



# Annual Report 2011

# Corporate Directory

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## Directors

**Simon Hadfield** – *Chairman*

**Rob Tyson** – *Managing Director*

**Graham Hardie** – *Non-Executive Director*

**Craig McGown** – *Non-Executive Director*

## Company Secretary

**David Hocking**

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## Home Exchange

ASX Code: PEX

## ABN

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# Contents

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SECTION 1	CHAIRMAN'S REPORT	3
SECTION 2	REVIEW OF OPERATIONS	4
SECTION 3	SCHEDULE OF TENEMENTS	20
SECTION 4	DIRECTORS' REPORT	21
SECTION 5	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	29
SECTION 6	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30
SECTION 7	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31
SECTION 8	CONSOLIDATED STATEMENT OF CASH FLOWS	32
SECTION 9	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	33
SECTION 10	DIRECTORS' DECLARATION	50
SECTION 11	AUDITOR'S INDEPENDENCE DECLARATION	51
SECTION 12	INDEPENDENT AUDITOR'S REPORT	52
SECTION 13	CORPORATE GOVERNANCE STATEMENT	54
SECTION 14	SHAREHOLDER INFORMATION	58





# Chairman's Report

Dear Fellow Shareholders,

It is a pleasure to report to you on what has been a busy and exciting year for Peel. The Company's work over the year has culminated in an exciting "greenfields" discovery at the 4-Mile prospect within Peel's 100%-owned May Day-Gilgunnia project in NSW.

The first significant achievement during the year was the completion of due diligence and subsequent acquisition of the Apollo Hill gold project in WA. As part of the due diligence process, Peel undertook various activities including preliminary metallurgical testwork, an Aboriginal Heritage survey and resource estimation work. In November 2010, Peel exercised its option to acquire Apollo Hill and in December 2010 announced a maiden inferred resource estimate for Apollo Hill of 341,000 ounces gold, equating to an acquisition cost of \$3 per ounce. Subsequent to year's end Peel announced an updated inferred resource estimate of 505,000 ounces gold.

The second major achievement during the year was the identification of the 4-Mile prospect located within Peel's May Day-Gilgunnia project. In January 2011, a strong electromagnetic (EM) anomaly was identified following a helicopter-borne geophysical survey (VTEM).

Investigation commenced immediately and by March, RC drilling was underway. Encouraging results were received with highly-anomalous polymetallic (gold-silver-copper-lead-zinc) mineralisation intersected in all drillholes. Follow-up downhole geophysics indicated that the EM anomaly remained untested.

To that end, your Company continued to systematically explore at 4-Mile with several more phases of drilling and downhole geophysics. This work culminated in discovery drillhole 4MRC007 intersecting multiple zones of strong copper-dominated polymetallic mineralisation including massive sulphides. Subsequent to the reporting period, Peel announced that further drilling had intersected high-grade mineralisation including a 10m zone averaging more than 20% combined lead-zinc plus silver-gold, and a 6.65m zone averaging better than 3% copper plus silver-gold.

Whilst it is too early to determine how important a discovery 4-Mile is, results to date clearly show a highly promising exploration target in a world-class mineral province.

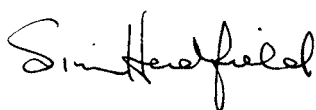
In line with your Company's philosophy to remain vigilant to opportunity, Peel also secured an exciting silver play, near Armidale NSW. The Ruby project was staked in late 2010 and investigation to date shows good potential for the project to host high-grade silver mineralisation.

Your board believes that the Company's policy of systematically exploring several projects at once, or having multiple irons in the fire so-to-speak, is beginning to pay off. The coming year is shaping up as a very exciting time with follow-up drilling planned for 4-Mile, and an initial drill programme planned for Ruby. Investigations at Apollo Hill will also continue.

I would like to thank managing director Rob Tyson and fellow non-executive directors Graham Hardie and Craig McGown and Company Secretary David Hocking for their contribution over the past 12 months. I would also like to thank Michael Oates, Steve Leggett and David Vaarwerk, and all of Peel's other employees/contractors who have contributed to the Company's activities.

Finally, I would like to thank our shareholders for their continued support throughout the year.

Yours sincerely



**Simon Hadfield**

CHAIRMAN

30th September 2011

# Review of Operations

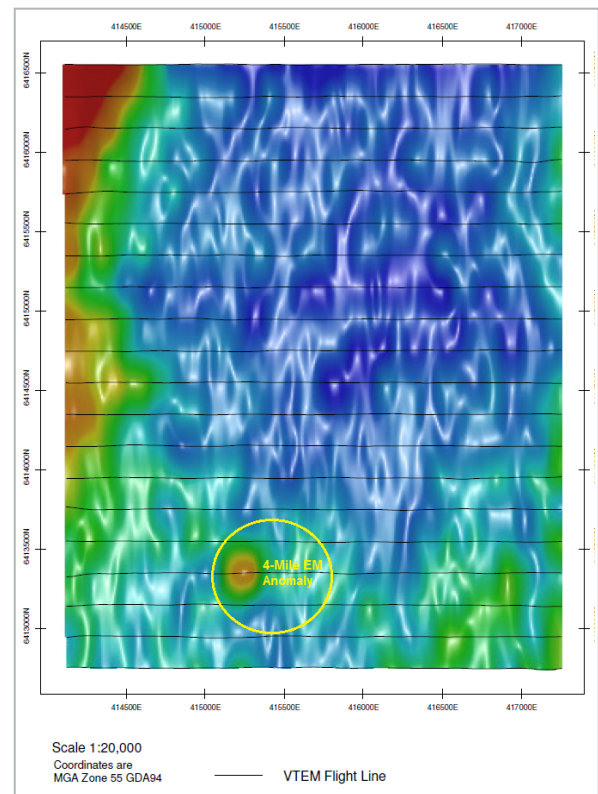
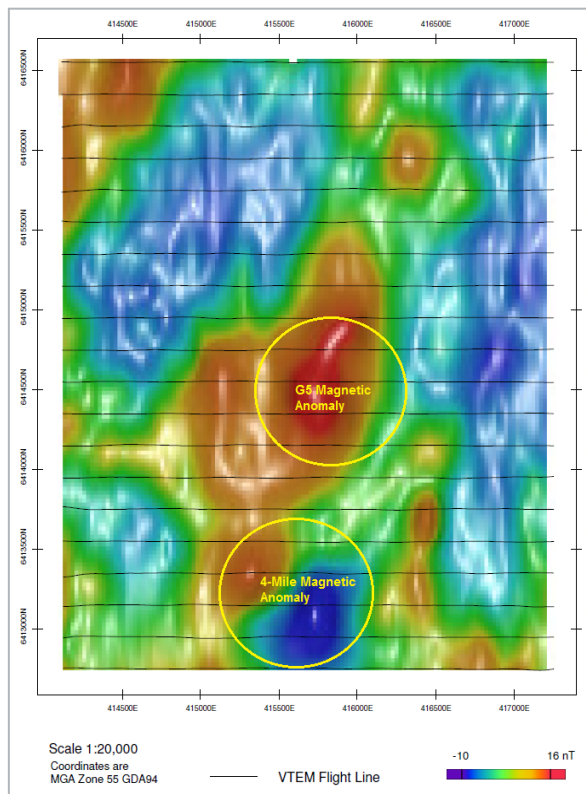
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## Background

Peel Mining Limited is focused on precious, base and specialty metals exploration with four key projects, all located in Australia.

At September 2011, Peel held five separate mineral projects comprising granted exploration licences and licences under application, all located in Australia. In addition, Peel has lodged applications over the Rise and Shine gold project in Central Otago, New Zealand.

- **May Day & Gilgunnia** contains the May Day polymetallic deposit (located on a 100 hectare mining lease) and the historic Gilgunnia and 4-Mile goldfields. Subsequent to the reporting period, Peel announced the discovery of high-grade polymetallic mineralisation at the 4-Mile prospect. The May Day deposit and the 4-Mile discovery appear to be classic analogues for Cobar-style precious and base metal mineralisation.
- **Apollo Hill** contains two significant gold deposits; Apollo Hill and the Ra Zone. These deposits exhibit the hallmarks of a major mineralised Archean system, showing extensive and intense hydrothermal alteration and deformation. Subsequent to the year's end Peel announced an updated inferred resource estimate of 505,000 ounces gold.
- **Ruby Silver** contains numerous historic silver and gold mines/workings/prospects including the very high grade Ruby and Tulloch silver mines. Hydrothermal mineralisation associated with quartz/carbonate veins containing narrow silver-rich (up to 60,000 g/t) massive sulphide pods and shoots. Recent work by Peel has identified multiple chargeable IP anomalies at Tulloch and Rockvale.
- **Attunga** contains numerous historic gold, tungsten, molybdenum and copper mines/workings/prospects. Peel has 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 significant gold mineralisation at the Kensington gold prospect, and gold-copper-molybdenum mineralisation at the Attunga Copper Mine prospect.
- **Yerranderie** contains the historic Yerranderie silver field area. Investigations by Peel indicate that substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie. Peel is examining the potential to retreat and remediate the Yerranderie environ.
- **Rise and Shine** contains multiple workings associated with the Rise and Shine Shear Zone, and the Cromwell Lode in the nearby Bendigo Goldfield. The Rise and Shine Shear Zone is considered structurally similar to the Macraes Shear Zone that hosts multi-million ounce Macraes gold mine. The Cromwell lode has produced about 150,000 ounces of gold grading about 10 g/t gold.



## Details on Assets

### May Day-Gilgunnia

The May Day-Gilgunnia project, located about 100km south of Cobar in central NSW, contains the historic May Day polymetallic (Au-Ag-Cu-Pb-Zn) deposit, and the historic Gilgunnia and 4-Mile goldfields.

Exploration over the reporting period has focused on the May Day and the 4-Mile prospect areas. To that end, in January 2011, a strong electromagnetic (EM) anomaly was identified at 4-Mile. Investigation commenced immediately culminating in the discovery of multiple zones of strong polymetallic (Au-Ag-Cu-Pb-Zn) mineralisation including massive sulphides. Further information is provided below.

### 4-Mile Discovery

In late 2010, a 120 line kilometre airborne geophysical survey (VTEM) was flown over the May Day and 4-Mile/G5 areas. G5 is a discrete, relatively large, 20nT magnetic anomaly located to the immediate north of the historic 4-Mile goldfield. In early 2011, interpretation of the data resulted in the recognition of a coincident late time conducting anomaly and magnetic high. The anomaly is proximal to the historic 4-Mile goldfield area, a series of surface and underground gold workings located about 10 km east of the May Day deposit

Peel completed a ground-based geophysical (fixed-loop TEM) survey which confirmed the existence of a moderate-strong conductor. In March 2010, a programme of three RC drillholes for a total of 663m targeting the geophysical anomaly was completed. This drilling resulted in the discovery of strongly anomalous polymetallic (gold-silver-copper-lead-zinc) mineralisation in all three drillholes. Other accessory sulphide minerals observed included pyrrhotite, pyrite, and arsenopyrite

Systematic exploration followed and involved multiple rounds of additional drilling (4 more RC drillholes plus a diamond tail) and multiple downhole geophysical (DHEM) surveys. Subsequent to the reporting period, this work culminated in discovery drillhole 4MRC007 intersecting multiple zones of strong copper-dominated polymetallic mineralisation including massive sulphides. In late August 2011, Peel announced that follow-up diamond drilling had intersected high-grade mineralisation including a 10m zone averaging more than 20% combined lead-zinc plus silver-gold, and a 6.65m zone averaging better than 3% copper plus silver-gold.

