PEEL EXPLORATION LIMITED

ACN 119 343 734

PROSPECTUS

For the offer of 15,000,000 Shares at an issue price of $0.20 each to raise $3,000,000

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.
The Shares offered by this Prospectus should be considered speculative.

IMPORTANT NOTICE

This Prospectus is dated 21 March 2007 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered speculative.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.peelex.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances; any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

CONTENTS

1. CORPORATE DIRECTORY 4
2. CHAIRMAN'S LETTER 5
3. INVESTMENT OVERVIEW 6
4. DETAILS OF THE OFFER 8
5. COMPANY AND PROJECT OVERVIEW 11
6. INDEPENDENT GEOLOGIST'S REPORT 23
7. INVESTIGATING ACCOUNTANT'S REPORT 47
8. SOLICITOR'S REPORT ON TENEMENTS 62
9. RISK FACTORS 79
10. ADDITIONAL INFORMATION 84
11. DIRECTORS' AUTHORISATION 91
12. GLOSSARY 92

1. CORPORATE DIRECTORY

Directors

Michael Kiernan
Non-Executive Chairman

Rob Tyson
Executive Director

Simon Hadfield
Non-Executive Director

Share Registry*

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone: 1300 664 593
Facsimile: (08) 9323 2033

Company Secretary

David Hocking

Solicitors to the Company

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

Registered Office

Level 1, 79 Hay Street
Subiaco WA 6008

Telephone: (08) 9382 3955
Facsimile: (08) 9388 1025

Auditors and Investigating Accountant

Horwarth Audit (WA) Pty Ltd* & Horwath (WA) Pty Limited
128 Hay Street
Subiaco WA 6008

Website

www.peelex.com.au

Independent Geologist

Geological and Management Services Pty Ltd
Unit 7, Level 3
Charles Plaza
66 King St
Sydney NSW 2000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

2. CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of Peel Exploration Limited, it is my pleasure to introduce our Prospectus. Peel Exploration was incorporated in April 2006 for the purpose of acquiring precious and base metals-prospective tenure in the New England Fold Belt of eastern Australia.

The Company has since secured four key project areas representing about 700 square kilometres of granted tenure.

We believe that the New England Fold Belt, particularly the portion located in northern New South Wales, represents a unique opportunity for mineral exploration. The area has a rich mining history with numerous mineral discoveries including Mount Morgan, Gympie, Mount Rawdon, Cracow, Hillgrove, Timbarra and Twin Hills. Yet despite this rich mineral endowment, the Belt remains poorly explored with minimal modern exploration techniques having been utilised.

The Company's portfolio of 100% owned exploration licences comprises of:

1. **The Dungowan Prospect** - EL6613 contains five historic copper mines and workings. High grade copper mineralisation was reported from the Fishers copper mine (operated by a private syndicate in the late 1960's) with 2,643 tonnes of ore extracted at an average grade of 13.4% copper.

2. **The Barry Prospect** - EL6614 is centred on a cluster of copper and molybdenum workings. Exploration in the 1970's returned copper values averaging some 1.7%.

3. **The Waverley Prospect** - EL6719 is centred on the historic Waverley silver-lead-zinc workings and an associated magnetic anomaly. Prospecting in the mid 1990's returned anomalous values of up to 739 ppm silver, 14.6% zinc and 9.4% lead.

4. **The Armidale Prospect** - EL6722 contains several historic silver mines along with numerous gold, antimony, tungsten and molybdenum workings. The area also hosts a large untested gravity anomaly which will receive exploration priority.

On behalf of the Directors I am pleased to invite you to join us as a shareholder and participate in this grass roots opportunity to share in our exciting exploration journey – the Peel Exploration journey.

Yours faithfully

Michael Kiernan

Chairman

21 March 2007

3. INVESTMENT OVERVIEW

3.1 Important Notice

This section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 Objective

Peel's key objective is to substantially grow shareholder wealth through the discovery of precious and/or base metals deposits by:

- focusing exploration activities on under-explored geological regions with proven mineral endowment;
- conducting exploration in areas with known historic base and precious metals mines, workings and prospects that have been subject to only minimal modern exploration;
- minimising corporate overheads and expenses; and
- seeking other mineral opportunities as and when they come to hand.

The Company will continue with the exploration and evaluation of its four Exploration Licences in the New England Fold Belt region of northern New South Wales with a focus on promptly and systematically testing the potential of the numerous precious and base metals prospects further described herein.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

3.3 Indicative Timetable

Lodgement of Prospectus with the ASIC	21 March 2007
Opening Date	29 March 2007
Closing Date	5.00pm WST on 30 April 2007
Despatch of Holding Statements	4 May 2007
Expected date for listing on ASX	9 May 2007

3.4 Purpose of the Offer and Use of Proceeds

It is intended to apply funds raised from the Offer as follows (assuming the Offer is fully subscribed to raise $3,000,000):

	Year 1	Year 2	Total
Evaluation and exploration	$969,000	$864,000	$1,833,000
Expenses of issue	$250,000	-	$250,000
Administration Costs	$150,000	$150,000	$300,000
Project generation	$100,000	$100,000	$200,000
Unallocated working capital	$208,500	$208,500	$417,000
Total	**$1,677,500**	**$1,322,500**	**$3,000,000**

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Following completion of the Offer, the Company will have sufficient working capital to carry out its stated objections.

3.5 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below[1]:

Shares	**Number**
Shares on issue at date of Prospectus	15,000,000
Shares now offered	15,000,000
Total Shares on issue at completion of the Offer[2]	**30,000,000**

Options[3]	
Options on issue at date of Prospectus[4]	15,000,000
Options now offered	Nil
Total Options on issue at completion of the Offer[2]	**15,000,000**

Notes:

[1] Refer to Investigating Accountant's Report for further information.

[2] Assumes that the Offer is fully subscribed.

[3] Following completion of the Offer and successful listing of the Company's Shares on ASX, the Directors propose to proceed with a rights issue of Options to all Shareholders registered on that date which is approximately two months after the date the Company's Shares commence trading on ASX. Please refer to Section 4.7 for further details.

[4] 7,500,000 of these Options have an exercise price of $0.30 each and 7,500,000 of these Options have an exercise price of $0.20. Both classes of Options have an expiry date of 30 November 2010. Please refer to Section 10.2 for further details.

Restricted securities

Subject to the Company being admitted to the Official List, certain of the Shares on issue prior to the Offer and certain of the Shares issued on the exercise of the Options on issue prior to the Offer, are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

4. DETAILS OF THE OFFER

4.1 The Offer

By this Prospectus, the Company offers for subscription up to 15,000,000 Shares at $0.20 cents each to raise up to $3,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

4.2 Applications

Applications for Shares under the Offer must be made using the Application Form.

Payment for the Shares must be made in full at the issue price of $0.20 cents per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Completed application forms and accompanying cheques must be mailed or delivered to:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

or

Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6840

Cheques should be made payable to "Peel Exploration Limited – Share Trust Account" and crossed "Not Negotiable". Completed application forms must reach one of the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

4.3 Oversubscriptions

No oversubscriptions will be accepted.

4.4 Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

4.5 Minimum Subscription

The minimum subscription to be raised pursuant to this Prospectus is $3,000,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

4.6 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

4.7 Rights Issue of Options post Listing

The Directors propose to proceed with a rights issue of Options on a one (1) for two (2) basis at an issue price of 1 cent per Option to all Shareholders registered on the share register at that date which is approximately two months after the Shares commence trading on ASX. The Company will apply to ASX to have these Options listed for Official Quotation. Each Option will be exercisable at $0.20 on or before 30 November 2010.

A disclosure document will be made available when the Options referred to above are offered by the Company. Anyone who wants to acquire Options under the rights issue will need to complete an application form that will be in, or will accompany, the disclosure document.

4.8 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed application form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

4.9 Underwriter

The Offer is not underwritten.

4.10 Commissions on Application Forms

The Company reserves the right to pay a commission of 5% (inclusive of goods and services tax) of amounts subscribed to any Australian Financial Services licensees in respect of valid applications lodged and accepted by the Company and bearing the stamp of the Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the Australian Financial Services licensee.

4.11 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Share and Option holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

4.12 Risk factors

Prospective investors in the Company should be aware that subscribing for securities the subject of this Prospectus involves a number of risks. These risks are set out in Section 9 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 9, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

