	(233,867)
Loss before income tax		(1,334,675)	-	(1,333,955)	(755,648)
Income tax expense	4	-	-	-	-
Loss for the year attributable to the ordinary equity holders of the company		<u>(1,334,675)</u>	<u>-</u>	<u>(1,333,955)</u>	<u>(755,648)</u>
Basic and diluted loss per share (cents per share)	22	(0.04)	-		

The above Income Statements should be read in conjunction with the accompanying notes.

# Peel Exploration Limited Annual Report 2009

## Balance Sheets

as at 30 June 2009

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	5	901,020	-	901,020	2,030,930
Trade and other receivables	6	31,233	-	31,233	22,850
<b>Total Current Assets</b>		<u>932,253</u>	<u>-</u>	<u>932,253</u>	<u>2,053,780</u>
<b>Non-Current Assets</b>					
Security deposits	7	80,000	-	80,000	60,000
Plant & equipment	8	55,896	-	55,896	84,754
Investments	10	-	-	5,000	-
<b>Total Non-Current Assets</b>		<u>135,896</u>	<u>-</u>	<u>140,896</u>	<u>144,754</u>
<b>Total Assets</b>		<u>1,068,149</u>	<u>-</u>	<u>1,073,149</u>	<u>2,200,162</u>
<b>Current Liabilities</b>					
Trade and other payables	11	103,917	-	108,197	88,545
<b>Total Current Liabilities</b>		<u>103,917</u>	<u>-</u>	<u>108,197</u>	<u>88,545</u>
<b>Total Liabilities</b>		<u>103,917</u>	<u>-</u>	<u>108,197</u>	<u>88,545</u>
<b>Net Assets</b>		<u>964,232</u>	<u>-</u>	<u>964,952</u>	<u>2,111,617</u>
<b>Equity</b>					
Contributed equity	12	2,901,921	-	2,901,921	2,766,921
Accumulated losses		(2,507,211)	-	(2,506,491)	(1,172,536)
Option reserve	13	569,522	-	569,522	517,232
<b>Total Equity</b>		<u>964,232</u>	<u>-</u>	<u>964,952</u>	<u>2,111,617</u>

The above Balance Sheets should be read in conjunction with the accompanying notes.

## Peel Exploration Limited Annual Report 2009

### Statement of Changes in Equity

<b>Consolidated</b>	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>Balance at 1 July 2007</b>	2,799,062	(414,888)	322,500	2,706,674
Loss for year	-	(757,648)	-	(757,648)
<i>Total income and expense recognised for the year</i>	2,799,062	(1,172,536)	322,500	1,949,026
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	5,350	-	-	5,350
Share issue 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>Balance at 30 June 2008</b>	2,766,921	(1,172,536)	517,232	2,111,617
Loss for year	-	(1,334,675)	-	(1,334,675)
<i>Total income and expense recognised for the year</i>	2,766,921	(2,507,211)	517,232	776,942
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	135,000	-	-	135,000
Share-based payments	-	-	52,290	52,290
<b>Balance at 30 June 2009</b>	2,901,921	(2,507,211)	569,522	964,232

<b>Parent entity</b>	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>At 1 July 2007</b>	2,799,062	(414,888)	322,500	2,706,674
Loss for year	-	(757,648)	-	(757,648)
<i>Total income and expense recognised for the year</i>	2,799,062	(1,172,536)	322,500	1,949,026
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	5,350	-	-	5,350
Share issue 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>Balance at 30 June 2008</b>	2,766,921	(1,172,536)	517,232	2,111,617
Loss for year	-	(1,333,955)	-	(1,333,955)
<i>Total income and expense recognised for the year</i>	2,766,921	(2,506,491)	517,232	777,662
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	135,000	-	-	135,000
Share-based payments	-	-	52,290	52,290
<b>Balance at 30 June 2009</b>	2,901,921	(2,506,491)	569,522	964,952