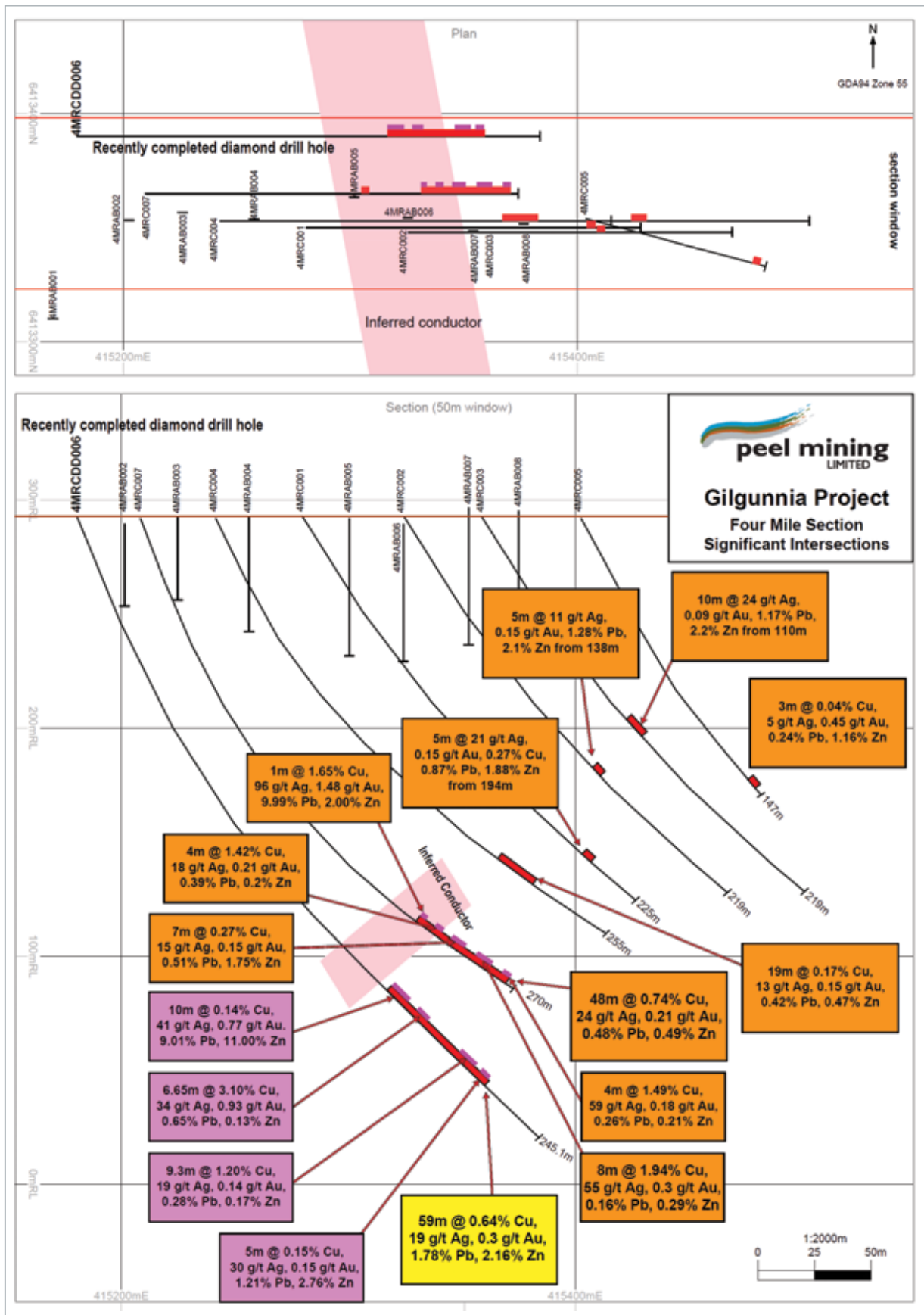
Drillhole 4MRCDD006 intersected multiple intervals of massive sulphide and stringer mineralisation, including chalcopyrite, sphalerite, galena, pyrrhotite, pyrite, and arsenopyrite. The mineralisation occurs within a package of variably sheared and brecciated turbidite sediments comprising siltstones and mudstones and is interpreted as occurring as a shoot-like structure dipping moderately to the west and plunging to south. Drill intercepts are construed as being close to true.

4-Mile is interpreted to be positioned in a favourable geological and structural position, sited on the “nose” of an anticline – a suitable high-stress environment, and occurring in a geological unit interpreted to be age equivalent of the Chesney and Great Cobar Slate Formations found in the immediate Cobar region.

Results to date show 4-Mile to be a highly promising exploration target in a world-class mineral province. At the time of writing, Peel had completed further ground-based geophysics including high-resolution magnetics and gravity surveys, and additional downhole and fixed loop EM surveys. RAB geochemical/geological drilling was also underway and further RC/diamond drilling was planned for as soon as possible.

SIGNIFICANT 4-MILE DRILLING RESULTS														
HOLE ID	NORTHING	EASTING	AZIMUTH (TRUE)	DIP	FINAL DEPTH	FROM (M)	TO (M)	INTERVAL (M)	CU (%)	AG (G/T)	AU (G/T)	PB (%)	ZN (%)	
4MRC001	6413351	415281	090	-60	225	165	168	3	0.03	9	0.06	0.65	0.50	
						194	199	5	0.27	21	0.15	0.87	1.88	
						205	206	1	0.09	22	0.24	1.49	1.50	
4MRC002	6413348	415326	090	-60	219	138	143	5	0.04	11	0.15	1.28	2.10	
						164	165	1	0.01	4	0.82	0.10	0.15	
						173	174	1	0.03	7	0.18	0.32	0.59	
						213	214	1	0.15	20	0.05	0.95	1.23	
4MRC003	6413352	415359	090	-60	219	110	120	10	0.03	24	0.09	1.17	2.20	
						133	134	1	0.09	26	0.02	1.22	0.24	
						176	179	3	0.11	14	0.15	0.85	1.55	
						205	208	3	0.01	8	0.07	0.43	0.97	
4MRC004	6413353	415243	090	-65	255	197	216	19	0.17	13	0.15	0.42	0.47	
4MRC005	6413348	415404	105	-60	147	138	143	3	0.04	5	0.45	0.24	1.16	
4MRCDD006	6413377	415179	090	-70	345.1	253.00	312.00	59.00	0.64	19	0.31	1.78	2.16	
including						253.00	263.00	10.00	0.14	41	0.77	9.01	11.00	
and						267.35	274.00	6.65	3.10	34	0.93	0.65	0.13	
and						293.70	303.00	9.30	1.20	19	0.14	0.28	0.17	
and						306.00	311.00	5.00	0.15	30	0.15	1.21	2.76	
4MRC007	6413365	415210	090	-70	270	187	188	1	-	-	3.59	-	-	
						218	266	48	0.74	24	0.21	0.48	0.49	
including						219	220	1	1.65	90	1.48	9.99	2.00	
and						226	230	4	1.42	18	0.21	0.39	0.20	
and						235	242	7	0.27	15	0.15	0.51	1.75	
and						248	256	8	1.94	55	0.3	0.16	0.29	
and						262	266	4	1.49	59	0.18	0.26	0.21	
Notes														
1. All drillholes were drilled reverse circulation using face sampling hammer except for 4MRCDD006 which had an NQ diamond core tail from 240-345.1m.														
2. Drill chips were collected in plastic bags at 1m intervals. Sample recoveries were considered adequate for all samples.														
3. Drill chips/core was logged in detail based on lithology, mineralisation, and alteration.														
4. Samples for analysis were collected by hand spearing rock chip material except for 4MRC007 where the interval 216m-270m was gained via a 1:8 riffle splitter and 4MRCDD006 where samples were collected by sawing core in half.														
5. Samples were submitted as 1m or 4m composite intervals for RC or as 1m half-core intervals unless a geological contact was used for diamond.														
6. Samples were analysed at ALS Chemex utilising methods: Au AA25 for Au (fire assay); ME ICP61 for multi-element including Ag, Cu, Pb, Zn; Ag-OG62 for > 100 g/t Ag; Cu-OG62 for >1% Cu; Pb-OG62 for >1% Pb; and Zn-OG62 for >1% Zn.														
7. Standards for Au and base metals were included (approximately 2% of all samples). Duplicates were also included (approximately 2% of all samples).														
8. Drillhole collars were surveyed by handheld GPS (Garmin GPS72).														
9. Downhole surveys were routinely run.														





### May Day

May Day was discovered in 1898 and was initially developed as an underground copper-lead-silver mine. Exploration in the 1970s identified high grade gold-base metal mineralisation to a depth of about 250m below surface. Exploration in the late 1980s defined a shallow gold resource, which eventually led to the development in 1996 of a small-scale mining operation comprising an open pit with a heap leach gold circuit.

In the period since acquisition in late 2009 through June 2011, Peel has completed multiple phases of exploration involving: an initial due diligence site visit inclusive of geological mapping and rock chip sampling; geophysical surveys comprising gravity and Induced Polarisation; remodeling of airborne magnetic data; laser scanning and survey pick-up of the open pit and historic drillholes; an RC drilling programme; early-warning metallurgical testwork; and a helicopter-borne geophysical survey (VTEM).

Geological mapping and rock chip sampling completed as part of due diligence confirmed that May Day mineralisation is structurally controlled and that high grade precious-base metal mineralisation is present within the open pit.

Several geophysical surveys were also completed in advance of drilling and to provide additional geological information about the local geological environment. An approximately 12 km<sup>2</sup> gravity survey and a 15 line kilometre Induced Polarisation (IP) survey was undertaken over the immediate May Day mine environment and 2 kilometres along strike to the northeast. This data, along with regional airborne magnetic data shows that a moderate-to-strong chargeable IP anomaly and a deep (greater than 400m depth) magnetic anomaly is associated with the May Day deposit.

In May 2010, Peel completed a programme of 10 RC drillholes for 1,877m of drilling at the May Day gold-base metal deposit, located about 100km south of Cobar in central-western New South Wales. This drilling programme was primarily designed to test for down-dip extensions to known mineralisation. Better drill results included the following intercepts:

- 16m at 1.78 g/t Au, 42 g/t Ag, 0.25% Cu, 0.95% Pb, 1.33% Zn from 159m in MDRC002;
- 24m at 0.96 g/t Au, 20 g/t Ag, 0.07% Cu, 0.70% Pb, 0.85% Zn from 120m in MDRC004;
- 27m at 2.12 g/t Au, 27 g/t Ag, 0.11% Cu, 0.43% Pb, 0.75% Zn from 120m in MDRC005;
- 3m at 1.33 g/t Au, 98 g/t Ag, 0.92% Cu, 7.29% Pb, 8.19% Zn from 140m in MDRC006, and;
- 10m at 2.15 g/t Au, 28 g/t Ag, 0.06% Cu, 0.34% Pb, 0.39% Zn from 213m in MDRC010.

Peel is encouraged by the results returned, which confirm down dip extensions and that mineralisation is shear-related and occurs as a sub-vertical lense/shoot. Mineralisation occurs at or near the interbedded contact of a fine-grained sedimentary hangingwall and a porphyritic volcanic footwall, is associated with silica/talc alteration, and includes disseminated through to massive sphalerite-galena-pyrite-pyrrhotite-chalcopryite sulphides. The true width is estimated to be about 65% of the reported intercepted widths.

The May Day deposit appears to be analogous to Cobar style precious and base metal mineralisation.

Drill results support the Company's belief that the May Day deposit possibly represents remobilised mineralisation or "leakage" from a deeper mineralised system. Interpretation of magnetic data indicates the source of a magnetic high anomaly to be located at greater than 400m below surface.