4.13 Privacy Statement

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

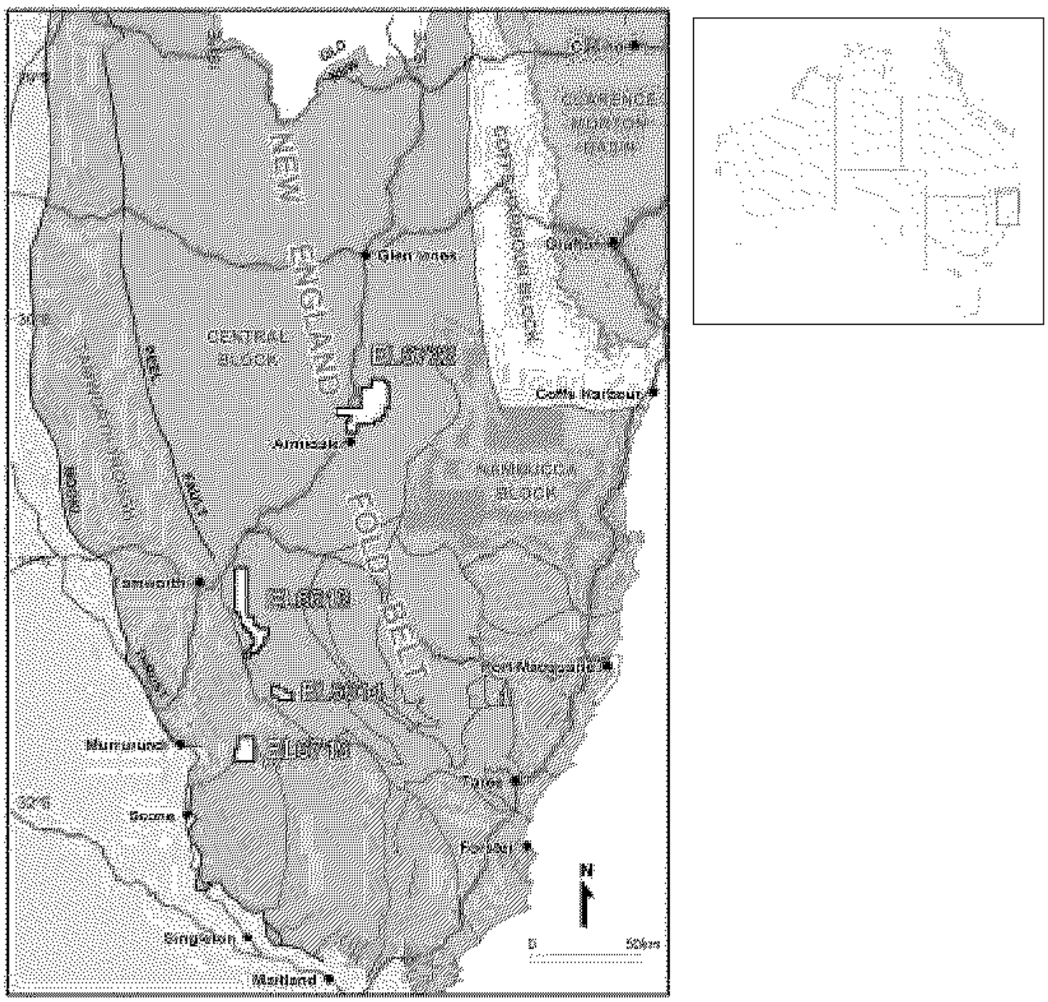
5. COMPANY AND PROJECT OVERVIEW

5.1 Introduction

Peel Exploration has been established primarily to explore for deposits of gold, silver, copper, zinc and lead. Secondary targets include tungsten, tin, molybdenum, bismuth and antimony. The Company has identified the New England Fold Belt, particularly the portion located within northern New South Wales, as a highly prospective and under-explored region.

The New England Fold Belt (**NEFB**) has a rich mining history with numerous major mineral discoveries including Mount Morgan, Gympie, Mount Rawdon, Cracow, Hillgrove, Timbarra and Twin Hills. Despite this obvious endowment, the NEFB has been subject to surprisingly little modern exploration.

Figure 1 – Project Locations



The Company has a portfolio of four 100%-owned Exploration Licences comprising:

- **EL 6613** contains numerous historic copper mines/workings. High-grade copper mineralisation was reported from Fishers copper mine, with 2,643t of ore produced at an average grade of 13.4% copper while at nearby Trough Gully copper mine, the lode finished in massive sulphide mineralisation.

- **EL 6614** is centred on a cluster of copper and molybdenum workings. Exploration in 1971 returned significant copper values, including 27 samples averaging 1.7% copper and 21 samples averaging 1.9% copper.

- **EL 6719** is centred on the historic Waverley silver-lead-zinc workings and an associated magnetic anomaly. Prospecting at Waverley in the mid-1990s by the only previous recorded explorer returned highly anomalous silver, lead and zinc values.

- **EL 6722** contains several historic silver mines along with numerous gold, antimony, tungsten and molybdenum workings. The area also hosts a very large untested gravity anomaly.

5.2 Details on the Assets

EL 6613

EL 6613 covers an area of approximately 252 square kilometres and is located 300 kilometres north of Sydney in the New England Fold Belt of eastern Australia, or about 15 kilometres east of Tamworth, New South Wales. Within EL 6613, there are two specific project areas of interest; numerous historic copper mines/workings in the vicinity of Dungowan as well as a number of historic gold workings in the vicinity of Limbri.

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

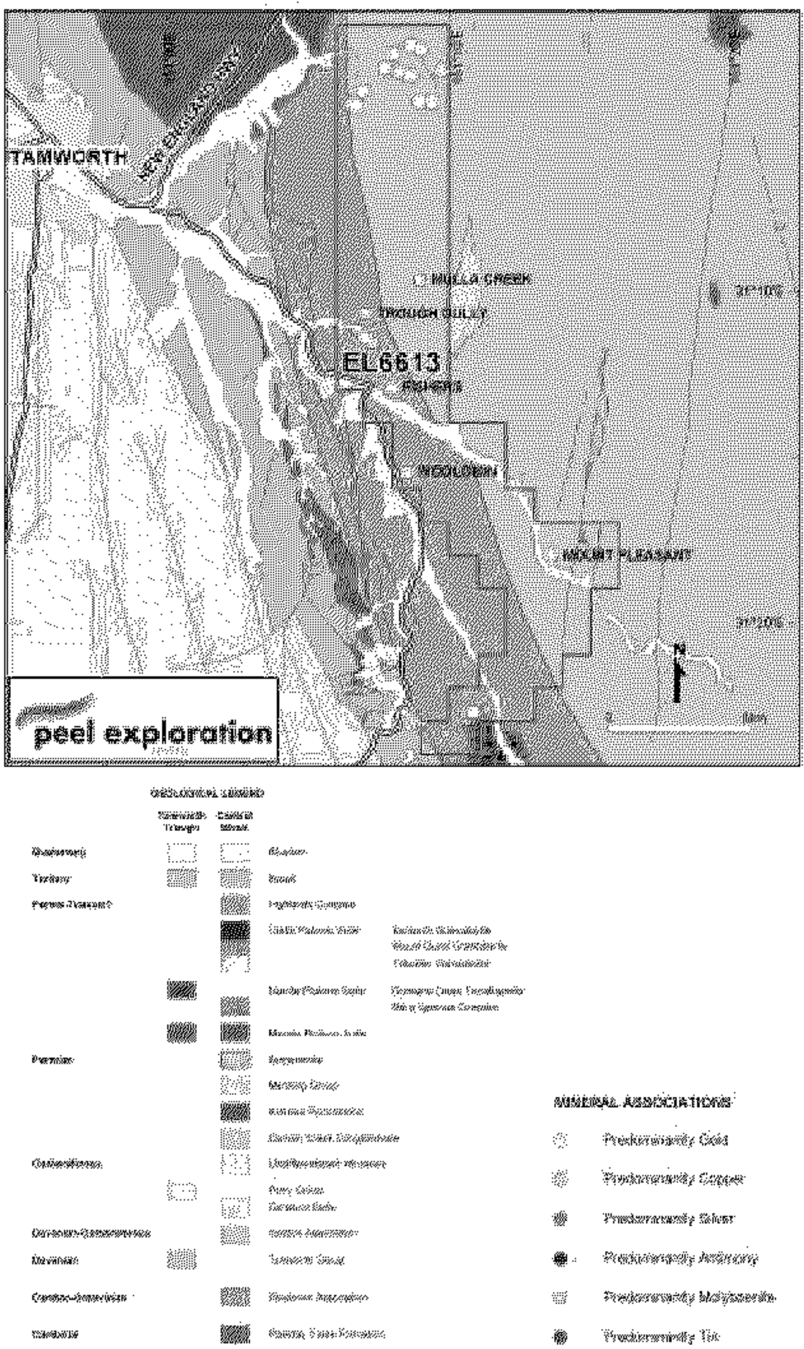
Dungowan Project

The **Dungowan project** area, in the central portion of the EL 6613, is host to numerous historic copper mines and workings. The most significant copper deposits - Fishers (also known as Dungowan), Trough Gully, Mulla Creek, Woolomin, and Mt Pleasant - were mostly worked about the turn of the 20th Century, and appear to represent polymetallic VHMS mineralisation.

The polymetallic (copper-zinc-silver-gold) deposits all share common characteristics indicating a common origin. They are largely conformable with the enclosing sediments and volcanics, occurring as lenses (either singly or in groups) measuring up to 60 metres long and up to 4 metres thick, and extending down to at least 40 metres. The sulphide lenses are invariably closely associated with mafic volcanics, jaspers and cherts. Development of supergene enriched copper zones (chalcocite) is a feature of the Mulla Creek and Fishers deposits.

Fishers (aka Dungowan) copper mine was worked between 1899-1900, and 1968-1974 for reported production of 2,643 tonnes at an average grade of 13.4% copper. The main lode (Cathedral stope) was reportedly at least 23m long and up to 3m wide. A series of exploration programmes (including New South Wales Geological Survey investigations) completed in the late 1960s/early 1970s culminated in drilling in 1972 comprising 11 holes for 382m. Peel Exploration believes that the drilling insufficiently tested the deposit – the deepest hole being 56m. No significant exploration has been completed since that time.

Figure 2 – EL 6613 Location, Geology and Mineral Deposits



Trough Gully copper mine was worked between 1899-1916 for reported production of 2,752 tonnes ore. Workings were reportedly up to 14 ft in width, at least 140 ft in length and 100 ft in proven depth. The lode finished in mineralisation and remains open to the north, south and down dip. Eight underground channel samples taken by the New South Wales Geological Survey returned average grades of 2.2% copper, 1.2% zinc, 13ppm silver, and trace gold.

Mulla Creek copper mine was worked between 1911-1913 for secondary copper ore, with further driving and sinking between 1968-1979. The copper mineralisation is believed to extend over a strike length of 150 m.

Woolomin copper prospect was worked between 1910-1912 for secondary copper while **Mt Pleasant** copper prospect also produced minor secondary copper.