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

## Peel Exploration Limited Annual Report 2009

### Cash Flow Statements

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(1,343,660)	-	(1,342,940)	(799,715)
Interest received		98,750	-	98,750	164,472
<b>Net cash outflow from operating activities</b>	20	<u>(1,244,910)</u>	<u>-</u>	<u>(1,244,190)</u>	<u>(635,243)</u>
<b>Cash flows from investing activities</b>					
Payment of security deposits		(20,000)	-	(20,000)	(20,000)
Payments for purchase of plant and equipment		-	-	-	(88,338)
<b>Net cash outflow from investing activities</b>		<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(108,338)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		135,000	-	135,000	155,350
Transaction costs of issue of shares		-	-	-	(37,759)
Purchase of investment in subsidiary company		-	-	(5,000)	-
Loan from related company		-	-	4,280	-
<b>Net cash inflow from financing activities</b>		<u>135,000</u>	<u>-</u>	<u>134,280</u>	<u>117,591</u>
<b>Net decrease in cash and cash equivalents</b>		(1,129,910)	-	(1,129,910)	(625,990)
Cash and cash equivalents at the start of year		<u>2,030,930</u>	<u>-</u>	<u>2,030,930</u>	<u>2,656,920</u>
<b>Cash and cash equivalents at the end of year</b>		<u>901,020</u>	<u>-</u>	<u>901,020</u>	<u>2,030,930</u>

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

# Peel Exploration Limited Annual Report 2009

## Notes to the Accounts

### 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 as an individual entity and the consolidated entity comprising Peel Exploration Limited and its subsidiary, Peel Energy Limited.

#### (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, Australian Accounting 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) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Peel Exploration Limited (the parent entity) and Peel Energy Limited (the controlled entity) which Peel Exploration Limited controlled during the year and at balance date ("the Group"). A controlled entity is any entity that Peel Exploration Limited has the power to control the financial and operation policies so as to obtain benefits from its activities.

Information from the financial statements of the subsidiary is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated except where costs cannot be recovered.

The investment in the subsidiary is carried at cost in the parent entity.

#### (c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the group 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.

#### (d) 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.

# Peel Exploration Limited Annual Report 2009

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.

## **(e) Impairment of assets**

At each reporting date, the group 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.

No impairment losses (2008: \$11,425) have been recognised for the year ending 30 June 2009.

## **(f) 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.

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

Trade receivables, which generally have 30 to 90 day terms, are recognised initially at fair and subsequently at amortised cost less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the group will not be able to collect the debts. The allowance for bad debts is recognised in a separate account. Bad debts are written off when identified.

## **(h) 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.

## **(i) 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 Group for similar financial instruments.

## **(j) 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 de-recognition 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.

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

Exploration licences are expensed through the profit and loss.

Exploration and evaluation expenditure is written off in the year it is incurred. Accordingly, exploration expenditure of \$640,717 (2008: \$383,802) 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.

# Peel Exploration Limited Annual Report 2009

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

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

## **(m) 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.

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.

## **(n) 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.

## **(o) 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.

## **(p) 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.

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

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements of Peel Exploration Limited comply with International Financial Reporting Standards (IFRSs).

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group'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 Group will



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adopt AASB 8 from 1 July 2009. Application of AASB 8, at this stage, may expand on 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*

The revised AASB 123 is 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 Group 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*

A revised AASB 101 was issued in September 2007 and is 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 Group intends to apply the revised standard from 1 July 2009.

(iv) *AASB 2008-5 Amendments arising from Annual Improvements Project (revised July 2007)*

The revised version of this standard provides for a range of presentation, recognition, measurement, terminology and editorial changes to a wide range of accounting standards. The revised standard is applicable for annual reporting periods commencing on or after 1 January 2009, and the Group will adopt the revised standard from that date.

Application should not affect any of the amounts recognised in the financial report, but may require additional levels of disclosures. The Group will adopt the new standard, together with its consequential changes, for the financial report dated 30 June 2010.

(v) *AASB 127 Consolidated and Separate Financial Statements (reissued March 2008)*

The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. The revised standard is applicable for annual reporting periods commencing on or after 1 July 2009, and the Group will adopt the revised standard from that date.