Following the drilling, Peel undertook early-warning metallurgical testwork on a single sample of May Day mineralisation to determine potential extraction characteristics. Excellent results were returned with key findings of this testwork being:

- encouraging grind characteristics were observed;
- gravity gold extraction yielded 45% of gold reporting to 0.6% mass;
- flotation extraction yielded 77% of gold, 88% of zinc, 52% of lead, and 46% of copper reporting to 13% mass; and
- 24 hour cyanidation yielded 71% of gold reporting to 2% of mass.

Late in 2010, Peel completed a helicopter-borne geophysical survey (VTEM) over the May Day area. No anomalies were detected.

Recent developments at the nearby 4-Mile prospect add significant value to the May Day-Gilgunnia project and further support the prospectivity of Peel's tenure including the May Day deposit. Further work at May Day will involve a deep drilling programme targeting the magnetic anomaly at depth.

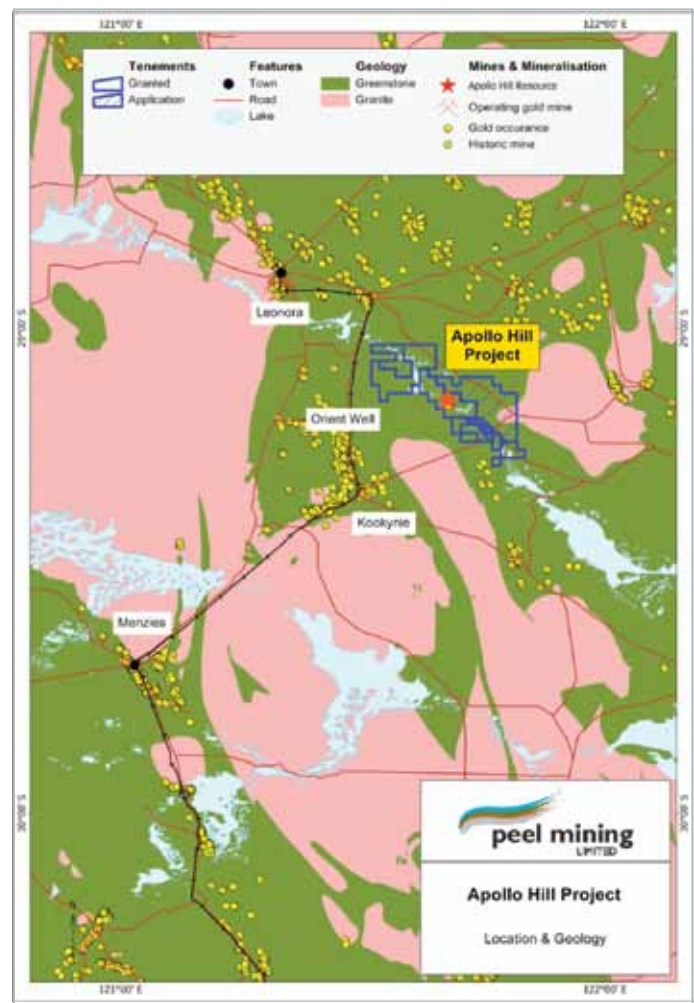
### Apollo Hill

The Apollo Hill gold project, located about 50 km southeast of Leonora, WA, contains two significant gold deposits; Apollo Hill and the Ra Zone. In June 2010, Peel announced that it had entered into an option agreement with Hampton Hill Mining NL (ASX:HHM) to acquire the entire issued capital of Apollo Mining Pty Ltd, the 100%-owner of the Apollo Hill gold project in the North Eastern Goldfields of WA.

The Apollo Hill gold project exhibits the hallmarks of a major mineralised system, showing extensive and intense hydrothermal alteration and deformation. Two significant gold deposits, Apollo Hill and the Ra deposit, have been identified to date and remain open in several directions.

### Background

Fimiston Mining Limited discovered Apollo Hill in December 1986 during a drill program aimed at finding the source of abundant eluvial gold at the base of a prominent hill in the area. Active drilling since then has outlined extensive gold mineralisation and alteration over a one kilometre strike length, which is up to 250m wide and dips 45-60 degrees to the east.



Multiple gold mineralisation events are interpreted to have occurred at Apollo Hill during a complex deformational history. Gold mineralisation is accompanied by quartz veins and carbonate-pyrite alteration associated with a mafic-felsic contact.

The Apollo Hill gold project straddles a major shear zone, known as the Apollo shear zone, which is a component of the Keith Kilkenny Fault system. This shear zone is largely concealed beneath transported overburden, often associated with the Lake Raeside drainage system, and previous surface geochemical sampling and shallow RAB drilling has consequently been of limited effectiveness. Deeper drilling by previous explorers has largely focussed on the only locality where this shear zone is exposed at surface, Apollo Hill itself, and also on a nearby parallel trend termed the Western trend (Ra deposit).

### **Due Diligence**

Peel undertook various due diligence work programs on Apollo Hill during the option period. As part of this, in September 2010, Peel undertook an Aboriginal Heritage and work program clearance survey utilising the services of consulting anthropologist Daniel de Gand and Wongatha Aboriginal Heritage Consultants, the outcome, of which was positive with large areas of the project area effectively cleared for future exploration access.

Also as part of due diligence, Peel undertook preliminary metallurgical testwork on two representative samples of Apollo Hill mineralisation to determine potential extraction characteristics. Key findings of this testwork were:

- Overall gold extraction was excellent for both samples, with 98.68% and 98.76% total gold extracted for Sample 1 (15-16m – AD002) and Sample 2 (154-155m – AD002), respectively.
- Leach kinetics were rapid for both samples, with a significant proportion of gold solubilised within the first two hours of cyanide contact.
- Both samples contained a significant amount of gravity recoverable gold, greater than 80%.
- Relatively low base metal levels limit the possibility of excess reagent consumption caused by base metal – cyanide complexation.
- Organic carbon levels below detectable limit, indicating very little chance of preg-robbing occurring during cyanidation.

### **Acquisition**

In November 2010, Peel elected to exercise its option to acquire Apollo Hill. The key terms of the sale agreement saw Peel issue 11 million fully paid ordinary shares to HHM in consideration for Apollo Hill, and HHM granted a 5% gross overriding royalty on Apollo Hill gold production exceeding 1 million ounces.

### Peel's Activities

In December 2010, Peel reported a maiden resource estimate for the Apollo Hill and Ra deposits. The highlights of this work were:

- Maiden resource at Apollo Hill and Ra deposits estimated at 11.1 Mt at 1.0 g/t Au for 341,000 ounces of gold (using 0.5 g/t gold cut off).
- Maximum depth of the resource estimate was 150m below surface.
- Apollo Hill deposit extends to surface and remains unexploited.
- Mineralisation at Apollo Hill and Ra deposits remains open at depth and along strike to the south of both deposits.
- Potential increase in resources with minimal further drilling.

In line with the potential to increase resources at Apollo Hill through minimal further drilling, in April 2011, Peel commenced a programme of infill and extensional drilling. By June 2011, Peel had completed an approximately 3,600 metre RC and diamond drilling programme that was designed to increase sample density to allow for the extension of the Apollo Hill resource model; and to provide representative gold-mineralised material for additional metallurgical testwork.

The RC drilling component comprised 21 drillholes for 3,276 metres of drilling. This drilling was designed primarily to enable the extension of the existing Apollo Hill resource model a further 200 metres (grid) south, and to a minimum depth of about 150 metres below surface. The diamond drilling component comprised 2 drillholes for 310 metres of HQ diamond core drilling. This drilling was designed primarily to provide sufficient material for further metallurgical testwork. This testwork has been deferred until a more appropriate time.

Subsequent to the reporting period, in September 2011, Peel reported a 48 per cent increase in the resource estimate for Apollo Hill, to 505,000 ounces contained gold.

The updated resource estimate – which was estimated by Hellman and Schofield Pty Ltd (H&S) and incorporated the results of drilling undertaken by Peel – totals 17.2 million tonnes at 0.9 g/t Au for 505,000oz of gold (using a 0.5 g/t gold cut-off) across the Apollo Hill and Ra deposits.

The updated resource estimate highlights the potential of the Apollo Hill Project for future economic extraction. The updated resource estimate at a range of gold cut-off grades is shown below:

SEPTEMBER 2011 APOLLO HILL INFERRED RESOURCE ESTIMATES TO 180 METRES DEPTH (190MRL)									
Cut Off	Ra		Apollo Hill		Total				
Au g/t	Mt	Au g/t	koz	Mt	Au g/t	koz	Mt	Au g/t	koz
0.2	2.4	0.7	54	43	0.5	691	45.4	0.5	745
0.4	1.5	1.0	48	22	0.8	566	23.5	0.8	614
0.5	1.2	1.1	42	16	0.9	463	17.2	0.9	505
0.6	1.0	1.2	39	12	1.0	386	13.0	1.0	424
0.8	0.7	1.4	32	7	1.2	270	7.7	1.2	302
1.0	0.5	1.6	26	4	1.4	180	4.5	1.4	206
1.2	0.4	1.8	23	2	1.6	103	2.4	1.6	126

*Note: The significant figures in above reflect the precision of estimates and include rounding errors.*





### Resource Estimation Summary

The Apollo Hill Project comprises two deposits, the main Apollo Hill deposit in the north of the project area, and the smaller Ra deposit in the south. Gold mineralisation at the project is associated with quartz veins and carbonate-pyrite alteration along a north-east dipping contact between felsic rocks to the west, and mafic dominated rocks to the east. The combined mineralised zones extend over a strike length of about 1.4 kilometres, and have been intersected by drilling to a maximum depth of about 350 metres below surface.

Within the area covered by the current model, the study database contains 136 aircore, 214 reverse circulation (RC), and 59 diamond holes for 26,761 metres of drilling. An additional 135 RAB holes in this area were not included in the resource dataset. Peel's RC and diamond drilling provides approximately 18 per cent of the mineralised composites used for resource estimation.

Mineralised domains used for the current estimates were interpreted by H&S. Outlines capturing zones of continuous mineralisation with composited gold grades above approximately 0.1 g/t were digitised on cross sections aligned with the drilling traverses and linked to form closed three dimensional wireframes. In addition to the mineralised domain, the current estimates include a background domain which contains only rare, isolated mineralised drill results.

Peel Mining supplied H&S with a set of strings representing the interpreted base of oxidation and top of fresh rock. Triangulations produced from these strings were used to define the oxidation subdomains used for the current estimates.

Peel Mining completed a total of 52 immersion density measurements from samples obtained from diamond core drilling. These spatially clustered samples are of uncertain representivity. The current estimates assume densities specified by Peel and range from 1.8 t/bcm for oxidised Ra mineralisation to 2.8 t/bcm for fresh mafic Apollo Hill mineralisation.

H&S estimated the resources for Apollo Hill by Multiple Indicator Kriging, with block support correction to reflect likely open pit mining selectivity, a method that has been demonstrated to provide reliable estimates of gold resources recoverable by open pit mining for a wide range of mineralisation styles. Although the model estimates extend to around 290 metres depth, the reported resources only include estimates to about 180 metres below surface to reflect realistic extraction depths.

Peel Mining believes that the shallow and extensive nature of mineralisation at the Apollo Hill gold project suggests that the project has reasonable prospects for eventual economic extraction.