Peel Exploration believes that these historic copper deposits are highly prospective for polymetallic VHMS mineralisation. The close proximity of the deposits indicates a strong metallogenic environment, and provides the opportunity to define multiple small-medium sized, high grade polymetallic orebodies.

Limbri Project

The **Limbri project area** in the northern end of EL 6613 comprises a series of historic gold workings (some with associated manganese) which appear to be hosted by jasperoidal chert horizons of the Woolomin Beds. The chert horizons that host the gold mineralisation can extend for hundreds of metres to kilometres along strike, and therefore represent potentially large target areas. The Limbri area has been subject to some small-scale mining during the early to mid 1900s. A number of small gold plus manganese workings occur around the town of Limbri and gold anomalous sedimentary rocks (mainly cherts and jaspers) have been reported in the area by previous explorers.

Peel Exploration believes that the Limbri area is potentially prospective for syngenetic (volcanic-related), exhalative gold mineralisation; and/or epigenetic structurally-controlled gold mineralisation related to regional deformation, metamorphism and granite-intrusive phases. The Company believes that the area has not been adequately tested and holds potential for economic gold mineralisation.

Table 1: EL 6613 Proposed Expenditure

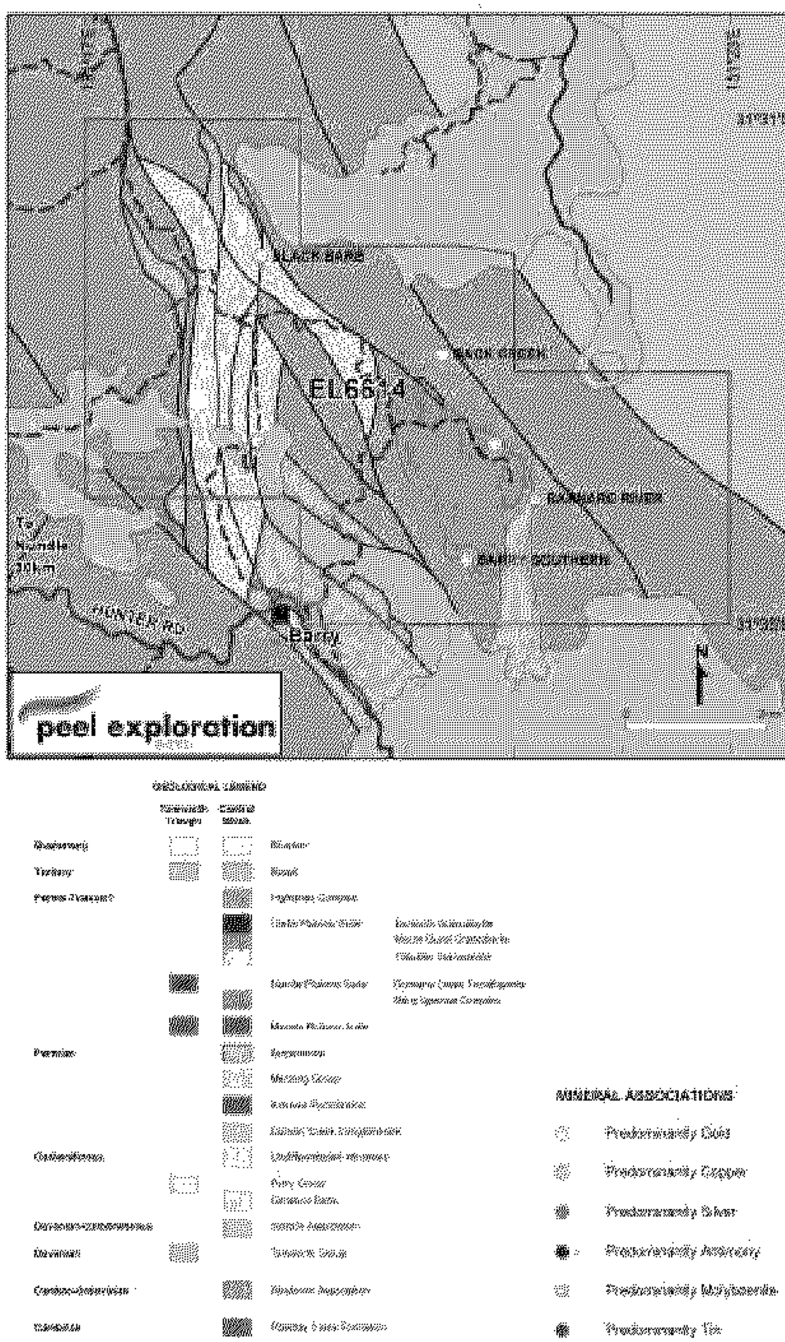
ACTIVITY	YEAR 1	YEAR 2	TOTAL
	$	$	$
Field mapping and surveys	15,000	10,000	25,000
Geochemistry surveys and analysis	15,000	15,000	30,000
Geophysical surveys and analysis	110,000	20,000	130,000
Drilling	60,000	80,000	140,000
Drill assays and downhole geophysics	18,000	24,000	42,000
GIS and data compilation	15,000	15,000	30,000
Geological and field staff wages and consultants	25,000	25,000	50,000
Field support and vehicles	15,000	15,000	30,000
TOTALS	273,000	204,000	477,000

EL 6614

EL 6614 covers an area of approximately 48 square kilometres and is located 260 kilometres north of Sydney in the New England Fold Belt of eastern Australia, or about 25 kilometres southeast of Nundle, New South Wales.

Within EL 6614 is the Barry project; an area which is considered prospective for polymetallic VHMS mineralisation and intrusive-related precious/base metal mineralisation.

Figure 3 – EL 6614 Location, Geology and Mineral Deposits



Barry Project

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

The Barry area has been subject to only limited modern exploration. Exploration was conducted in the region between 1970-1972, examining gold, copper and molybdenum prospects. In 1971, a series of assay results (within a programme of 376 samples) from the Barry area were reported to have returned strong traces of copper mineralisation along an apparent strike of approximately 2 miles. It was also reported that copper mineralisation could well be expected at depth over a strike length of some 2,000 ft. Within the assay results, several series of consecutive results returned high grade copper values, which included: 27 samples averaging 1.7% copper, 21 samples averaging 1.92% copper (plus significant silver and gold), 4 samples averaging 1.1% copper, 3 samples averaging 1.2% copper and 11 samples averaging 3.2% copper. The sample location map that accompanied the report is missing, along with all statutory reporting of exploration thereafter (covering a further 18 months). No follow-up exploration of these results has ever been reported.

Table 2: EL 6614 Proposed Expenditure

ACTIVITY	YEAR 1	YEAR 2	TOTAL
Field mapping and surveys	$10,000	$10,000	$20,000
Geochemistry surveys and analysis	$10,000	$10,000	$20,000
Geophysical surveys and analysis	$50,000	$10,000	$60,000
Drilling	$40,000	$60,000	$100,000
Drill assays and downhole geophysics	$12,000	$18,000	$30,000
GIS and data compilation	$8,000	$8,000	$16,000
Geological and field staff wages and consultants	$20,000	$20,000	$40,000
Field support and vehicles	$10,000	$10,000	$20,000
TOTALS	$160,000	$146,000	$306,000

EL 6719

EL 6719 covers an area of approximately 100 square kilometres and is located 230 kilometres north of Sydney in the New England Fold Belt of eastern Australia, or about 40 kilometres northeast of Scone, New South Wales. The licence encompasses the historic Waverley silver-lead-zinc workings and a large untested magnetic anomaly proximal to the Waverley workings.

The licence area is considered prospective for intrusive-related precious-base metal mineralisation.

Waverley Project

The **Waverley project area** hosts the historic Waverley silver-lead-zinc workings which comprises pits, shafts and adits. Production was undertaken intermittently between 1868 and 1912. Mineralisation at Waverley has been recorded as being associated with a three kilometre long NNE trending fault zone.

New South Wales Geological Survey inspections report that the mineralisation comprised a series of pods and lenses, with pods reportedly measuring up to a maximum of 20m long and 3m wide.

Prospecting in the mid-1990s by the only known explorer of the region returned values up to 739ppm silver, 14% zinc and 9.4% lead. Mineralisation at Waverley appears to exhibit epithermal characteristics and the area also hosts a large untested magnetic anomaly proximal to the workings.