Application should not affect any of the amounts recognised in the financial report, but may require additional levels of disclosures. The Group will adopt the new standard, together with its consequential changes, for the financial report dated 30 June 2010.

(vi) *AASB 3 Business Combinations (reissued March 2008)*

The revised standard introduces more detailed guidance on accounting for aspects including step acquisitions, adjustments to contingent consideration, and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill. The revised standard is applicable for annual reporting periods commencing on or after 1 July 2009, and the Group will adopt the revised standard from that date.

Application should not affect any of the amounts recognised in the financial report, but may require additional levels of disclosures. The Group will adopt the new standard, together with its consequential changes, for the financial report dated 30 June 2010.

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.

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## 2. Financial Risk Management

### Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk (on cash and cash equivalents, and receivables)
- Liquidity risk
- Market risk (cash flow interest risk on cash and cash equivalents)

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents. The Group manages its credit risk on financial instruments, including cash, by only dealing with banks licensed to operate in Australia with credit ratings of at least 'A' rated.

#### Trade and other receivables

The Group operates in the mining exploration sector and does not have trade receivables. It is not exposed to credit risk in relation to trade receivables.

#### Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount – Consolidated		Carrying amount – Parent	
		2009	2008	2009	2008
Trade and other receivables	6	5,198	-	5,198	-
Cash and cash equivalents	5	901,020	-	901,020	2,030,931

#### Impairment losses

None of Company's other receivables are past due. At 30 June 2009 the Group does not have any collective impairments on its other receivables.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Group ensures it has sufficient cash on hand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

	Consolidated			Parent Company		
	Carrying	Contractual	6mths	Carrying	Contractual	6mths
	Amount	Cash flows	or less	Amount	Cash flows	or less
<b>30 June 2009</b>	\$	\$	\$	\$	\$	\$
Trade and other payables	103,917	103,917	103,917	108,197	108,197	108,197
<b>30 June 2008</b>						
Trade and other payables	-	-	-	88,545	-	88,545

### Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of managing market risk is to manage and control market risk exposures to within acceptable limits, while optimising returns.

### Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the costs of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. The Group does not have any borrowings and is, therefore, not exposed to interest rate risk

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in this area. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

### **Profile**

At the reporting date the interest rate profile of the Group and the Company's interest-bearing financial instruments was:

Variable rate instruments				
	Consolidated		Company	
	Carrying	Amount	Carrying	Amount
	2009	2008	2009	2008
		\$	\$	\$
Short term cash deposits	854,774	-	854,774	1,977,932

### **Cash flow sensitivity analysis for variable rate instruments**

#### **Group**

At 30 June 2009 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been \$8,548 higher/lower (2008: nil).

#### **Parent company**

At 30 June 2009 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been \$8,548 higher/lower (2008: \$19,779).

#### **Fair values**

The carrying values of all financial assets and financial liabilities, as disclosed in the balance sheets, approximate their fair values.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>3. Revenue</b>				
Interest received	98,750	-	98,750	164,472
<b>Expenditure</b>				
Superannuation	19,442	-	19,442	6,558
Operating lease payments	36,000	-	36,000	24,097
<b>4. Income tax</b>				
<b>Income tax expense</b>				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
<b>Numeric reconciliation of income tax expense to prima facie tax payable:</b>				
Accounting loss before income tax	(1,334,675)	-	(1,333,955)	(757,648)
At the statutory income tax rate of 30% (2008: 30%)	(400,403)	-	(400,187)	(227,294)
Expenditure not allowed for income tax purposes:				
Non-deductible expenses	15,687	-	15,687	13,500
Tax loss not brought to account	384,716	-	384,500	213,794
Income tax benefit reported in the income statement	-	-	-	-

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The Company has tax losses arising in Australia of \$1,283,278 (2008: \$898,562 restated) that are available indefinitely for offset against future 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. In 2008 the Company also had an unrecognised deferred tax asset in respect of equity raising costs of \$28,289 (2008: \$11,328).