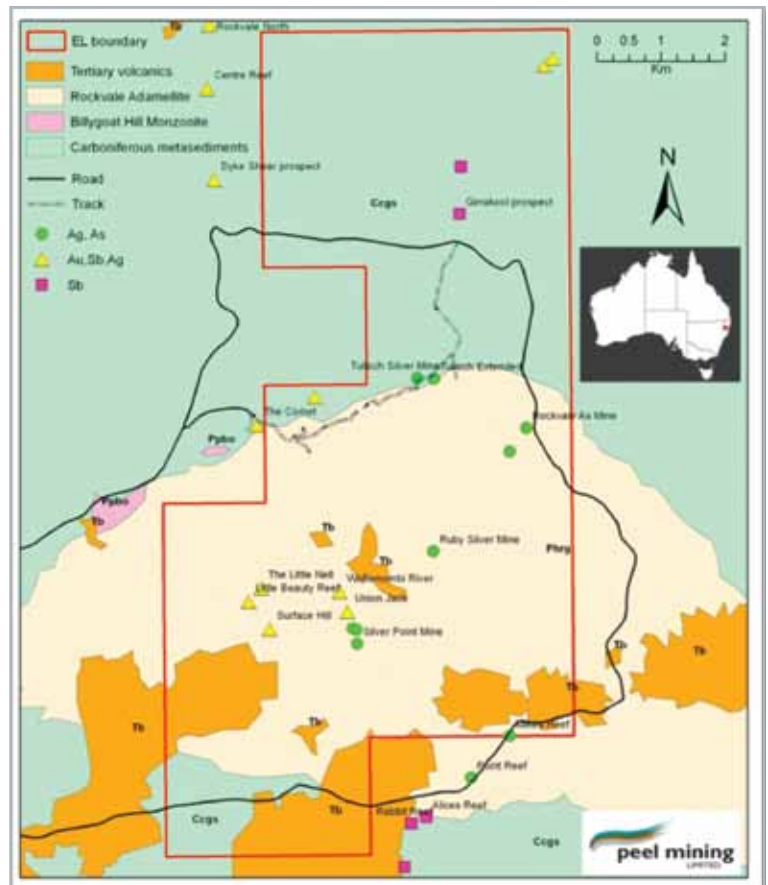
Planning of additional exploration is advanced, with a preliminary in-house scoping study to commence shortly. Further work will be aimed at obtaining a better understanding of the controls/vectors for mineralisation at Apollo Hill, as well as generating new regional exploration targets.

### Ruby Silver

During the reporting period, Peel was granted a 21 unit (~60 km<sup>2</sup>) exploration licence covering the historic Ruby-Tulloch-Rockvale silverfield. Peel has since lodged an ELA adjacent to the Ruby silver project. EL7711 is located approximately 30 km east of Armidale in north-eastern New South Wales.

### Background

EL7711 encompasses much of the central part of the Rockvale Adamellite which hosts silver-gold-arsenic mineralisation both at its margin and within the intrusion on northeast/northwest fracture zones, possibly associated with aplite dykes. Major known deposits are the Ruby and Tulloch silver mines and the Rockvale arsenic mine. There are, however, many other underexplored prospects and anomalies within EL7711, adding to its prospectivity for silver and gold.



The Ruby silver mine, associated with an outcropping aplite dyke, has a lode up to 1.4 metres wide and was worked to a depth of 120 metres between 1895 and 1905. Historic production is estimated to be about 350,000 ounces silver at a recovered grade of ~600 g/t Ag.

In 1968, a nine-hole diamond drill program was undertaken to test the main workings at Ruby. Records of this work are poor, but it is known that the first hole intersected 5.08 metres at a grade of ~6,700 g/t Ag from 90.5 metres downhole. True width was estimated at about 3 metres. Three of the other drillholes intersected old workings, while values in a further three were reported only as "low". No results were recorded for the other two drillholes. No further drilling has been completed at Ruby.

Results from an IP geophysics survey completed in 1969 suggest that sulphide mineralisation possibly extends well beyond the known silver-rich shoot at Ruby, and presents future exploration targets.

At the Tulloch mine, mined between 1913 and 1928, an estimated 50,000 ounces silver at a recovered grade of ~6,200 g/t Ag have been won. The silver mineralisation is developed in fissures associated with three obliquely intersecting sets of shears near the contact of sediments.

The Rockvale arsenic mine was discovered in 1923, and in the period to 1928, produced 2,950 tonnes of ore containing about 600 tonnes of white arsenic. Mineralisation occurs as irregular shoots in altered aplite within the Rockvale Adamellite. Mineralisation is predominantly pyrite-arsenopyrite, but silver-gold-lead mineralisation (similar to both the Ruby and Tulloch mines) is recorded.

The Silver Point prospect lies about 2 kilometres along strike from the Ruby silver mine and comprises a pipe-like body of aplite approximately 50 metres in diameter. Previous exploration has identified highly anomalous silver-gold



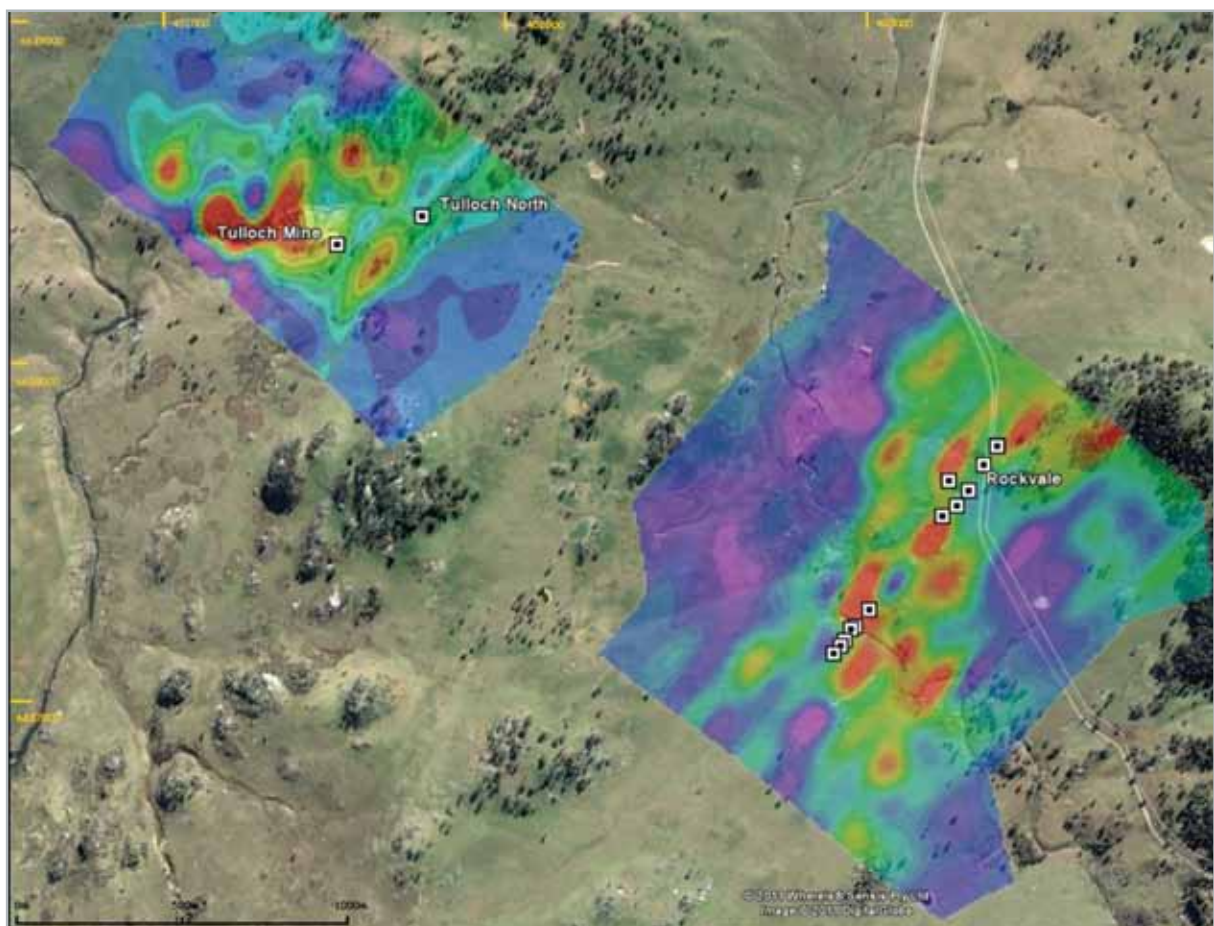
mineralisation in surface rock chips. Peel believes that Silver Point has bulk tonnage potential and should be drill tested accordingly.

The Happy Valley and G Reef prospects lie along strike to the west of the Tulloch silver mine. These prospects also contain historic workings, along with highly anomalous silver-gold mineralisation in surface rock chips. A strong IP anomaly between the Tulloch mine and Happy Valley which has an associated magnetic anomaly also remains untested.

### Peel's Activities

During April/May 2011, Peel undertook an 18 line kilometre IP survey over the historic Tulloch silver mine and Rockvale arsenic mine areas in preparation for an upcoming drill programme. This work identified multiple zones of strong shallow chargeable anomalism, many of which are coincident or proximal to known historic workings. These chargeable IP responses are interpreted as areas of possibly concentrated sulphide mineralisation and will be high-priority targets for future drill programmes.

At Rockvale, eight 200m-spaced lines of IP were completed covering an area of about 1.8 km<sup>2</sup>. Elevated chargeable IP responses were returned over a broad zone about 400m wide and more than 1km in strike, with scattered strong chargeable responses also present. This area is also semi-coincident with a zone of lower resistivity, which is interpreted as possibly being associated with alteration and/or structural deformation. Many of the strongest IP



responses appear to be very close to (less than 50m), or at surface.

Mapping by Peel at Rockvale has identified several, possibly intersecting, lines of lode that appear to be structurally-controlled, and the results of the IP survey appear to support the assumed positions of these lodes. Of note, the strongest IP response occurs on the northern-most line of the Rockvale survey, with anomalism remaining open in this direction. Peel has lodged an exploration licence application over any possible extensions to this response.

At Tulloch, five 200m-spaced lines of IP were completed covering an area of about 1.1 km<sup>2</sup>. Multiple moderate-strong zones of chargeable response were defined, and similar to Rockvale, these zones appear to represent intersecting structural features. The strongest IP trend runs almost east-west and is about 400m wide and 600m long. This trend remains open to the northeast. Encouragingly, the central IP responses, closest to the Tulloch workings, are coming from a depth of about 40m.

During the quarter, Peel also completed a first-pass reconnaissance mapping and rock chip/dump sampling programme at the Tulloch, G Reef, Happy Valley and Rockvale areas. This sampling returned very high silver and gold values. Samples were collected from shaft dumps at the Rockvale, G Grid and Happy Valley areas from rock chips along the line of lode at Rockvale. See Appendix 3 for technical details.

Ongoing reconnaissance geological mapping and sampling programmes over the Tulloch, G Reef/Happy Valley and Rockvale areas has delineated the Rockvale line of lode at surface for more than 1000m. Mapping and sampling has also identified that the G-Reef lode is traceable in outcrop for 700m in length. In places the lode zone is up to 5m wide and is associated with sericitised granite.

Peel plans to complete an approximately 1,200m first-pass RC drilling programme at Ruby in late calendar 2011.

### **Attunga**

Attunga is located about 20 km north of Tamworth, NSW. Within the Attunga project, there are three specific areas of interest: the Attunga Tungsten Deposit; 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**

During the period 2007-2009, Peel completed multiple phases of exploration at the Attunga Tungsten Deposit including the completion of an independent JORC-compliant resource estimation in April 2008. A high-grade inferred tungsten-molybdenum 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 March 2009, Peel completed initial metallurgical testwork resulting in the production of high grade WO<sub>3</sub> concentrate along with a potential process flowsheet. 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 (garnet) 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 new drilling at Attunga had returned 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.