Figure 4 – EL 6719 Total Magnetic Intensity

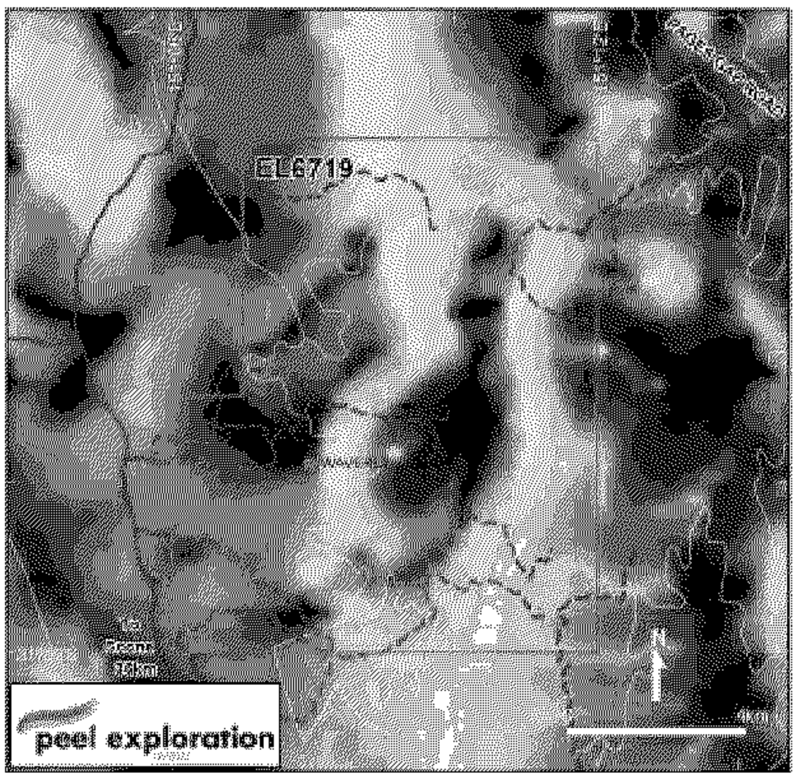


Table 3: EL 6719 Proposed Expenditure

ACTIVITY	YEAR 1	YEAR 2	TOTAL
Field mapping and surveys	$15,000	$10,000	$25,000
Geochemistry surveys and analysis	$15,000	$10,000	$25,000
Geophysical surveys and analysis	$50,000	$20,000	$70,000
Drilling	$40,000	$60,000	$100,000
Drill assays and downhole geophysics	$12,000	$18,000	$30,000

GIS and data compilation	$10,000	$10,000	$20,000
Geological and field staff wages and consultants	$25,000	$20,000	$45,000
Field support and vehicles	$15,000	$15,000	$30,000
TOTALS	$182,000	$163,000	$345,000

EL 6722

EL 6722 covers an area of approximately 300 square kilometres and is located 400 kilometres north of Sydney in the New England Fold Belt of eastern Australia, or about 5 kilometres north of Armidale, New South Wales. The licence encompasses the Armidale project which comprises numerous historic precious and base metals mines and workings, including three regionally-significant silver mines. EL 6722 abuts Straits Resources Limited's Hillgrove gold-antimony mine's regional exploration tenure.

The Company considers that the Armidale project is prospective for precious metals deposits.

Armidale Project

The **Armidale project area** covers numerous historic gold, silver, antimony, and tungsten mines and workings, including the Taits Gully silver-gold mine and the Greengate silver-lead-zinc mine. The application area also contains the historic Whybatong silver-gold mine (adjacent to Taits Gully) which remains covered by a small mining lease (not owned by the Company). Limited modern exploration has been completed in the area.

The **Taits Gully** silver-gold mine is situated 15 kilometres north of Armidale and comprises workings spread over a two kilometre area. The two largest workings, the Mary Ann and the Endeavour mines, were first worked in 1901 and 1910 respectively. During this time until 1914 (when the mine ceased owing to World War 1) at least 36,400 oz silver and 400 oz gold were reportedly recovered.

Exploration at Taits Gully in 1982 and in 1984 culminated in a small drilling programme with a best result of 7m at 48ppm silver, 0.6% zinc, 0.3% lead, and 0.2ppm gold from 54m returned. The Company believes that Taits Gully has not been adequately tested and that potential remains for the discovery of high-grade silver-gold mineralisation.

The **Greengate** silver-lead-zinc mine is located about 20 kilometres northwest of Armidale. Previous recorded exploration has been limited to small programs in 1966 and 1982. Historic rockchip assay results reveal anomalous levels of gold, silver, lead, zinc and copper with values of up to 36ppm silver, 2.3% lead and 4.5% zinc.

The area also hosts the **Blue Moon** gravity prospect, an untested six kilometre-wide circular gravity anomaly, possibly representing a sub-volcanic chamber associated with a collapsed caldera, or a buried intrusive pluton. This anomaly represents a sizeable exploration target given its proximity to altered acid volcanics with associated precious metals values.

Figure 5 – EL 6722 Bouguer Gravity

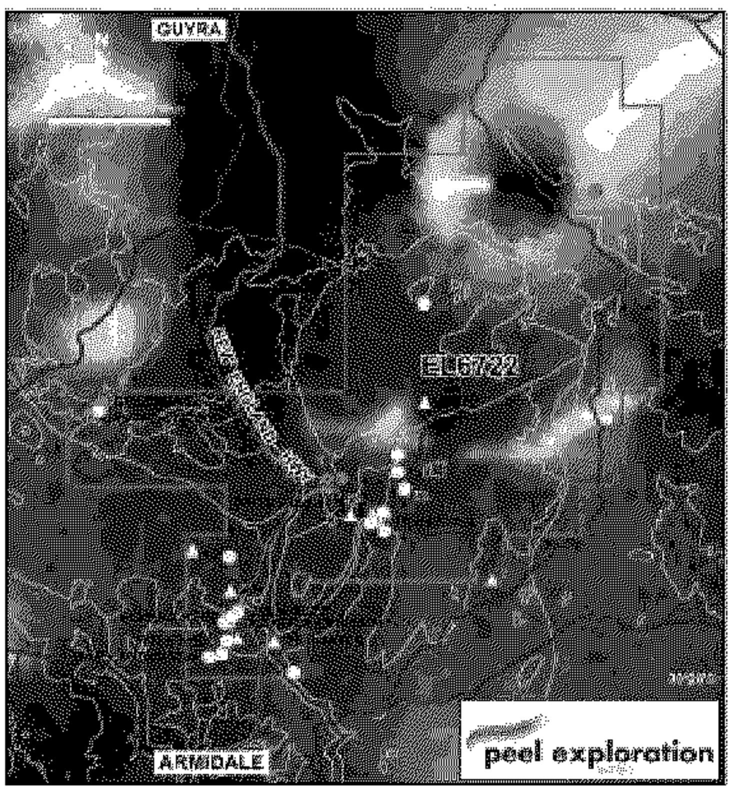


Table 4: EL 6722 Proposed Expenditure

ACTIVITY	YEAR 1	YEAR 2	TOTAL
Field mapping and surveys	$25,000	$25,000	$50,000
Geochemistry surveys and analysis	$25,000	$25,000	$50,000
Geophysical surveys and analysis	$110,000	$20,000	$130,000
Drilling	$80,000	$120,000	$200,000
Drill assays and downhole geophysics	$24,000	$36,000	$60,000
GIS and data compilation	$25,000	$25,000	$50,000
Geological and field staff wages and consultants	$40,000	$60,000	$100,000
Field support and vehicles	$25,000	$40,000	$65,000
TOTALS	$354,000	$351,000	$705,000

5.3 Directors

Michael Kiernan (57)
Non-Executive Chairman

With more than 30 years experience in the mining and transport industries, Mr

Kiernan brings a wealth of knowledge and experience to the Peel board. Mr Kiernan retains the positions of chairman at Monarch Gold Mining Company Ltd, Uran Ltd, and Mineral Resources Ltd along with directorships at Matilda Minerals Ltd and Australian Zircon NL.

Rob Tyson (36) - BAppSc; GDAppFin; MAusIMM
Executive Director

Mr Tyson is a qualified 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 also has more than five years of senior management experience and retains the position of general manager at resources industry publisher and conference business, Resource Information Unit Pty Ltd.

Simon Hadfield (60)
Non-Executive Director

Mr Hadfield has more than 30 years experience managing medium and large companies including the holding of directorships at publicly-listed industrial and resource companies. Mr Hadfield is managing director of Resource Information Unit Pty Ltd.

David Hocking (61)
Company Secretary

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 accounts 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.

5.4 Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

5.5 The Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

5.6 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

(b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

5.7 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

5.8 Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of $300,000 per annum.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

5.9 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

5.10 Audit committee

The Company may appoint a separate constituted audit committee.

5.11 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

5.12 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

GMS

Geological and Management Services Pty Ltd

ABN 47 001 256 248

The Directors
Peel Exploration Ltd
Level 1, 69 Hay St
Subiaco, WA
6008

Dear Sirs

Independent Experts Report

At your request Geological and Management Services Pty Ltd (hereinafter referred to as GMS) has prepared an Independent Geologist's Report on the Mineral Assets of Peel Exploration Limited located in the New England Region of New South Wales, Australia. It is intended that this report will be included in a Prospectus to be lodged with the Australian Securities and Investment Commission (ASIC).

GMS has not been requested to provide an Independent Valuation of the Mineral Assets, nor has it been asked to comment on fairness or reasonableness of any vendor or promoter considerations, and it has therefore not offered any opinions on these matters.

GMS has based its review of the Peel Exploration projects on information provided by Peel Exploration along with technical reports prepared by Government agencies and previous tenement holders, as well as other relevant published and unpublished data. No site visits to any of the properties were undertaken.

GMS has made all reasonable enquiries to establish the authenticity and completeness of the technical data on which this report is based.

Peel Exploration was given a final draft of this report, and was thereby given an opportunity to identify any material errors or omissions. Where appropriate, and in accordance with ASIC Practice 55 and Update 183, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the properties concerned.

Peel Exploration has been granted four Exploration Licences (EL's) in the New England area covering 700 km^2.

The legal status associated with the tenure of the Peel Exploration properties has not been verified by GMS, and is discussed in the Solicitor's Report in the Prospectus.

This report has been prepared in accordance with the Code and Guidelines for the Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the 'Valmin Code') which is binding upon members of the Australasian Institute of Mining and Metallurgy (AusIMM) and members of the Australian Institute of Geoscientists (AIG), as well as the rules and guidelines pertaining to Independent Expert Reports issued by ASX Limited (ASX).

The Peel Exploration properties are considered to be 'Exploration Prospects', which are inherently speculative in nature. However, GMS is of the opinion that the projects have been acquired on the basis of sound technical merit. The properties are also considered to be sufficiently prospective to warrant further exploration and assessment of their economic potential, consistent with the exploration budgets proposed.

This independent Geologist's Report has been prepared on the basis of information available up to and including February, 2007. GMS has provided consent for the inclusion of the report in the Prospectus, in the form and context in which the report and these statements appear.