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>5. Cash and Cash Equivalents</b>				
Cash at bank and in hand	46,246	-	46,246	52,998
Term deposit with a financial institution	854,774	-	854,774	1,977,932
	<u>901,020</u>	<u>-</u>	<u>901,020</u>	<u>2,030,930</u>
<b>6. Trade and other receivables</b>				
GST recoverable from taxation authority	26,035	-	26,035	24,477
Interest accrued on term deposits	5,198	-	5,198	-
	<u>31,233</u>	<u>-</u>	<u>31,233</u>	<u>24,477</u>
<b>7. Receivables (Non-current)</b>				
Security deposits on mining tenements	80,000	-	80,000	60,000
	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>60,000</u>
No fair value estimation has been made for these deposits as they are dependent on the periods for which the related mining tenements will be held, which is not determinable at this point in time.				
<b>8. Plant and equipment</b>				
<b>Plant and equipment</b>				
At cost	90,014	-	90,014	90,014
Less accumulated depreciation	34,118	-	34,118	5,260
	<u>55,896</u>	<u>-</u>	<u>55,896</u>	<u>84,754</u>
<b>Reconciliation</b>				
Carrying amount at beginning of year	84,754	-	84,754	1,676
Additions	-	-	-	88,338
Depreciation expense	(28,859)	-	(28,859)	(5,260)
Closing balance	<u>55,895</u>	<u>-</u>	<u>55,895</u>	<u>84,754</u>
<b>9. Exploration licences</b>				
Opening balance	-	-	-	11,425
Payment of exploration licences	-	-	-	-
Written off during year	-	-	-	(11,425)
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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## 10. Subsidiary company

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(a):

Name	Country of incorporation	Class of shares	Equity holding	
			2009	2008
			%	%
Peel Energy Limited	Australia	Ordinary	100	-
	Consolidated		Parent Entity	
			2009	2008
			\$	\$

## 11. Trade and other payables

Trade payables	103,917	-	103,917	88,545
Other payables	-	-	4,280	-
	103,917	-	108,197	88,545

Refer Note 2 for information on risk exposures

## 12. Contributed equity

### (a) Share capital

	Consolidated and Parent Entity			
	2009		2008	
	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	30,926,750	2,901,921	30,026,750	2,766,921

### (b) Movements in ordinary share capital

Opening balance, 1 July	30,026,750	2,766,921	30,000,000	2,799,062
Shares issued pursuant to placement	900,000	135,000	-	-
Shares issued as result of exercise of options	-	-	26,750	5,350
Initial cost of options exercised	-	-	-	268
Transaction costs on share issues	-	-	-	(37,759)
Closing balance, 30 June	30,926,750	2,901,921	30,026,750	2,766,921

### (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 13.

### (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.

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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.

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>13. Reserves</b>					
<i>(i) Accumulated losses</i>					
Opening balance, 1 July		(1,172,536)	-	(1,172,536)	(414,888)
Loss for the year		(1,334,675)	-	(1,333,955)	(757,648)
Closing balance, 30 June		<u>(2,507,211)</u>	-	<u>(2,506,491)</u>	<u>(1,172,536)</u>
<i>(ii) Share-based payments reserve</i>					
Opening balance, 1 July		517,232	-	517,232	322,500
Option expenses (director options)		52,290	-	52,290	-
Option expenses (payment on shareholder options)		-	-	-	149,732
Option expenses (employee options)		-	-	-	45,000
Closing balance, 30 June		<u>569,522</u>	-	<u>569,522</u>	<u>517,232</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.