During financial year 2010, Peel completed an in house conceptual study into development options for the Attunga Tungsten Deposit with results indicating that a low capital expenditure operation could yield positive returns. Peel believes that the deposit's small, high grade nature and proximity to excellent infrastructure and services bodes well for its future advancement/potential development.

### **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. 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, and molybdenum.

In May 2009, Peel completed a drilling programme targeting the historic Attunga Copper Mine workings and an EM anomaly. While thick clays prevented the effective testing of the EM anomaly, drilling to the south of the historic workings resulted in the discovery of polymetallic mineralisation. Drillhole ACM-004 returned 75m at 1.02 g/t Au, 0.87% Cu, 0.09% Mo, 0.06% Bi, and 22 g/t Ag from 136m including 27m at 1.60 g/t Au, 1.66% Cu, 0.18% Mo, 0.1% Bi, and 39 g/t Ag from 136m. The true width of the above intervals is construed to be approximately 25% of the downhole intercepts.

Between March and May 2010, Peel completed a programme of six diamond drillholes for 944m drilling that returned encouraging mineralisation up-dip of ACM-004 with an interval of 5.6m at 0.44% Mo, 0.70 g/t Au, 12 g/t Ag, 0.45% Cu, 1.9 g/t Re from 48m and 1.4m at 22.70 g/t Au, 13 g/t Ag, 0.72% Cu from 55m.

The results from the Attunga Copper Mine confirm the presence of significant molybdenum-gold-copper skarn mineralisation that remains open in several directions and provides encouragement that the Attunga skarn deposits are possibly part of a larger metalliferous system, perhaps 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.

In July 2008, Peel completed an RC drilling programme encountering widespread gold mineralisation with better results including 9m at 1.4 g/t Au from 15m, 5m at 2.76 g/t Au from 60m, 14m at 0.78 g/t Au from 24m and 13m at 1.07 g/t Au.

In July 2010, Peel commenced a RAB drilling programme designed to test a reported shallow tungsten occurrence and to test for additional near-surface gold. Encouraging gold mineralisation was returned from multiple drillholes

with better results including:

- 24.5m at 0.74 g/t Au from 1.5m including 13m at 1.02 g/t Au from 13m\* in KRAB006;
- 12m at 0.61 g/t Au from 13m in KRAB014;
- 14m at 1.78 g/t Au from 17m\* including 4m at 2.94 g/t Au from 21m in KRAB019;
- 11m at 0.84 g/t Au from 13m in KRAB022;
- 13.5m at 1.67 g/t Au from 18m\* in KRAB023 (twin of KRAB019);
- 6.5m at 0.70 g/t Au from 25m\* in KRAB024;
- 4m at 0.50 g/t Au from 5m and 8m at 0.24 g/t Au from 25m in KRAB025;
- 16m at 0.23 g/t Au from 5m and 5m at 0.18 g/t Au from 29m\* in KRAB026.

*\* denotes mineralisation at end of hole.*

Also in July 2010, drilling was undertaken at Kensington NW (1.5km NW of Kensington) with anomalous results returned from several holes including:

- 24m at 0.25 g/t Au from 5m in KNWRAB002;
- 9m at 0.18 g/t Au from 0m in KNWRAB003;
- 14m at 0.17 g/t Au from 5m in KNWRAB004.

Peel designed the shallow RAB drilling programme at Kensington to target tungsten and gold mineralisation. Historic data had indicated the presence of a large, shallow, low grade tungsten occurrence however drilling completed to date has discounted this possibility.

The results from this RAB drilling provide encouragement to the possibility of substantial, near surface, gold mineralisation at Kensington. Gold mineralisation at Kensington occurs within a package of structurally deformed sediments and remains open to the northwest and southeast, and down dip.

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

### **Rise and Shine**

In late 2010, Peel lodged several applications covering the Rise and Shine gold project in Central Otago, New Zealand. The Rise and Shine project area contains multiple workings associated with the Rise and Shine Shear Zone, and the Cromwell Lode in the nearby Bendigo Goldfield.

The Rise and Shine Shear Zone is considered structurally similar to the Macraes Shear Zone that hosts the multi-million ounce Macraes gold mine whilst the Cromwell lode historically produced about 150,000 ounces gold grading about 10 g/t gold.

At the time of writing the grant of the licences was pending.

### **Yerranderie**

Yerranderie, located about 25 km west of Picton, NSW, contains the historic Yerranderie silver field. Investigations indicate that substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie.

During 2010, Peel commenced heritage and environmental studies at Yerranderie. Peel also completed a programme of dump grab sampling with results confirming that high levels of silver gold lead remain present in tailings at Yerranderie.

No work was completed in 2011.

### **Mt Tennyson East**

The Company withdrew from the tenement during the year.

# Schedule of Tenements

New South Wales				
PROJECT	NUMBER	HOLDER	PEEL INTEREST	EXPIRY
Attunga	EL6883	Peel Mining Ltd	100%	21.09.2011 (renewal pending)
Attunga	EL6884	Peel Mining Ltd	100%	21.09.2011 (renewal pending)
Attunga Garnet	EL7633	Peel Mining Ltd	100%	01.11.2012
May Day	ML1361	Peel Mining Ltd	100%	16.01.2011 (renewal pending)
Gilgunnia	EL7461	Peel Mining Ltd	100%	04.03.2012
Yerranderie	EL7356	Peel Mining Ltd	100%	24.06.2011 (renewal pending)
Ruby Silver	EL7711	Peel Mining Ltd	100%	22.02.2013
Ruby Silver	ELA4296	Peel Mining Ltd	100%	application pending

Western Australia				
PROJECT	NUMBER	HOLDER	PEEL INTEREST	EXPIRY
Apollo Hill	E39/1198	Apollo Mining Pty Ltd	100%	30.03.2014
Apollo Hill	P31/1797	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4586	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4587	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4588	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4589	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4590	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4591	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4592	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4677	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4678	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4679	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	P39/4689	Apollo Mining Pty Ltd	100%	30.03.2013
Apollo Hill	E31/0800	Apollo Mining Pty Ltd	100%	25.06.2013
Apollo Hill	E39/1236	Apollo Mining Pty Ltd	100%	08.06.2013
Apollo Hill	E31/0685	Apollo Mining Pty Ltd	100%	03.01.2013
Apollo Hill	E40/0296	Peel Mining Ltd	100%	30.06.2016
Apollo Hill	E39/1644	Peel Mining Ltd	100%	application pending
Apollo Hill	E40/0303	Peel Mining Ltd	100%	application pending

New Zealand				
PROJECT	NUMBER	HOLDER	PEEL INTEREST	EXPIRY
Rise and Shine	EPA53111	Peel Mining Ltd	100%	application pending
Rise and Shine	EPA53088	Peel Mining Ltd	100%	application pending



**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.*

# Directors Report

Your directors present their report on the consolidated entity (referred to hereafter as “the Group”) comprising Peel Mining Limited (formerly Peel Exploration Limited) and the entities it controlled at the end of, or during the financial year ended 30 June 2011.

## Directors

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

S Hadfield

R Tyson

G Hardie

C McGown

## Directors' interests in shares and options

Directors' interests in shares and options as at 30 June 2011 are set out in the table below. Directors' Interests in the table below.

DIRECTOR	SHARES DIRECTLY AND INDIRECTLY HELD	OPTIONS
Graham Hardie	12,023,276	-
Robert Tyson	5,000,000	-
Simon Hadfield	3,710,051	-
Craig McGown	1,500,000	-

## Principal activities

The principal continuing 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 \$460,684 (2010: \$711,570).

## 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 16 in this report.

## Corporate structure

The Group comprises Peel Mining Limited (formerly Peel Exploration Limited), a limited Company incorporated and domiciled in Australia and its 100% owned subsidiaries Peel Environmental Services Limited and Apollo Mining Pty Ltd also both incorporated and domiciled in Australia.



### Significant changes in the state of affairs

Contributed equity increased during the financial year by \$3,222,378 through the issue of:

- i. 32,771,398 ordinary shares at \$0.0983 each for cash. The cash received from the increase in contributed equity was used principally to continue the company's exploration programs.
- ii. 11,000,000 ordinary shares at \$0.095 each as consideration for the acquisition of mineral licences.

Details of the changes in contributed equity are disclosed in note 12 to the financial statements.

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

#### ***Non-renounceable entitlement issue***

An offer for a pro-rata non-renounceable entitlement issue of one new share for every four shares held by shareholders at an issue price of 12 cents to raise approximately \$2,632,700 was announced by the Company on 30 September 2011. At the date of this report the Company had received advice from shareholders confirming subscriptions for at least 5,623,335 new shares totalling \$674,800.

Other than these matters, there were at the date of this report no other matters or circumstances which have arisen since 30 June 2011 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.

Mr Hadfield holds 3,810,051 shares in Peel Mining Limited and no options to acquire further shares.

#### **Robert MacLaine Tyson BApp Sc (Geol) GradDip Applied Finance (SIA) MAusIMM – *Managing 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. Mr Tyson holds 5,160,014 shares in Peel Mining Limited and no options to acquire further shares.

#### **Graham Hardie FCA – Non-Executive Director**

Mr Hardie is the principal of Hardie Finance Corporation, a private Perth-based property development company, and is also the principal of Entertainment Enterprises, a private Perth-based hospitality company. He is a Fellow of the Institute of Chartered Accountants and a former partner in a leading Chartered Accounting firm. He has extensive commercial and financial experience and has held board positions on a number of public companies in the mining, media, transport and retail industries. Mr Hardie holds 12,023,276 shares in Peel Mining Limited and no options to acquire further shares.

#### **Craig McGown FCA – 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. He was Chairman of Entek Energy Limited until 28 February 2011. Mr McGown holds 1,500,000 shares in Peel Mining Limited and no options to acquire further shares.

#### **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:

DIRECTOR	NUMBER HELD WHILST IN OFFICE	NUMBER ATTENDED
R Tyson	9	9
S Hadfield	9	9
C McGown	9	9
G Hardie	9	9

#### **Remuneration report (audited)**

The remuneration report is set out under the following headings:

- d. Principles used to determine the nature and amount of remuneration
- e. Details of remuneration
- f. Service agreements
- g. Share-based compensation and
- h. Additional information.

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

The objective of the remuneration framework of Peel Mining 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 Mining Limited (formerly Peel Exploration Limited) listed on 11 May 2007 at 20c per share and the share price at 30 June 2011 was 9.4c (2010: 7c). The shares recorded high and low points of 13c and 7c during the year, and are trading at 14c on 21 September 2011. 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 Mining Limited and those senior executives of the Company who received the highest emoluments during the year ended 30 June 2011 are set out in the following table.