Yours faithfully,

Dr. Ian Douglas Blayden
PhD, MBA, BSc, MAusIMM MMICA CP (Geo)
Managing Director

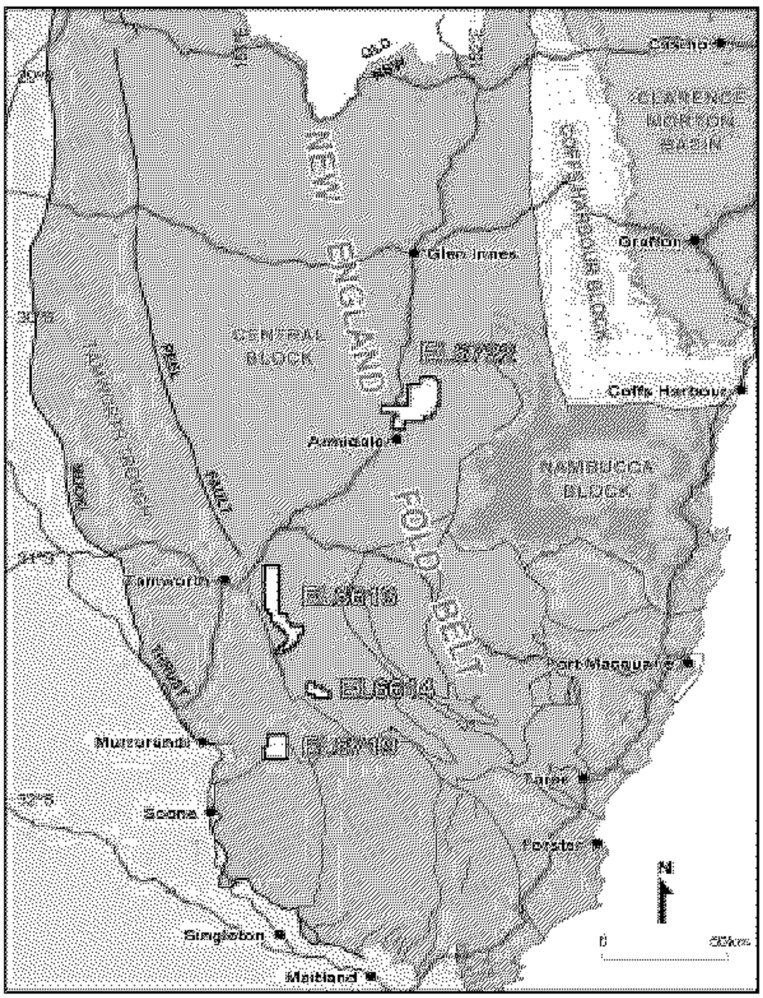
Geological and Management Services Pty Ltd
ABN 47 001 256 248
Unit 7, Level 3
Charles Plaza
66 King St
Sydney NSW 2000
Ph: (02) 9299 5591
Mob: 0417 461 262

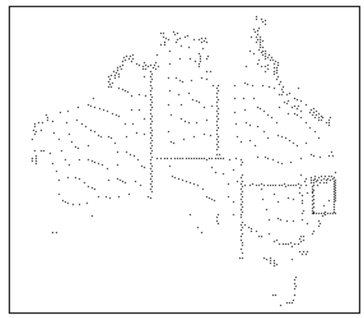
PEEL EXPLORATION LIMITED MINERAL ASSETS
INDEPENDENT EXPERTS REPORT

Introduction

Geological and Management Resources Pty Ltd (GMS) was requested by Peel Exploration Limited to carry out an independent review of the EL's (Exploration Licence) held by Peel Exploration in the New England area of New South Wales (Figure 1). The assessment was carried out using published and unpublished information available from the records of the NSW Department of Primary Industries (DPI), primarily in the form of mining records and previous exploration reports. No fieldwork was carried out as part of the assessment.

Figure 1 – Tenement locations





Geological Setting

The EL's are all located on the New South Wales portion of the New England Fold Belt (NEFB) (Figure 1). The NEFB covers much of northeastern NSW and southeast Queensland with the NSW portion comprising two principal subdivisions, the Central Block to the east and Tamworth Belt to the west separated by the regionally significant Peel Fault.

Central Block

Some of the oldest rocks in the block are serpentinites of Middle Cambrian to Early Silurian age distributed along the Peel Fault and associated structures as a series of discrete elongate slivers. The rocks are believed to represent fragments of oceanic crust caught up during a later subduction phase beneath the Peel Fault.

The Pipeclay Creek Formation and associated sequences which also occur as slivers along the Peel Fault south of Tamworth are of Cambro-Ordovician age. The unit comprises cherty siltstone, sandstone, conglomerate and oolitic limestone which are believed to have been deposited in moderate to shallow water depths in a marine environment.

A north westerly trending, fault bounded slice of Cambro-Ordovician strata crop out to the east of the Peel Fault and are referred to as the Woolomin "Association". The Association includes rocks of the Woolomin Group and comparable units. Comprising volcaniclastic lithic sandstone, siltstone and mudstone with subordinate chert, jasper, basalt and diamictite, these rocks are believed to have been deposited in a deep water marine environment.

Sandon "Association" rocks of Devonian to Early Carboniferous age occur over much of the central portion of the Block. This sequence includes the Sandon Beds, Wisemans Arm Formation and Whitlow Formation (conformably overlies the Cara Formation). The Sandon Association strata are also of deep water origin and are lithologically similar to the Woolomin Association rocks. The sequence comprises lithic clastics, slate, chert, jasper and metabasalt.

The Girrakool Beds of late Carboniferous occur to the east of Armidale forming part of the Coffs Harbour "Association". This sequence is dominated by slate and sandstone.

All of these rocks are tightly folded, cleaved and regionally metamorphosed grading from prehnite-pumpellyite to medium greenschist facies. The Woolomin Group rocks generally exhibit the highest metamorphic grades.

The Manning Formation is a sequence of Early Permian sediments with some volcanics occurring as fault slices within the Woolomin Group rocks adjacent to the Peel Fault. The sequence is of marine origin. Other sediments of Early Permian age, but which are little deformed, occur as inliers near Armidale and are of lacustrine origin. Similarly, pyroclastic rocks and acid volcanics of Early Permian age are also developed in the area of Armidale.

Two principal intrusive events are recognised in the Central Block, the Bundarra Plutonic Suite of Early Permian age and the Uralla-Moonbi Suite of Late Permian to Triassic age. Occurring largely as an aggregation of plutons in the central axial region of the Central Block, the Bundarra Suite comprises coarse grained porphyritic to equigranular biotite-muscovite-cordierite granite. These granites are classified as S-type granites as their intrusion was synchronous with a widespread episode of folding and thrusting.

Plutons of the I-type (post tectonic) Moonbi and Uralla Plutonic suites are characteristically massive with equigranular and porphyritic variants and include biotite leucogranite and biotite-hornblende granites as well as monzonite, tonalite, diorite and gabbro. Dyke swarms of lithologically similar rocks are often associated with the intrusions as are strong contact metamorphic aureoles in the intruded country rock.

Tamworth Trough

Comprising a belt of regressive marine to terrestrial clastic rocks of early Late Devonian to Early Permian age and Early Permian basalts, the Tamworth Trough defines the western margin of the NEFB. The north north-westerly trending Hunter-Mooki Thrust Fault forms the western boundary of the Trough with the Peel Fault forming the eastern boundary. The strata within the Trough are deformed by a series of elongate folds and subsidiary thrusts. In the southern portion of the Trough the rocks are further deformed by a later complex pattern of cross faults and associated folding.

Moonbi Suite plutons intrude the sequence north of Tamworth and a separate group of plutons of Middle Permian age, referred to as the Nundle suite, intrudes sediments further to the south. The Nundle Suite plutons are low potassium hornblende biotite granodiorites and trondjhemites characterised by a massive texture and a well developed contact aureole. The Barrington Tops Granodiorite, Duncans Creek Trondjhemite and Barry Igneous Complex are part of this suite. A cluster of mafic to ultramafic stocks and dykes of Jurassic age occurs in the northern part of the trough.

A widely developed series of basaltic volcanic centres developed over the NEFB during the Tertiary with the evolution of calderas, plugs and extensive flows.

Mineralisation

The NEFB is characterised by the occurrence of a large number of mineral deposits wide ranging in distribution and type. Deposits include stratiform polymetallic and gold occurrences, granite hosted tin and molybdenite deposits as well as vein hosted gold, silver, polymetallic and stibnite deposits. Deep lead and/or alluvial gold, sapphire, diamonds and tin deposits are also widespread.

To date, most of the mining has been in the form of small scale and relatively short-lived operations, leading to the idea that no significant deposits occur within the area. However the region has yet to be subject to the persistent and widespread application of recent exploration concepts and techniques that have been applied to the Lachlan Fold Belt and Broken Hill areas and therefore cannot be said to be well explored.

EL 6613

Licence Details

Issued to Peel Exploration Ltd on 22 August 2006 for a period of 2 years, the EL comprises 84 units covering an area of 252 km^2.