### Share options and reserve movements

	2009		2008	
	Options	\$	Options	\$
Opening balance, 1 July	30,573,250	517,232	15,000,000	322,500
Issued to director	1,000,000	52,290	-	-
Issued to shareholders	-	-	15,000,000	150,000
Issued to employees	-	-	600,000	45,000
Options exercised during year	-	-	(26,750)	(268)
Closing balance, 30 June	<u>31,573,250</u>	<u>569,522</u>	<u>30,573,250</u>	<u>517,232</u>
- exercisable at 20cents each on or before 30 November 2010	22,473,250		22,473,250	
- exercisable at 30cents each on or before 30 November 2010	7,500,000		7,500,000	
- exercisable at 25cents each on or before 30 November 2010	600,000		600,000	
- exercisable at 30cents each on or before 30 April 2011	<u>1,000,000</u>		<u>-</u>	
	<u>31,573,250</u>		<u>30,573,250</u>	

### Model inputs for director options granted during the year ended 30 June 2009 included:

Underlying security spot price	\$0.160
Exercise price	\$0.30
Dividend rate	Nil

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Standard deviation of returns (annualised)	75%
Risk free rate	6.97%
Valuation Date	20-October-2008
Expiry date	30-April-2011
Expiration period (years)	2.53
Black Scholes valuation (\$ per security)	0.05
Binomial valuation (\$ per security)	0.05

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.

### 14. Remuneration of Auditors

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Amounts paid or due and payable to the auditors				
BDO Kendalls for:	\$	\$	\$	\$
Auditing or reviewing the financial report	39,859	-	39,859	15,736
Other services - consulting	-	-	-	10,463
	<u>39,859</u>	<u>-</u>	<u>39,859</u>	<u>26,199</u>

### 15. Contingencies

The consolidated entity had no contingent assets or liabilities for the years ended 30 June 2009 and 2008.

### 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:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Within one year	303,000	-	303,000	154,640
Later than one year but not later than five years	305,000	-	305,000	361,740
Later than five years	-	-	-	-
	<u>608,000</u>	<u>-</u>	<u>608,000</u>	<u>516,380</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.

### 18. Related Parties

#### Transactions with related parties

During the year there were no transactions with related parties other than the transactions shown in note 21.

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## 19. Events occurring after the Balance Sheet date

### Non-renounceable entitlement issue

A prospectus for a pro-rata non-renounceable entitlement issue of one new share for every three shares held by shareholders at an issue price of 10 cents to raise approximately \$1,030,892 was despatched by the Company to shareholders on 7 September 2009. The closing date of the offer is 25 September 2009. At that date the Company had received acceptances for 3,293,400 shares raising \$329,340.

### Acquisition of new mining lease

The company has announced the details of a conditional agreement to acquire a 100% interest in the May Day gold and base metal deposit from Imperial Corporation Ltd. The agreement is conditional on completion of due diligence investigations and the renewal of Mining Lease 1361. Consideration for the acquisition is 2,750,000 fully paid ordinary shares in Peel Exploration Limited.

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 consolidated entity, the result of those operations and the state of affairs of the consolidated entity in the financial year subsequent to 30 June 2009.

## 20. Reconciliation of the cash flows from operating activities to loss after income tax

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Net cash outflow from operating activities		(1,244,910)	-	(1,244,190)	(635,243)
Share-based payments		(52,290)	-	(52,290)	(45,000)
Depreciation		(28,858)	-	(28,858)	(5,260)
Exploration licence fees written off		-	-	-	(11,425)
Change in operating assets and liabilities					
Increase in receivables		6,755	-	6,755	1,628
Decrease/(increase) in payables		(15,372)	-	(15,372)	(62,348)
Loss after income tax		<u>(1,334,675)</u>	-	<u>(1,333,955)</u>	<u>(757,648)</u>

## 20. Earning per share

	Consolidated	
	2009	2008
	\$	\$
<b>Basic earnings per share</b>		
Loss for the year attributable to the ordinary equity holders of the company	(0.04)	(0.02)
<b>Reconciliation of loss used in calculation of earnings per share</b>		
Loss used in calculating basic loss per share	<u>(1,334,675)</u>	<u>(757,648)</u>

	Consolidated	
	Number of shares	Number of shares
	2009	2008
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used in calculating basic earnings per share	<u>30,926,750</u>	<u>30,018,322</u>



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## Effect of dilutive securities

Options on issue at balance date could potentially dilute earnings per share in the future. The effect in the current year is to reduce the loss per share hence they are considered anti-dilutive. Accordingly diluted loss per share has not been disclosed.