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

	SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT	LONG-TERM BENEFITS	SHARE BASED PAYMENT		
2011	CASH SALARY AND FEES \$	BONUSES, OTHER BENEFITS \$	CONSULTING FEES \$	SUPER- ANNUATION \$	LONG- SERVICE LEAVE \$	OPTIONS \$	TOTAL \$	% PERFOR- MANCE RELATED
<b>Directors</b>								
RM Tyson	114,511	-	-	10,280	-	-	124,791	0%
S Hadfield	50,000	-	-	4,500	-	-	54,500	0%
C McGown	50,000	-	-	4,500	-	-	54,500	0%
G Hardie	50,000	-	-	4,500	-	-	54,500	0%
<b>Other executives</b>								
D Hocking	78,800	-	-	7,092	-	3,400	89,292	0%
<b>Total</b>	<b>343,311</b>	<b>-</b>	<b>-</b>	<b>30,872</b>	<b>-</b>	<b>3,400</b>	<b>377,583</b>	
	SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT	LONG-TERM BENEFITS	SHARE BASED PAYMENT		
2010	CASH SALARY AND FEES \$	BONUSES, OTHER BENEFITS \$	CONSULTING FEES \$	SUPER- ANNUATION \$	LONG- SERVICE LEAVE \$	OPTIONS \$	TOTAL \$	% PERFOR- MANCE RELATED
<b>Directors</b>								
RM Tyson	110,000	-	-	9,900	-	-	119,900	0%
S Hadfield	50,000	-	-	4,500	-	-	54,500	0%
C McGown	50,000	-	-	4,500	-	-	54,500	0%
G Hardie	16,668	-	-	1,500	-	-	18,168	0%
<b>Other executives</b>								
D Hocking	64,800	-	-	5,832	-	-	70,632	0%
<b>Total</b>	<b>291,468</b>	<b>-</b>	<b>-</b>	<b>26,232</b>	<b>-</b>	<b>-</b>	<b>317,700</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:

#### RTyson

There is no written contract for Mr Tyson, who received payments and benefits totalling \$124,791 (2010:\$119,900) in his role as Managing Director of the Company.

#### SHadfield

There is no written contract for Mr Hadfield, who received payments and benefits totalling \$54,500 (2010:\$54,500) in his role as a director of the Company.

#### GHardie

There is no written contract for Mr Hardie, who received payments and benefits totalling \$54,500 (2010:\$18,168) in his role as a director of the Company.

#### CMcGown

There is no written contract for Mr McGown, who received payments and benefits totalling \$54,500 (2010:\$54,500) in his role as a director of the Company.

### d) Share-based compensation

#### Directors

No options over shares in the company were granted to any directors during the year.

#### Employees

Options over shares in Peel Mining Limited may be granted under the Peel Mining 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 \$0.08 up to and including 30 March 2013. Options granted under the plan carry no dividend or voting rights.

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

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2011	2010	2011	2010
<b>Directors</b>	-	-	-	-
<b>Other key management personnel</b>	-	-	-	-
D Hocking	100,000	-	50,000	-

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
18 March 2011	18 March 2011 (50%) 18 March 2011 (50%)	30 March 2013	8 cents	3 cents
5 December 2008	5 December 2008	30 April 2011	30 cents	5 cents
23 June 2008	23 June 2008 (50%) 23 June 2009 (50%)	30 November 2010	25 cents	7 cents
No options were exercised by directors of Peel Mining 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.

### Share-based compensation: options

Other than options granted and exercised under the Company Employee Option Plan, as described in (d) above, there were no options issued to or exercised by directors of Peel Mining Limited or other key management personnel during the year.

Shares under option			
Unissued ordinary shares of the Company under option at the date of this report are as follows:			
DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
18 March 2011 (employees)	30 March 2013	8 cents	300,000
<i>No option holder has any right under the options to participate in any other share issue of the company.</i>			

Shares issued on the exercise of options			
The following ordinary shares of the Company were issued during the year on the exercise of options. No ordinary shares of the Company were issued during the previous year on the exercise of options.			
EXERCISE DATE	ISSUE PRICE OF SHARES		NUMBER OF SHARES ISSUED
	2011	2010	2011 2010
16 August 2010	25 cents	20 cents	20,000 250

### Indemnification and Insurance of Directors and Officers

During the financial year the Company paid a premium of \$5,103 (2010: \$15,428) to insure the directors and company secretary of the Group. The policy insures each person who is or was a director or company secretary of the Group against certain liabilities arising in the course of their duties. The directors have not disclosed the amount of the premiums paid as such disclosure is prohibited under the terms of the policy.

### 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 Mining Limited holds exploration licences and mining leases issued by the NSW Department of Primary Industry and the WA Department of Mining. These licences specify 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 respective Departments' 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, despite strong reservations about the

misguided purposes and overly bureaucratic nature of this legislation. For the measurement period 1 July 2010 to 30 June 2011 the directors have assessed that there are no current reporting requirements. Disclosures may be required in future years if the Act remains in place in its present form.

#### **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 Audit (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. There were no non-audit services provided by the auditors or their related entities during the year.

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



#### **Rob Tyson**

Managing Director  
Perth, Western Australia  
30 September 2011

## Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2011				
		Consolidated		
			2010	
	Note	\$	\$	
Revenue from continuing operations	3	66,038	43,850	
Share-based remuneration to employees	13	(10,200)	-	
Depreciation expense	8	(32,445)	(29,126)	
Employee and directors' benefit expenses		(303,860)	(337,511)	
Exploration expenditure written off	9	(6,358)	(172,432)	
Administration expenses		(173,859)	(216,351)	
Loss before income tax		(460,684)	(711,570)	
Income tax expense	4	-	-	
<b>Loss from continuing operations</b>		<b>(460,684)</b>	<b>(711,570)</b>	
<b>Total comprehensive loss for the year is attributable to the members of Peel Exploration Limited</b>		<b>(460,684)</b>	<b>(711,570)</b>	
Basic and diluted loss per share (cents per share)	22	(0.007)	(0.02)	
The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes				

## Consolidated statement of financial position

FOR THE YEAR ENDED 30 JUNE 2011			
		CONSOLIDATED	
	NOTE	2011 \$	2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	1,532, 413	710,490
Trade and other receivables	6	74,045	46,939
<b>Total Current Assets</b>		<b>1,606,458</b>	<b>757,429</b>
<b>Non-Current Assets</b>			
Security deposits	7	115,000	125,000
Plant and equipment	8	17,860	46,033
Exploration expenditure	9	4,291,595	1,891,521
<b>Total Non-Current Assets</b>		<b>4,424,455</b>	<b>2,062,554</b>
<b>Total Assets</b>		<b>6,030,913</b>	<b>2,819,983</b>
<b>Current Liabilities</b>			
Trade and other payables	11	625,766	186,730
<b>Total Current Liabilities</b>		<b>625,766</b>	<b>186,730</b>
<b>Total Liabilities</b>		<b>625,766</b>	<b>186,730</b>
<b>Net Assets</b>		<b>5,405,147</b>	<b>2,633,253</b>
<b>Equity</b>			
Contributed equity	12	7,384,925	4,162,547
Accumulated losses	13	(2,559,500)	(2,098,816)
Option reserve	13	579,722	569,522
<b>Total Equity</b>		<b>5,405,147</b>	<b>2,633,253</b>

*The above Statements of Financial Position should be read in conjunction with the accompanying notes*

## Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2011				
CONSOLIDATED	CONTRIBUTED EQUITY \$	ACCUMULATED LOSSES \$	RESERVES \$	TOTAL EQUITY \$
<b>Balance at 30 June 2009</b>	<b>2,901,921</b>	<b>(1,387,246)</b>	<b>569,522</b>	<b>2,084,197</b>
Total comprehensive income for the year	-	(711,570)	-	(711,570)
	<b>2,901,921</b>	<b>(2,098,816)</b>	<b>569,522</b>	<b>1,372,627</b>
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	1,305,941	-	-	1,305,941
Share issue expenses	(45,315)	-	-	(45,315)
<b>Balance at 30 June 2010</b>	<b>4,162,547</b>	<b>(2,098,816)</b>	<b>569,522</b>	<b>2,633,253</b>
Total comprehensive income for the year	-	(460,684)	-	(460,684)
	<b>4,162,547</b>	<b>(2,559,500)</b>	<b>569,522</b>	<b>2,172,569</b>
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	3,342,598	-	-	3,342,598
Share issue expenses	(120,220)	-	-	(120,220)
Share based expenses	-	-	10,200	10,200
<b>Balance at 30 June 2010</b>	<b>7,384,925</b>	<b>(2,559,500)</b>	<b>569,722</b>	<b>5,405,147</b>
<i>The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.</i>				

## Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2011			
		CONSOLIDATED	
	NOTE		2010 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(490,849)	(659,187)
Interest received		66,038	43,850
<b>Net cash outflow from operating activities</b>	<b>20</b>	<b>(424,811)</b>	<b>(615,337)</b>
<b>Cash flows from investing activities</b>			
Payment for mineral exploration expenditure		(936,372)	(496,555)
Payment of security deposits		(10,000)	(45,000)
Refund of security deposits		20,000	-
Payments for purchase of plant and equipment		(4,272)	(19,264)
<b>Net cash outflow from investing activities</b>		<b>(930,644)</b>	<b>(560,819)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		2,297,598	1,030,941
Transaction costs of issue of shares		(120,220)	(45,315)
<b>Net cash inflow from financing activities</b>		<b>2,177,378</b>	<b>985,626</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>821,923</b>	<b>(190,530)</b>
Cash and cash equivalents at the start of the year		710,490	901,020
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>1,532,413</b>	<b>710,490</b>

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



# Notes to the consolidated financial statements

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## 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 the consolidated entity which comprises Peel Mining Limited (formerly Peel Exploration Limited) and the subsidiaries it controlled at the end of, or during the financial year ended 30 June 2011.

### a) Basis of preparation

These general purpose financial statements have 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*.

#### *Going concern*

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss of \$460,684 during the year ended 30 June 2011 and as of that date the Group had net current assets of \$980,692 (2010: \$570,699). The Directors believe there are sufficient funds to meet the Group's working capital requirements and as at the date of this report the Group believes it can meet all liabilities as and when they fall due. However, the Directors recognise that additional funding through the issue of shares will be required for the Group to continue to actively explore its mineral properties.

The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing additional funds through equity issues as and when the need to raise funds arises.

#### *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 Mining 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 Mining Limited (the parent entity) and Apollo Mining Pty Ltd and Peel Environmental Services Limited (the controlled entities) which Peel Mining Limited controlled during the year and at reporting date ("the Group"). A controlled entity is any entity that Peel Mining Limited has the power to control the financial and operational 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.

Investments in subsidiaries are 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 reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss for the year.

**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 (2010: \$nil) have been recognised for the year ending 30 June 2011.

**f) Cash and cash equivalents**

For statement of cash flows 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 on the statement of financial position.

**g) Trade and other receivables**

Trade receivables, which generally have 30 to 90 day terms, are recognised initially at fair value 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**

The Group classifies its financial assets as loans and receivables. Management determines the classification at initial recognition and where applicable re-evaluates this designation at the end of each reporting period. Loans and receivables are carried at amortised cost using the effective interest method. The group assesses at the end of each financial period whether a financial asset is impaired.

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. Depreciation on Plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives from the time the asset is held ready for use as follows:

- Plant	3-5 years
- Vehicles	3-5 years
- Office equipment	3-5 years
- Computer software	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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**

All exploration and evaluation expenditure is capitalised under AASB 6 Exploration for and Evaluation of Mineral Resource. Mineral interest acquisition, exploration and evaluation expenditure incurred is accumulated and capitalised in relation to each identifiable area of interest. These costs are only carried forward to the extent that the Group's right to tenure to that area of interest are current and either the costs are expected to be recouped through successful development and exploitation of the area of interest (alternatively by sale) or where areas of interest have not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active, significant operations in, or in relation to, the area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

The policy has resulted in exploration expenditure of \$6,358 (2010: \$172,432) being written off during the year.

### **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) Contributed equity**

Ordinary shares are classified as equity.

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

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

**n) Earnings per share**

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

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

**o) Goods and services tax**

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

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

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

**p) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief decision maker has been identified as the Board of Directors.

**q) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

**AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets** (effective for annual reporting periods beginning on or after 1 July 2011).

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

**AASB 10 Consolidated Financial Statements** (effective for the annual reporting periods commencing on or after 1 January 2013).

AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. The group is continuing to assess the impact of the standard.