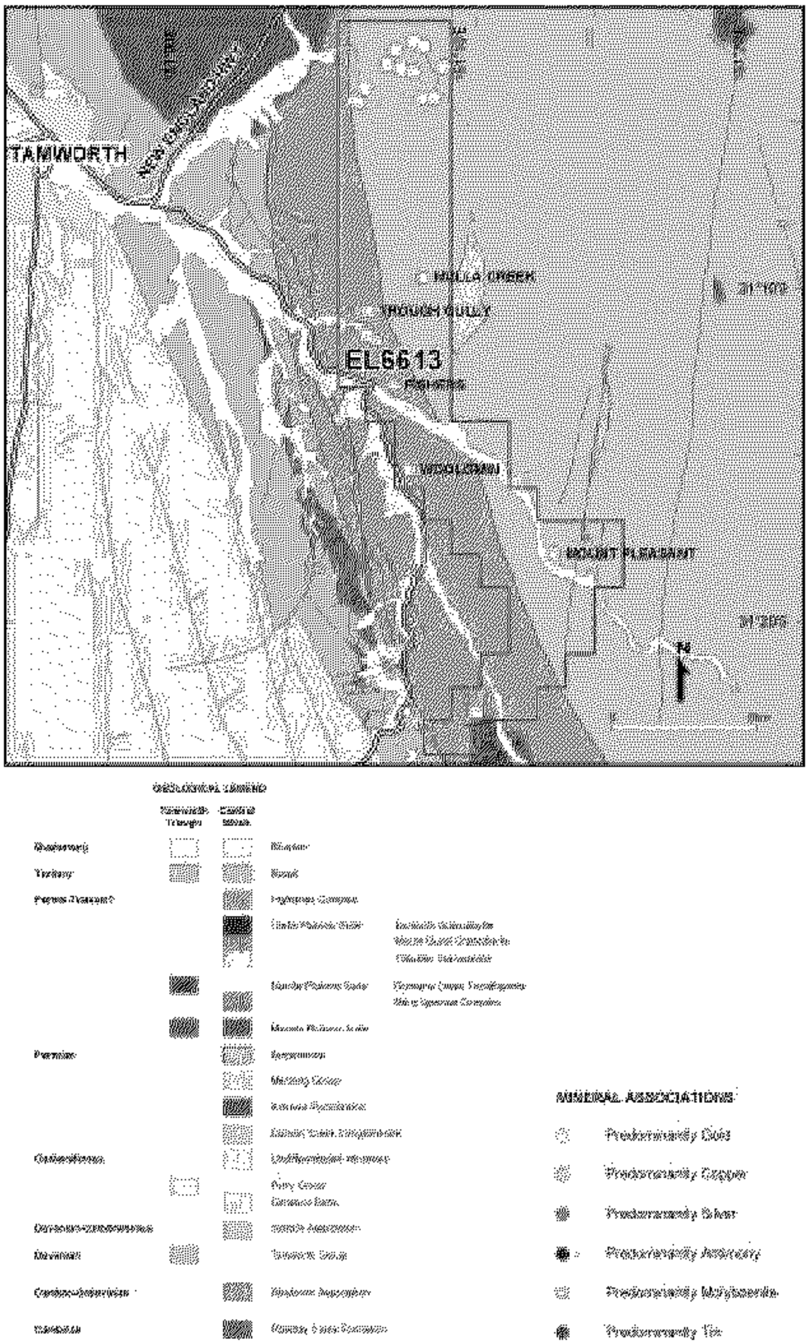
Location and Access

EL 6613 is a northerly elongate block extending over a strike length of 35 km. The northern most part of the EL is located 4 km south east of Moonbi on the New England Highway and 10 km east of Tamworth. The terrain is undulating and has been largely cleared of native vegetation and used for grazing. Access is readily obtained by means of several municipal roads and farm service roads. The surface rights are primarily freehold.

Geology

For the most part, EL 6613 is situated within the NEFB 3 to 5 km east of the north westerly trending Peel Fault zone and overlies steeply dipping rocks of Late Silurian to Carboniferous age. To the south the Peel Fault passes just to the west of the permit boundary. A major subsidiary fault sub-parallel to the Peel Fault, herein referred to as the Dungowan Fault, bisects the area separating a block of Woolomin "Association" rocks to the west from Sandon Beds to the east. Projecting into the southern portion of the area is the Duncans Creek Trondjhemite, an intrusion of the Nundle Plutonic Suite.

Figure 2 – EL 6613 Location, Geology and Mineral Deposits



Mineral Deposits

There are two principal deposit types within the permit, both primarily of syngenetic origin. To the west of the Dungowan Fault, contained within the volcaniclastics, basalts and jaspilites of the Woolomin Group, are a series of polymetallic VHMS style deposits. Stratiform manganese rich rocks are host to auriferous veins on the eastern side of the Dungowan Fault in the Limbri area at the northern end of the permit.

Polymetallic Deposits

A number of cupriferous pyrite deposits hosted by the Woolomin Group extend from near Dungowan within the EL to near Bingara north of Tamworth. A major concentration of these deposits occurs around Dungowan where some nine separate prospects are recognised by the DPI.

Where field relationships can be established the mineralisation is conformable, lenticular, commonly massive and associated with jasper and heavily altered basaltic volcanics. The deposits vary greatly in size from small areas of copper carbonate staining up to deposits such as Trough Gully and Fishers from which 2572 t and 2643 t of ore were produced. Occurring as single lenses or groups of lenses, individual deposits extend up to 60 m along strike, 4 m wide and 40 m down dip. Ore grades were generally between 2% and 4.5% copper with some ore from Fishers averaging more than 15% copper.

The ores are characteristically massive, though sometimes mineralogically banded, comprising, in decreasing abundance, pyrite, chalcopyrite, bornite, sphalerite and magnetite with small amounts of gold as well as bismuth, lead and manganese minerals.

The stratigraphic associations, textures and mineralogy clearly indicate that these deposits are of submarine exhalative origin (VHMS type deposits)

Sediment Hosted Gold

A number of small gold deposits occur in the vicinity of Limbri in the northern end of EL 6613. Little detailed work has been carried out on individual deposits but the mineralisation is known to occur in a sequence of chert, jasper, siltstone, sandstone and metabasalt rocks of the Sandon Beds. Stratiform manganese oxides occurrences also occur in the vicinity.

Gold mineralisation occurs in individual quartz veins or vein stockworks in brecciated chert in association with significant pyrite mineralisation. Manganese oxide is commonly associated with the veins as gossanous outcrops.

As with the copper deposits, the stratiform manganese and chert horizons are believed to have formed as the result of submarine volcanic exhalations. The gold mineralisation is believed to result from hydrothermal activity related to regional deformation and the intrusion of nearby Moonbi Adamellite. The gold has probably been remobilised from the exhalative sediments as indicated by the occurrence of manganese in the veins.

There has been very little detailed surface mapping of the Limbri deposits in particular and of the area in general so that the area is little understood. As the chert horizons are believed to be extensively developed there is considerable scope for further exploration of these deposits.

Previous Exploration

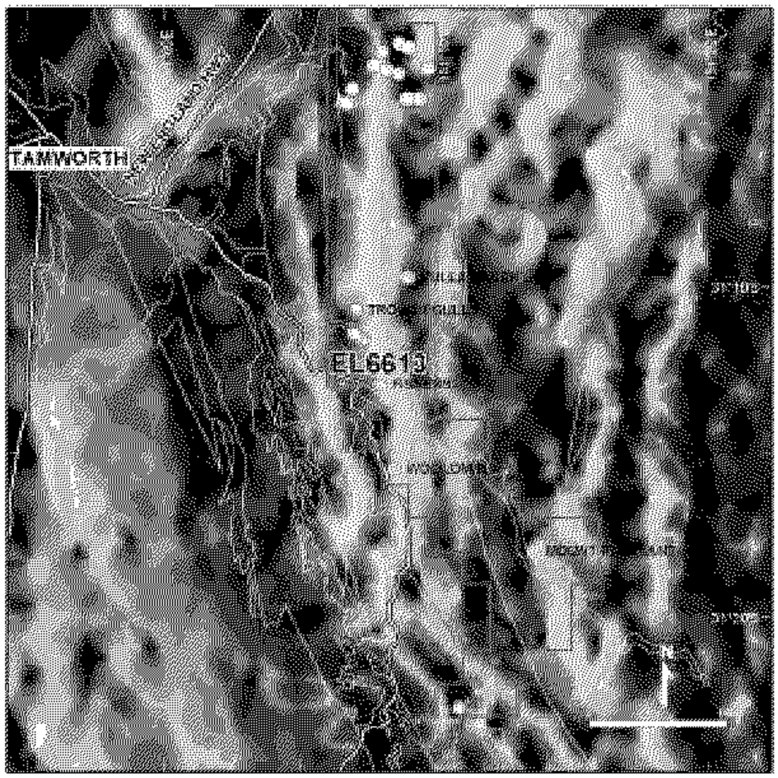
Regional Exploration

Over the period 1969 to 1971, exploration in respect of EL 191 which covered an area 1385 km^2 between Bendemeer and Nundle included the collection 3312 stream sediment samples which were analysed for a range of elements including copper and manganese. A copper anomaly was identified in the vicinity of the Trough Gully Mine but it was subsequently established to result from sample contamination derived from the mine spoil heap.

In 1974, regional stream sediment sampling of EL 563 covering the Kootingal-Nundle area was conducted and some detailed mapping of the Trough Gully Mine was also carried out. No details are given on the sampling and analysis procedure so it is difficult to comment on the effectiveness of the programme. The most significant anomalies were of copper in an area 4 km east of Kootingal with values of between 200 and 300 ppm commonly obtained with some values up to 400 ppm. Follow-up work did not lead to any recognisable mineralisation and it was concluded the anomalous areas were related to enhanced copper levels in the underlying basaltic rocks.

Until November 1982, EL 1875 covered 256 km² over an area including the Trough Gully, Fishers and Mulla Creek copper mines. A programme of regional mapping was proposed to identify further occurrences of copper mineralisation. The area was found to contain little useful outcrop apart from chert and jasper and the programme was curtailed.