## 21. Key Management Personnel Disclosures

### (a) Compensation of key management personnel

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	254,325	168,757	254,325	168,757
Post-employment benefits	22,889	12,231	22,889	12,231
Long-term benefits	-	-	-	-
Share-based payments	52,290	15,000	52,290	15,000
	329,504	195,988	329,504	195,988

### (b) Shares issued on exercise of compensation options

There were no shares issued on exercise of compensation options during the year.

### (c) Option holdings of key management personnel

30 June 2009	Balance at the start of the year	Granted as compensation	Granted as shareholders	Exercised	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors</b>							
R Tyson	5,122,874	-	-	-	5,122,874	5,122,874	-
S Hadfield	4,722,873	-	-	-	4,722,873	4,722,873	-
C McGown	-	1,000,000	-	-	1,000,000	1,000,000	-
<b>Executives</b>							
D Hocking	200,000	-	-	-	200,000	200,000	-

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

30 June 2008	Balance at the start of the year	Granted as compensation	Granted as shareholders	Exercised	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors</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	-
<b>Executives</b>							
D Hocking	-	200,000	-	-	200,000	100,000	100,000

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

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### (d) Share holdings of key management personnel

Shares in Peel Exploration Limited (number)

	Balance at 1 July 2008	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2009
<b>30 June 2009</b>				
<b>Directors</b>				
R Tyson	2,598,750	-	46,000	2,644,750
S Hadfield	2,100,000	-	-	2,100,000
<b>Executives</b>				
D Hocking	-	-	-	-

Of the balance at 30 June 2009, the amounts held nominally in respect of each director are: R Tyson 2,100,000 and S Hadfield 1,100,000.

	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>30 June 2008</b>				
<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
<b>Executives</b>				
D Hocking	-	-	-	-

### (e) 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 2009 were \$36,000 (2008: \$24,097). During the year the Company also placed an advertisement to the value of \$1,510 in a publication owned and operated by RIU. These amounts are 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, provided accounting services to the Company for the previous year ended 30 June 2008 totalling \$34,300. This amount has been included on the income statement within administration expenses. An amount payable to D Hocking at 30 June 2008 of \$10,250 is included on the balance sheet within trade and other payables for accounting services received but unpaid as at that year end.

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

Amounts recognised as expense	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Management fees - rental	36,000	24,097	36,000	24,097
Advertisements	1,510	-	1,510	-
Accounting services	-	34,300	-	34,300
	<u>37,510</u>	<u>58,397</u>	<u>37,510</u>	<u>58,397</u>

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

Current liabilities	-	10,250	-	10,250
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### 22. Share-based Payments

The Company has granted Director Options during the year pursuant to approval by shareholders obtained at the last Annual General Meeting and in the previous year granted options pursuant to an Employee Share Option Plan.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Options granted to directors	52,290	-	52,290	-
Options granted to employees	-	45,000	-	45,000
	<u>52,290</u>	<u>45,000</u>	<u>52,290</u>	<u>45,000</u>

#### (a) Director options

Set out below are summaries of Directors options granted.

##### 30 June 2009

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number
8 Mar'07	30 Nov'10	\$0.30	5,000,000	-	-	5,000,000	5,000,000
5 Dec'08	30 April'11	\$0.30	-	1,000,000	-	1,000,000	1,000,000
Total			<u>5,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>6,000,000</u>	<u>6,000,000</u>

##### 30 June 2008

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number
8 Mar'07	30 Nov'10	\$0.30	-	5,000,000	-	5,000,000	5,000,000

#### *Fair value of director options granted*

Options are granted for no consideration. The fair value of options granted during the year was \$0.0523 (2008: \$0.075). The value was calculated using the Black-Scholes Binominal Option valuation method applying the following inputs:

Underlying security spot price	\$0.160
Exercise price	\$0.30
Dividend rate	Nil
Standard deviation of returns (annualized)	75%
Risk-free rate	6.97%
Valuation date	20 October 2008
Expiration date	30 April 2011
Expiration period (years)	2.526
Black Scholes Valuation (\$ per security)	0.0523
Binomial Valuation (\$ per security)	0.0523

## Peel Exploration Limited Annual Report 2009

### (b) Employee option plan

Options over shares in Peel Exploration Limited may be granted under the Peel Exploration Limited Employee Option Plan which was created in June 2008 and approved by shareholders at 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.