**AASB 11 Joint Arrangements** (effective for the annual reporting periods commencing on or after 1 January 2013).

AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The group is continuing to assess the impact of the standard.

**AASB 13 Fair Value Measurement** (effective for annual reporting periods commencing on or after 1 January 2013).

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. XX is continuing to assess the impact of the standard.

**AASB 2011-9 Presentation of Financial Statements** (effective for annual reporting periods commencing on or after 1 July 2013).

AASB 101, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The group will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.

**AASB 1054 Australian Additional Disclosures** (effective for annual reporting periods beginning on or after 1 July 2011).

AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.

**AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9** (December 2009).



2010) (effective for annual reporting periods beginning on or after 1 January 2013).

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is continuing to assess its full impact.

**Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective for annual reporting periods beginning on or after 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

**AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements** (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

**AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets** (effective from 1 January 2012).

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on the group's financial statements. The group intends to apply the amendment from 1 July 2012.

**AASB 119** – Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans, actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods, subtle amendments to timing for recognition of liabilities for termination benefits, and employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact as there are no annual leave provision amounts that are non-current. The group will apply this from 1 July 2013.

**r) Critical accounting estimates and judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

The Company makes estimates and judgements in applying the accounting policies. Critical judgements in respect of accounting policies relate to exploration assets, where exploration expenditure is capitalised in certain circumstances. Recoverability of the carrying amount of any exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

#### *Capitalisation and carrying amount of capitalised mining license*

The mining leases acquired are carried in the consolidated statement of financial position at cost. The directors have determined that the acquisition cost approximates to the fair value of the asset.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted.

## **2. Financial Risk Management**

### **Overview**

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

- Credit risk
- Liquidity risk
- Market risk

### **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. The Group manages its credit risk on financial instruments, including cash, by only dealing with banks licensed to operate in Australia and credit ratings of AA.

### **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:

### **Impairment losses**

None of Group's other receivables are past due. At 30 June 2011 the Group does not have any collective impairments on its other receivables.

	NOTE	CARRYING AMOUNT – CONSOLIDATED	
		2011 \$	2010 \$
Trade and other receivables	6	-	3,577
Cash and cash equivalents	5	1,532,413	710,490

**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.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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. The Group does not have any risks associated with foreign exchange rates or equity prices.

	CONSOLIDATED		
	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOWS \$	6MTHS OR LESS \$
<b>30 June 2011</b>			
Trade and other payables	625,766	625,766	625,766
<b>30 June 2010</b>			
Trade and other payables	186,730	186,730	186,730

**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 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 consolidated entity's interest-bearing financial instruments was:

Variable rate instruments		
	CONSOLIDATED	
	CARRYING 2011 \$	CARRYING 2010 \$
Short term cash deposits	1,532,413	551,238

# Notes to the consolidated financial statements

## SECTION 9

3. Revenue	CONSOLIDATED	
	2011 \$	2010 \$
Interest received	66,038	43,850
<b>Expenditure</b>		
Superannuation	25,049	34,799
Operating lease payments	36,000	36,000

4. Income tax	CONSOLIDATED	
		2010 \$
<b>Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
<b>Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Accounting loss before income tax	(460,684)	(711,570)
At the statutory income tax rate of 30% (2009: 30%)	(138,205)	(213,441)
Expenditure not allowed for income tax purposes:		
Non-deductible expenses	-	-
Tax loss not brought to account	138,205	213,441
Income tax benefit reported in the income statement	-	-
The Company has tax losses arising in Australia of \$3,596,235 (2010: \$3,458,030) 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 the year to 30 June 2011 the Company also had an unrecognised deferred tax asset in respect of equity raising costs of \$77,950 (2010: \$41,884). The deferred tax liability arising from capitalised exploration costs and licence acquisitions have been recognised and offset by the deferred asset balances above.		

5. Cash and cash equivalents	CONSOLIDATED	
	2011 \$	2010 \$
Cash at bank and in hand	432,413	159,252
Term deposit with a financial institution	1,100,000	551,238
	<b>1,532,413</b>	<b>710,490</b>

6. Trade and other receivables	CONSOLIDATED	
	2011 \$	2010 \$
GST recoverable from taxation authority	74,045	43,362
Interest accrued on term deposits	-	3,577
	<b>74,045</b>	<b>46,939</b>

7. Receivables (non-current)	CONSOLIDATED	
	2011 \$	2010 \$
Security deposits on mining tenements	115,000	125,000
	<b>115,000</b>	<b>125,000</b>

8. Plant and equipment	CONSOLIDATED	
	2011 \$	2010 \$
<b>Plant and equipment</b>		
At cost	113,549	109,277
Less accumulated depreciation	95,689	63,244
	<b>17,860</b>	<b>46,033</b>
<b>Reconciliation</b>		
Carrying amount at beginning of year	46,033	55,895
Additions	4,272	19,264
Depreciation expense	(32,445)	(29,126)
Closing balance	<b>17,860</b>	<b>46,033</b>

9. Exploration licences	CONSOLIDATED	
	2011 \$	2010 \$
At cost	<b>4,281,595</b>	<b>1,891,521</b>
<b>Reconciliations</b>		
Opening balance	1,981,521	1,119,965
Acquisition of mining lease	1,045,000	275,000
Other exploration expenditure	1,361,432	688,988
Written of during year	(6,358)	(172,432)
Closing net book balance	<b>4,291,595</b>	<b>1,891,521</b>

**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(c):

	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
Name			2011 %	2010 %
Peel Environmental Services Limited	Australia	Ordinary	100	100
Apollo Mining Pty Ltd	Australia	Ordinary	100	-

During the year Peel Mining Limited acquired the whole of the share capital of Apollo Mining Pty Ltd from Hampton Hill Mining NL. The consideration was 11,000,000 fully paid ordinary shares in Peel Mining Limited at 9.5 cents each. Apollo Mining Pty Ltd owns exploration leases at the Apollo Hill gold prospect near Leonora in Western Australia. After due consideration of AASB 3 the directors have determined that the acquisition of Apollo Mining Pty Ltd constituted the acquisition of an individual asset rather than an operating business. Consequently the transaction has been recognised as an individual asset in the financial statements. The acquisition included a royalty agreement on which no value has yet been assigned because it is unlikely to come into effect in the foreseeable future.

11. Trade and other payables	CONSOLIDATED	
	2011 \$	2010 \$
Trade payables	625,766	186,730
	<b>625,766</b>	<b>186,730</b>

12. Contributed equity	CONSOLIDATED AND PARENT ENTITY			
(a) Share capital	2011		2010	
	NUMBER OF SHARES	\$	NUMBER OF SHARES	\$
Ordinary shares fully paid	<b>87,757,315</b>	<b>7,384,925</b>	<b>43,985,917</b>	<b>4,162,547</b>
<b>(b) Movements in ordinary share capital</b>				
Opening balance, 1 July	43,985,917	4,162,547	30,926,750	2,901,921
Shares issued pursuant to placement	10,748,439	752,391	7,015,517	701,551
Shares issued pursuant to a 'Rights Issue'	22,002,959	1,540,207	3,293,400	329,340
Shares issued as consideration for the acquisition of a mining lease	11,000,000	1,045,000	2,750,000	275,000
Shares issued as a result of exercise of options	20,000	5,000	250	50
Transaction costs on share issues	-	(120,220)	-	(45,315)
Closing balance, 30 June	<b>87,757,315</b>	<b>7,384,925</b>	<b>43,985,917</b>	<b>4,162,547</b>

**(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 statement of financial position) the company seeks to ensure that it will be able to continue as a going concern and in time provide value to shareholders by way of increased market capitalisation or dividends. In the current stage of its development, the company has invested its available capital in acquiring and exploring mining tenements. As is appropriate at this stage, the company is funded entirely by equity. As it moves forward to develop its tenements towards a production stage, the company will adjust its capital structure to support its operational and strategic objectives, by raising additional capital or taking on debt, as is seen to be appropriate from time to time given the overriding objective of creating shareholder value. In this regard, the board will consider each step forward in the development of the company on its merits and in the context of the then capital markets, in deciding how to structure capital raisings.

# Notes to the consolidated financial statements

## SECTION 9

<b>13. Reserves</b>		CONSOLIDATED	
		2011 \$	2010 \$
<i>(i) Accumulated losses</i>			
<b>Opening balance 1 July</b>		(2,098,816)	(1,387,246)
Loss for the year		(460,684)	(711,570)
<b>Closing balance, 30 June</b>		<b>(2,559,500)</b>	<b>(2,098,816)</b>
<i>(ii) Share-based payments reserve</i>			
Opening balance, 1 July		569,522	569,522
Option expenses (employee options)		10,200	-
<b>Closing balance, 30 June</b>		<b>579,722</b>	<b>569,522</b>
<b>Nature and purpose of reserve</b>			
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.			

<b>Share options and reserve movements</b>		CONSOLIDATED AND PARENT ENTITY			
		2011		2010	
		OPTIONS	\$	OPTIONS	\$
<b>Opening balance, 1 July</b>		<b>31,573,250</b>	<b>69,522</b>	<b>31,573,250</b>	<b>569,522</b>
Expired during year		(31,573,250)	-	-	-
Issued to employees		300,000	10,200	-	-
<b>Closing balance, 30 June</b>		<b>300,000</b>	<b>579,722</b>	<b>31,573,250</b>	<b>569,522</b>
- exercisable at 20 cents each on or before 30 November 2010		300,000		22,473,250	
- exercisable at 30 cents each on or before 30 November 2010		-		7,500,000	
- exercisable at 25 cents each on or before 30 November 2010		-		600,000	
- exercisable at 30 cents each on or before 30 April 2011		-		1,000,000	
		<b>300,000</b>		<b>31,573,250</b>	

<b>Model inputs for employee options granted during the year ended 30 June 2008 included:</b>	
Underlying security spot price	\$0.079
Exercise price	\$0.08
Dividend rate	Nil
Standard deviation of returns (annualised)	75%
Risk free rate	4.78%
Valuation date	18 March 2011
Expiration date	30 March 2013
Expiration period (years)	2.04
Black Scholes valuation (\$ per security)	0.0342
Binomial valuation (\$ per security)	0.0342
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.	

<b>14. Remuneration</b>		CONSOLIDATED	
		2010 \$	2010 \$
Amounts paid or due and payable to the auditors BDO Kendalls for:			
Auditing or reviewing the financial report		28,564	27,246
		<b>28,564</b>	<b>27,246</b>

<b>15. Contingencies</b>
The Group had no contingent assets or liabilities for the years ended 30 June 2011 and 2010.



**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	
	2011 \$	2010 \$
Within one year	194,800	136,000
Later than one year but not later than five years	94,200	157,000
Later than five years	-	-
	<b>289,000</b>	<b>293,000</b>

**17. Segment Information**

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

	CONSOLIDATED	
	2011 \$	2010 \$
Revenue from external sources	-	-
Reportable segment (loss)	(50,642)	(273,714)
Reportable segment assets	4,309,455	1,937,554
<b>Reconciliation of reportable segment (loss)</b>		
Reportable segment (loss)	(50,642)	(273,714)
Other profit	66,038	43,850
Unallocated: – Corporate expenses	(476,080)	(481,706)
Loss before tax	<b>(460,684)</b>	<b>(711,570)</b>

**18. Related parties****Transactions with related parties**

During the year there were no transactions with related parties other than the transactions shown in note 23.

**19. Events occurring after the Balance Sheet date****Non-renounceable entitlement issue**

An offer for a pro-rata non-renounceable entitlement issue of one new share for every four shares held by shareholders at an issue price of 12 cents to raise approximately \$2,632,700 was announced by the Company on 30 September 2011. At the date of this report the Company had received advice from shareholders confirming subscriptions for at least 5,623,335 new shares totalling \$674,800.