Figure 3 – EL 6613 Total Magnetic Intensity



Prospect Definition

Fishers – Reported to have produced 2643 t at an average grade of 13.4% Cu, the Fishers Mine operated over the periods 1899-1900 and 1968-1974. Up to six separate lodes were reported with the largest, (Cathedral Lode) being 23 m long and up to 3 m wide. The NSW Geological Survey carried out an investigation of the mine between 1968 –1970 including IP, magnetometer and stream sediment geochemical surveys. Over the period 1971-72 the mine operators carried out a programme of costeaning, an EM survey, a magnetometer survey and a programme of percussion drilling.

The drilling comprised 11 holes totalling 382 m with the deepest at 56 m. Documentation of the drilling was very poor but is was reported that the intersections did not support continuation down dip and along strike of the Fishers orebody. The best intersection from the drilling was a zone averaging 5.45% Cu over an interval about 1.5 m in PDH6. The significance of this intersection has not been fully evaluated.

Trough Gully – Production from this mine totalled 2752 t of ore with 1315 t smelted for copper and 787 t used in the production of sulphuric acid. This production took place periodically over the period 1899 to 1916. Workings reportedly extended up to 40 m along strike, up to 4 m in width and up to 12 m deep. Further mineralisation occurs 150 m to the north.

A local syndicate undertook underground inspections, costeaning and some small scale open pitting by bulldozer over the period 1961 to 1969. An IP survey and ground magnetometer survey were undertaken by the NSW Geological Survey in 1962 and 1966. The Survey also sampled the workings in 1962 with the eight samples returning an average grade of 2.2% copper, 1.2% zinc, 13 ppm silver and a trace of gold.

Mulla Creek – There are limited records of this mining operation. It was worked between 1911 and 1913 when 12 t of copper ore were produced though the grade is unknown. Sporadic working then took place over the period 1969-1980. The NSW Geological Survey undertook a number of investigations between 1969 and 1980.

The copper mineralisation is believed to extend over a strike length of 150 m with a thickness of up to 9 m but details of the actual lode are sketchy. Analysis of eight rock chip samples returned individual grades of up to 1.9% copper, 2.8% zinc, 21 ppm of silver and 0.9 ppm of gold.

(i) Woolomin – Worked between 1910 and 1912, this prospect comprises two shafts and a 104 m long adit. There are no records of production or grade. No recent systematic exploration of the prospect has been undertaken.

(ii) Mt Pleasant - A 15m shaft was sunk on this prospect in 1885 to follow a narrow gossanous vein. Subsequent exploration included the driving of adit over 30 m. Parts of the prospect was examined in 1971 by means of surface mapping, and soil geochemistry. Copper carbonate mineralisation was identified in a number of localities believed to be associated with jasperlitic horizons. Soil geochemistry, over a 200 m X 600 m area identified a number of copper anomalies but these were traced to known occurrences in the jaspilite. The tenement holder believed any likely discovery would not meet company requirements and no further work was carried out.

Other Prospects –Several other copper prospects are known to occur in the area as well as a number of manganese occurrences, generally of limited surface expression, and have yet to receive any systematic exploration.

Limbri Area – NSW Geological Survey records identify nine shallow gold diggings in the form of shafts and trenches near Limbri in the northern part of the permit. No records exist on production levels or when most of the activity occurred although one prospect, Thompsons, is believed to have been active in 1940. Presumably the other diggings were also active around the same time.

The gold mineralisation occurs as veins and/or stockworks in jasper. A programme of investigation of the prospects was undertaken in 1998 – 1999 within EL 5392 with the aim of identifying further stockwork hosted gold mineralisation within the laterally extensive jasper horizons. It was proposed that the gold might have been remobilised from associated manganese rich horizons believed to be of submarine exhalative origin. A programme of field mapping, rock chip sampling and stream sediment sampling was carried out to investigate both hypotheses.

Detailed mapping and sampling of five diggings was undertaken with gold grades of up to 28 g/t being obtained from the samples. Lack of outcrop between workings precluded any estimate of the extent of the mineralisation. Ten stream sediment samples were collected but all samples returned values of <1 ppb gold.

Exploration Potential

Two styles of mineralisation are apparent in EL 6613. A copper dominant VHMS style in the south and vein/stockwork hosted gold in the north.

Previous mining and exploration records clearly show that the strata in the central and southern portions of the permit host a number of massive sulphide mineral deposits. The mineralogy and stratigraphic associations clearly indicate them to have originated through submarine volcanic activity. Deposits of this type may vary in size from <1 Mt to over 100 Mt and represent an extremely worthwhile exploration target.

A review of the data would suggest that the deposits are far from adequately explored either in terms of detail mapping, by geophysical means or by drilling. Drilling has been carried out at only at one prospect (Fishers) and potentially economic mineralisation in one hole (PDH 6) was not followed up. The likely source of the mineralisation, and therefore the location of potentially larger orebodies, is down dip to the east and a programme of detailed, geophysics and drilling is warranted to evaluate the potential for economic mineralisation down dip of the known deposits.

The most recent evaluation of the vein hosted gold deposits was in 1998-99 prior to the release of regional magnetic data acquired by the DPI. These data (Figure 3) over the Limbri area clearly show concentric structures, possibly related to the intrusion of the Moonbi Adamellite, not known to previous explorers. The gold at Limbri is hosted in jasper horizons which are extensively developed in the area and further investigation of these horizons is warranted in the light of the new information.

EL 6614

Licence Details

The permit EL 6614 which comprises 16 units and covers an area of 48 km^2 was issued to Peel Exploration Ltd on 22 August 2006 for a period of 2 years.

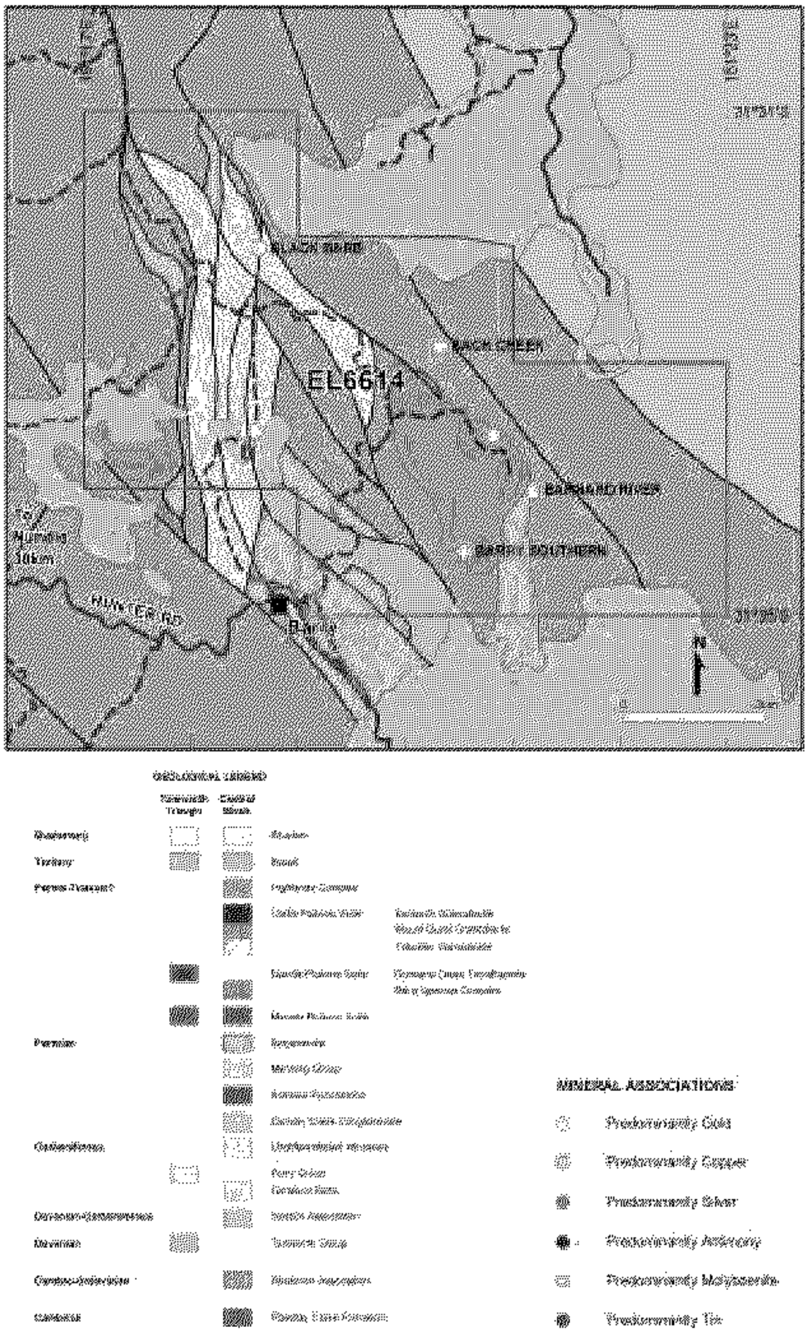
Location and Access

EL 6614, also known as the Barry Project, is located 25 km SW of Nundle and 65 km SW of Tamworth in the southern New England area. Access into the area is by means of several municipal roads, farm service roads and bush tracks. The topography is steep and most of the native vegetation has been cleared for grazing.

Geology

Covering part of the Peel Fault system in the south western part of the Central Block, the area comprises a series of elongate, narrow (1 km or less in width), north westerly trending fault blocks containing slices of Woolomin Group sediments and volcanics along with marine sediments of the Permian Manning Group. Blocks of serpentinite along with basic to ultrabasic igneous rocks also occur. The Barry Igneous Complex, a trondjhemite plutonic body forming part of the Nundle Plutonic Suite, also occurs in one fault block intruding rocks of the Woolomin Group as well as serpentinite associated mafic igneous rocks. Basalt flows of Tertiary age cap many of the higher ridges.