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 2009

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number
23 Jun'08	30 Nov'10	\$0.25	600,000	-	-	600,000	600,000

#### 30 June 2008

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number
23 Jun'08	30 Nov'10	\$0.25	-	600,000	-	600,000	300,000

#### *Fair value of director options granted*

Options are granted for no consideration. The fair value of options granted was \$0.075. The value was calculated using the Black-Scholes Binominal Option valuation method applying the following inputs:

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

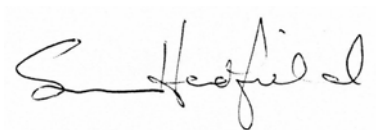
# Peel Exploration Limited Annual Report 2009

## Directors' Declaration

The Board of Directors of Peel Exploration Limited declares that:

- (a) the financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 30 June 2009 and performance for the financial year ended on that date of the company and the consolidated entity.
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) the remuneration disclosures set out in pages 11 to 15 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*; and
- (d) the Board Of Directors have been given the declaration by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001

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



S. Hadfield

Chairman of Directors

Perth

30 September 2009

# Peel Exploration Limited Annual Report 2009



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
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PO Box 700 West Perth WA 6872  
Phone 61 8 9380 8400  
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aa.perth@bdo.com.au  
www.bdo.com.au

ABN 79 112 284 787

30<sup>th</sup> September 2009

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 LIMITED**

As lead auditor of Peel Exploration Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

**Glyn O'Brien**  
Director

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

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# Peel Exploration Limited Annual Report 2009



BDO Kendalls

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ABN 79 112 284 787

## 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 2009, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### 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 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 opinions.

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# Peel Exploration Limited Annual Report 2009



## Independence

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

## 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 and consolidated entity's financial position as at 30 June 2009 and of their 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*.
- (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 2009. 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 of Peel Exploration Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

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

BDO Kendalls  
Glyn O'Brien

Glyn O'Brien  
Director

Signed in Perth, Western Australia  
Dated this 30<sup>th</sup> day of September 2009.



# Peel Exploration Limited Annual Report 2009

## 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 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.

# Peel Exploration Limited Annual Report 2009

## Board Committees

Whist 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.

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 2009

## Shareholder Information

Information relating to shareholders at 22 September 2009

### Distribution of shareholders

Range	No. of Holders	No. Ord Shares	%
1 - 1,000	-	-	-
1,001 - 5,000	27	88,583	0.29
5,001 - 10,000	91	872,993	2.82
10,001 - 100,000	291	9,221,299	29.82
100,001 - 9,999,999	29	20,743,875	67.07
<b>Total</b>	<b>438</b>	<b>30,027,000</b>	<b>100.0</b>