Other than these matters, there were at the date of this report, no other matters or circumstances which have arisen since 30 June 2011 that have significantly affected or may significantly affect:

1. the operations of the Group;
2. the results of those operations;
3. or the state of affairs of the Group.

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

	CONSOLIDATED	
	2011 \$	2010 \$
Net cash outflow from operating activities	(424,811)	(615,337)
Share-based payments	(10,200)	-
Depreciation	(32,445)	(29,126)
Changes in operating assets and liabilities		
Increase in receivables	27,106	15,706
Decrease/(increase) in payables	(20,334)	(82,813)
Loss after income tax	<b>(460,684)</b>	<b>(711,570)</b>

# Notes to the consolidated financial statements

## SECTION 9

21. Non-cash investing and financing activities	CONSOLIDATED	
	2011 \$	2010 \$
Acquisition of a mining lease by issue of		
11,000,000 ordinary shares at 9.5 cents each	1,045,000	-
2,750,000 ordinary shares at 10 cents each	-	275,000

22. Loss per share	CONSOLIDATED	
Basic loss per share	2011 \$	2010 \$
Loss from continuing operations attributable to the ordinary equity holders of the company	(0.007)	(0.02)
Reconciliation of loss used in calculation of earnings per share		
Loss used in calculating basic loss per share	(460,684)	(711,570)

Weighted average number of shares used as the denominator	CONSOLIDATED	
	NUMBER OF SHARES 2011	NUMBER OF SHARES 2010
Weighted average number of shares used in calculating basic earnings per share	68,587,085	39,399,001
<b>Effect of dilutive securities</b> 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.		

23. Key Management Personnel Disclosures	CONSOLIDATED	
	2010 \$	2010 \$
<b>(a) Compensation of key management personnel</b>		
Short-term employee benefits	343,311	291,468
Post-employment benefits	30,872	26,232
Long-term benefits	-	-
Share-based payments	3,400	-
	<b>377,583</b>	<b>317,700</b>
<b>(b) Shares issued on exercise of compensation options</b>		
There were no shares issued on exercise of compensation options during the year by key management personnel.		

(c) Option holdings of key management personnel							
30 JUNE 2011	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	EXPIRED DURING YEAR	EXERCISED	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
<b>Directors</b>							
R Tyson	5,122,874	-	(5,122,874)	-	-	-	-
S Hadfield	4,722,873	-	(4,722,873)	-	-	-	-
C McGown	1,000,000	-	(1,000,000)	-	-	-	-
<b>Executives</b>							
D Hocking	200,000	100,000	(200,000)	-	100,000	50,000	50,000
All vested options are exercisable at the end of the year.							

30 JUNE 2010	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.							

**(d) Share holdings of key management personnel**  
*Shares in Peel Exploration Limited (number)*

30 JUNE 2011	BALANCE AT 1 JULY 2010	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT 30 JUNE 2011
<b>Directors</b>				
G Hardie	8,015,517	-	4,007,759	12,023,276
R Tyson	3,798,250	-	1,201,750	5,000,000
S Hadfield	2,995,765	-	714,286	3,710,051
C McGown	1,000,000	-	500,000	1,500,000
Of the balance at 30 June 2011, the amounts held nominally in respect of each director are: R Tyson 4,227,625 and S Hadfield 1,000,000.				
30 JUNE 2010	BALANCE AT 1 JULY 2009	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT 30 JUNE 2010
<b>Directors</b>				
G Hardie	-	-	8,015,517	8,015,517
R Tyson	2,644,750	-	1,153,500	3,798,250
S Hadfield	2,100,000	-	895,765	2,995,765
C McGown	-	-	1,000,000	1,000,000
Of the balance at 30 June 2010, the amounts held nominally in respect of each director are: R Tyson 2,800,000 and S Hadfield 1,000,000.				

**(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 2011 were \$36,000 (2010: \$36,000). During the year the Company also placed an advertisement to the value of \$1,700 (2010: \$1,600) in a publication owned and operated by RIU. These amounts are included in loss for the year within administration expenses and on the statement of financial position within trade and other payables at year end.

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

Amounts recognised as expense	CONSOLIDATED	
	2011 \$	2010 \$
Management fees – rental	36,000	36,000
Advertisements	1,700	1,600
	<b>37,700</b>	<b>37,600</b>

# Notes to the consolidated financial statements

## SECTION 9

### 24. Share-based Payments

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

	CONSOLIDATED	
	2010 NUMBER	2010 NUMBER
Options granted to directors	-	-
Options granted to employees	300,000	-
	<b>300,000</b>	<b>-</b>

#### (a) Director options

Set out below are summaries of Directors options granted.

##### 30 June 2011

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
8 Mar 2007	30 Nov 2010	0.30	5,000,000	(5,000,000)	-	-	-
5 Dec 2008	30 Apr 2011	0.30	1,000,000	(1,000,000)	-	-	-
<b>Total</b>			<b>6,000,000</b>	<b>(6,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 30 June 2010

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
8 Mar 2007	30 Nov 2010	0.30	5,000,000	-	-	5,000,000	5,000,000
5 Dec 2008	30 Apr 2011	0.30	1,000,000	-	-	1,000,000	1,000,000
<b>Total</b>			<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>6,000,000</b>

#### (b) Employee option plan

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

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

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

##### 30 June 2011

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
18 March 2011	30 March 2013	0.08	-	300,000	-	-	300,000	150,000
23 Jun 2008	30 Nov 2010	0.25	600,000	-	(20,000)	(580,000)	-	-

##### 30 June 2010

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
23 Jun 2008	30 Nov 2010	0.25	600,000	-	-	600,000	600,000

25. Parent entity information	PARENT ENTITY	
	2011 \$	2010 \$
<b>Statement of financial position</b>		
Current assets	1,606,458	757,429
Total assets	5,011,020	2,824,983
Current liabilities	628,716	189,680
Total liabilities	628,716	189,680
<b>Net assets</b>	<b>4,382,304</b>	<b>2,635,303</b>
<b>Equity</b>		
Issued capital	7,384,925	4,162,547
Share option reserve	579,722	569,522
Accumulated losses	(3,582,343)	(2,096,766)
<b>Total equity</b>	<b>4,382,304</b>	<b>2,635,303</b>
<b>Statement of comprehensive income</b>		
Revenue	66,038	43,850
Loss for the year	(460,684)	(710,240)
Commitments for the parent entity are the same as those for the consolidated entity and are set out in Note 16. The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at year end.		

## Directors' Declaration

---

The Board of Directors of Peel Mining Limited declares that:

- (a) the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and 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 2011 and performance for the financial year ended on that date of the company and consolidated entity.
- (b) The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (c) 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;
- (d) the remuneration disclosures set out in pages 18 to 21 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001; and
- (e) 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:



**Rob Tyson**

Managing Director  
Perth, Western Australia  
30 September 2011



# Auditor's Independence Declaration



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38 Station Street  
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PO Box 700 West Perth WA 6872  
Australia

30 September 2011

To The Directors  
Peel Mining Limited  
34 Kings Park Road  
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Peel Mining Limited for the year ended 30 June 2011, 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 Mining Limited and the entities it controlled during the period.

Glyn O'Brien  
Director

BDO Audit (WA) Pty Ltd  
Perth, Western Australia

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# Independent Auditor's Report



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

### Report on the Financial Report

We have audited the accompanying financial report of Peel Mining Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



#### Auditor's Opinion

In our opinion:

- (a) the financial report of Peel Mining Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

#### Opinion

In our opinion, the Remuneration Report of Peel Mining Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (W.A) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over the printed name.

Glyn O'Brien  
Director

Signed in Perth Western Australia  
Dated this 30<sup>th</sup> day of September 2011

# Corporate Governance Statement

## 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 holds 1,500,000 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.

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were adopted on 20th 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 Committees**

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

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

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

If or when an audit committee is established, the committee will oversee accounting and reporting practices and will 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 Audit (WA) Pty Ltd was appointed as the external auditors in 2006. It is both the Company's and BDO Audit (WA) Pty Ltd'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.

## **Share trading policy**

The Company has established a share trading policy which governs the trading in the Company's shares and applies to all directors and key management personnel of the Company.

Under the share trading policy directors or key management personnel must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

No acquisitions or sale of Company securities may be made during closed periods i.e. the time from two weeks prior to, and 24 hours after the release of the quarterly cash flow report nor prior to any anticipated announcement to the ASX or for a 24 hour period after the announcement. Trading of securities outside the trading windows can only occur with the approval of the Chairman or Board of Directors.

As required by the ASX rules, the Company notifies the ASX of any transaction in the securities of the Company conducted by directors.



# Shareholder Information

Information relating to shareholders at 28 September 2010

Distribution of Shareholders			
RANGE	NO. OF HOLDERS	NO. ORD SHARES	%
1 - 1,000	7	1,750	-
1,001 - 5,000	20	70,178	0.08
5,001 - 10,000	81	740,998	0.84
10,001 - 100,000	296	11,673,553	13.30
100,001 - 9,999,999	96	75,270,836	85.77
<b>Total</b>	<b>503</b>	<b>87,757,315</b>	<b>100.00</b>

Twenty Largest Shareholders			
	HOLDER	NO. ORD SHARES	%
1	POINT NOMINEES PTY LTD (JACKSON SUPER FUND)	12,023,276	13.70
2	HAMPTON HILL MINING NL	11,000,000	12.53
3	ROBERT MACLAINE TYSON	3,877,625	4.42
4	IMPERIAL CORPORATION LIMITED	3,470,000	3.95
5	IONILOS PTY LTD (THE MCGOWN SUPER FUND)	1,500,000	1.71
6	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,500,000	1.71
7	WALSEC PTY LTD (PIPER SUPER FUND)	1,500,000	1.71
8	JOHN WARDMAN & ASSOCIATES (THE WARDMAN SUPER FUND)	1,450,000	1.65
9	SIMON & FIONA HADFIELD (SALAMAR SUPER FUND)	1,443,648	1.65
10	SALAMAR PTY LTD	1,366,403	1.56
11	HUGH & TANYA BROWN	1,259,909	1.44
12	MANOTEL PTY LTD	1,250,000	1.42
13	TECHNICA PTY LTD	1,193,000	1.36
14	JOHN DESMOND MARTIN	1,150,000	1.31
15	MCGEE CONSTRUCTIONS PTY LTD (MCGORMAN SUPER FUND)	1,100,000	1.25
16	ACCORD INVESTMENT CORPORATION PTY LTD	1,000,000	1.14
17	ACT2 PTY LTD	1,000,000	1.14
18	ALASDAIR CAMPBELL COOKE	1,000,000	1.14
19	SIMON HADFIELD	1,000,000	1.14
20	CHRISTOPHER JOHN MORGAN-HUNN	1,000,000	1.14
		<b>50,083,861</b>	<b>57.07</b>

Substantial Shareholders			
	HOLDER	NO. ORD SHARES	%
1	POINT NOMINEES PTY LTD (JACKSON SUPER FUND)	12,023,276	13.70
2	HAMPTON HILL MINING NL	11,978,300	13.65
3	ROBERT MACLAINE TYSON	5,160,014	5.88
<p>At the prevailing market price of \$0.145 per share there were seventeen shareholders with less than a marketable parcel of \$500 at 29 September 2011.</p> <p>At 29 September 2011 there were 503 holders of ordinary shares in the Company.</p> <p>At the date of this report there were no shares or options restricted by the ASX.</p>			

**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.





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**[www.peelmining.com.au](http://www.peelmining.com.au)**