### Twenty largest shareholders

	No.Ord Shares	%
1. Stirling Tungsten Pty Ltd	3,900,000	12.61
2. Laurence James Kiernan	3,000,000	9.70
3. Robert MacLaine Tyson	2,100,000	6.79
4. Lisa Duperouzel	1,600,000	5.17
5. Linda Sala Tenna	1,487,000	4.81
6. Salamar Pty Ltd	1,100,000	3.56
7. Simon Hadfield	1,000,000	3.23
8. ANZ Nominees Limited	626,010	2.02
9. Blue Crystal Pty Ltd	610,000	1.97
10. Katana Asset Management Ltd	500,000	1.62
11. Ron & Liz Nominees Pty Ltd (Ronald James Super Fund a/c)	450,000	1.46
12. KB33 Capital Pty Ltd	425,000	1.37
13. Jordan and Flynn Tyson	400,000	1.29
14. Rodney M Jones + Carol R Jones (Hoperidge Enterprises Pty Ltd Super a/c)	325,000	1.05
15. Hoperidge Enterprises Pty Ltd (Jones Family a/c)	300,000	0.97
16. Scott Paul Jones + Rodney Malcolm Jones + Carol Robin Jones (Scopa Family a/c)	300,000	0.97
17. Wonder Holdings Pty Ltd	290,000	0.94
18. Stephen J Lambert + Ruth L Lambert + Simon L Lambert (Lambert Retirement a/c)	275,000	0.89
19. Paul Hodder + James Ramsay + Daniel Foster (Delta Blue Investments a/c)	250,000	0.81
20. MAJ Pty Ltd (Wallace Super Fund a/c)	250,000	0.81
	<b>19,188,91</b>	<b>62.05</b>

## Peel Exploration Limited Annual Report 2009

Substantial shareholders		No. Ord Shares	%
1	Stirling Tungsten Pty Ltd	3,900,000	12.6
2	Mr Laurence James Kiernan	3,000,000	9.7
3	Mr Robert MacLaine Tyson	2,598,750	8.4
4	Mr Simon Hadfield	2,100,000	7.0
5	Ms Lisa Duperouzel	1,600,000	5.2
6	Mrs Linda Sala Tenna	1,487,900	4.8

At the prevailing market price of \$0.14 per Share there were seventeen Shareholders with less than a marketable parcel of \$500 at 22 September 2009.

### Distribution of Optionholders

Range	No. of Holders	Options	%
1 - 1,000	4	2,750	0.01
1,001 - 5,000	68	312,135	1.39
5,001 - 10,000	129	1,069,571	4.76
10,001 - 100,000	108	3,552,294	15.81
100,001 - 9,999,999	23	17,536,500	78.03
<b>Total</b>	<b>332</b>	<b>22,473,250</b>	<b>100.00</b>

### Twenty largest Optionholders

		Options	%
1.	Crawley Investments Pty Ltd	3,122,874	13.90
2.	Laurence James Kiernan	3,122,874	13.90
3.	Robert MacLaine Tyson	2,222,874	9.89
4.	Lisa Duperouzel	1,550,000	6.90
5.	Linda Sala Tenna	1,537,500	6.84
6.	Salamar Pty Ltd	1,222,873	5.44
7.	Simon Hadfield	1,000,000	4.45
8.	Jordan + Flynn Tyson	400,000	1.78
9.	KB33 Capital Pty Ltd (Charity a/c)	362,500	1.61
10.	Hoperidge Enterprises Pty Ltd (Jones Family a/c)	350,000	1.56
11.	Katana Asset Management Ltd	350,000	1.56
12.	Blue Crystal Pty Ltd	325,000	1.45
13.	ANZ Nominees Limited	302,505	1.35
14.	Paul Hodder + James Ramsay + Daniel Foster (Delta Blue Investments a/c)	300,000	1.33
15.	Ron & Liz Nominees Pty Ltd (Ronald James Super Fund a/c)	225,000	1.00
16.	Dr Rosemary Elizabeth Anne Green	177,500	0.79
17.	Scott P Jones + Rodney M Jones + Carol R Jones (Scopa Family a/c)	150,000	0.67
18.	Wonder Holdings Pty Ltd	145,000	0.65
19.	Gratitude Holdings Pty Ltd (Swarts Investment a/c)	135,000	0.60
20.	MAJ Pty Ltd (Wallace Super Fund a/c)	125,000	0.56
		<b>17,126,500</b>	<b>76.21</b>

## Peel Exploration Limited Annual Report 2009

At the prevailing price of \$0.02 per Option there were two hundred and seventy two Option holders with less than a marketable parcel of \$500 at 22 September 2009.

At 23 September 2009 there were 438 holders of ordinary shares in the Company.

At the date of this report there were no shares or options restricted by the ASX.

### **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.