Figure 4 – EL 6614 Location, Geology and Mineral Deposits



Mineral Deposits

A number of small copper and/or copper molybdenite prospects occur in the area but only two of these, the Barnard River Prospect and the Black Barb prospect have been examined in any detail.

Barnard River, Barnard Hut – Located 2 km east of Barry Homestead, copper mineralisation has been traced by costeaning in a north easterly direction centred around the Barnard River for a distance of three km. A total of five individual occurrences are reported in association with or within close proximity to serpentinite.

At the river the copper mineralisation occurs as chalcopyrite with some malachite and bornite in quartz veins within an altered dolerite dyke. Approximately 650 m to the south east and 100m above the river copper bearing carbonate rocks were exposed. Many samples were obtained during prospecting with grades up to 8% copper.

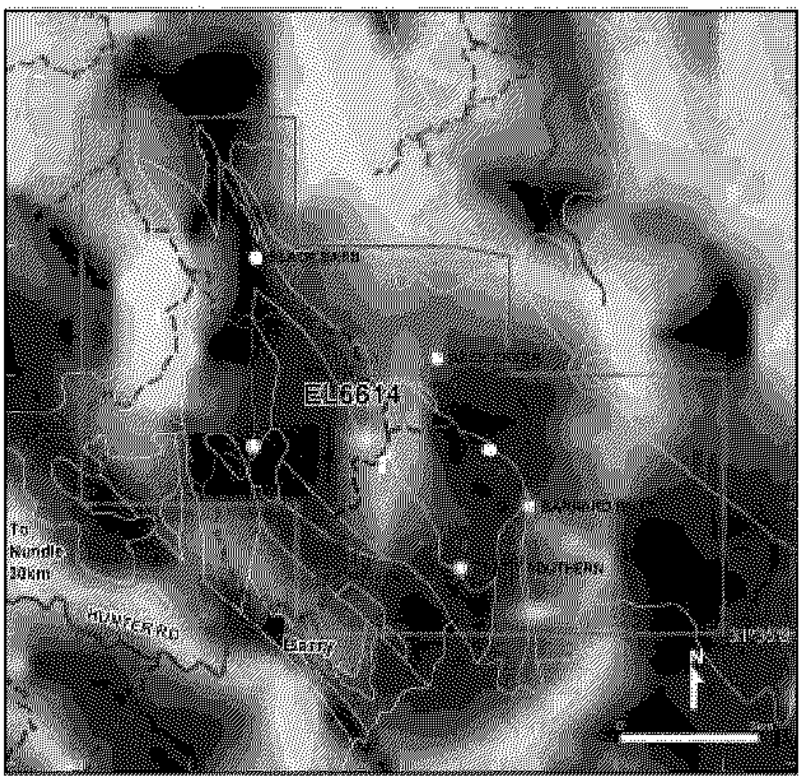
Back Creek – Two kilometres north of the Barnard River prospect molybdenite mineralisation has been reported in a 0.6m quartz vein traceable over a distance of 20 m. The host rock is not known.

Black Barb Prospect – Prospected by means of a 74 m adit and bulldozed costeans, the Black Barb Prospect comprises copper mineralisation in shear and fracture controlled veins and lenses. The shear zones and veins are developed in steeply dipping basic volcanics of the Woolomin Group and in strongly altered acid intrusives of the Barry Intrusive Complex.

Mineralisation comprises calcite, chalcopyrite and pyrite along with malachite, minor azurite and rare bornite. Samples contained <0.5% copper. Another deposit between Black Barb and Barry is reported to contain copper and molybdenite.

Barry Southern – Copper mineralisation is reported from a costean near Barry Homestead but there are no details on the style or grade.

Figure 5 – EL 6614 Total Magnetic Intensity



Previous Exploration

Regional Exploration

A regional stream sediment survey, photogeological interpretation and airborne magnetic survey were carried out over the general area in 1967-68 as part of a base metal prospecting programme, including nickel. Unfortunately much of the basic data obtained from this work has been lost although it was reported that elevated chromium, nickel and copper values were obtained around Barry.

A programme of regional exploration and prospect evaluation in the Nundle-Barry area was carried out over the period 1970-71 (EL 654). This programme included geochemical sampling with a reported 376 samples being collected. Many samples contained grades of over 1% copper but unfortunately the location of the samples has been lost.

Between 1987 and 1989 little new work appears to have been done apart from the collection of 3 stream sediment samples and 3 rock chip samples in the vicinity of the Barnard River Prospect. One sample of mullock returned a grade of 1.5% copper.

No new exploration was carried out when the Barry area was part of EL 4940 held Warren Jay Holdings Pty Ltd in 1997.

Prospect Definition

Recognition of the mineralisation in the Barry area appears to have been relatively recent with the first records being in reports of the work carried out in 1970. In addition to geochemical sampling in the Barnard River area a programme of costeaning was undertaken to define the Barnard River, Barnard Hut and Back Creek Prospects. This work identified mineralisation over a strike length of around 3 km. The Barry Prospect also appears to have been investigated at this time. Unfortunately most records of this work have been lost and the reason for cessation cannot be ascertained.

Surface and adit work at Black Barb was also carried out at this time by a private prospector and as far as is known this work was also abandoned without any significant production having occurred.

Exploration Potential

The nature of the mineralisation in the Barry area is not well known but may in part be similar in style to the VHMS mineralisation in EL 6613. Prospecting work identified mineralisation over a strike length of 3 km. Unfortunately much of the data relating to this exploration has been lost and it is difficult to assess the significance of the work. However, given that the mineralisation style is likely to be similar to EL 6613 and that there is an extensive strike length of mineral occurrences there is the potential for the discovery of economic base metal deposits. Further exploration by means of mapping, soil geochemistry, geophysics and drilling is definitely warranted.

EL 6719

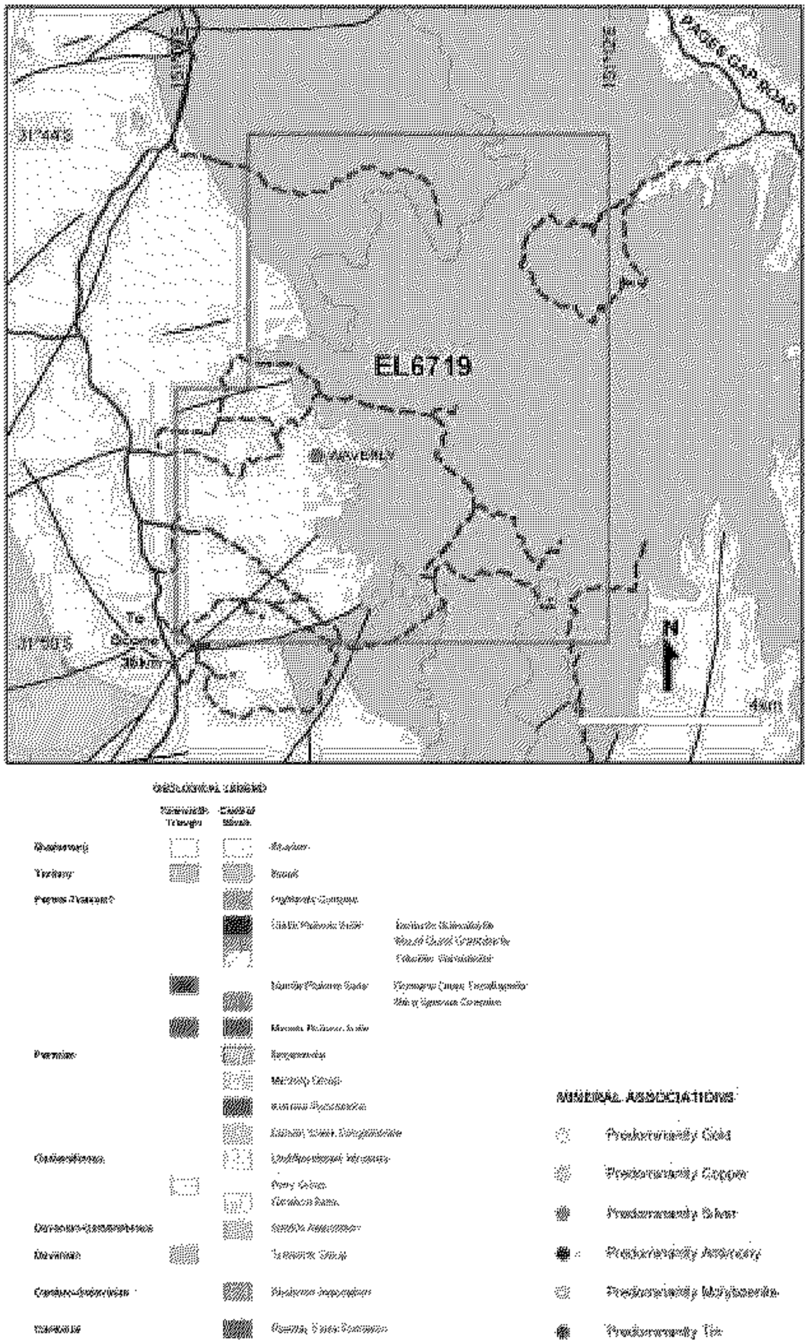
Licence Details

Issued to Peel Exploration Ltd on 26 February 2007 for a period of 2 years, the EL comprises 33 sub-blocks and covers an area of 100 km^2.

Location and Access

This prospect is located on the north eastern margin of the Hunter Valley 10 km east of the New England Highway. Murrurundi is 15 km to the west and Scone is 40 km to the south west. Access is by means of municipal roads, farm service roads and tracks. The topography is steep to rugged and although there is some remnant native vegetation most of the area has been cleared for grazing.

Figure 6 – EL 6719 Location, Geology and Mineral Deposits



Geology

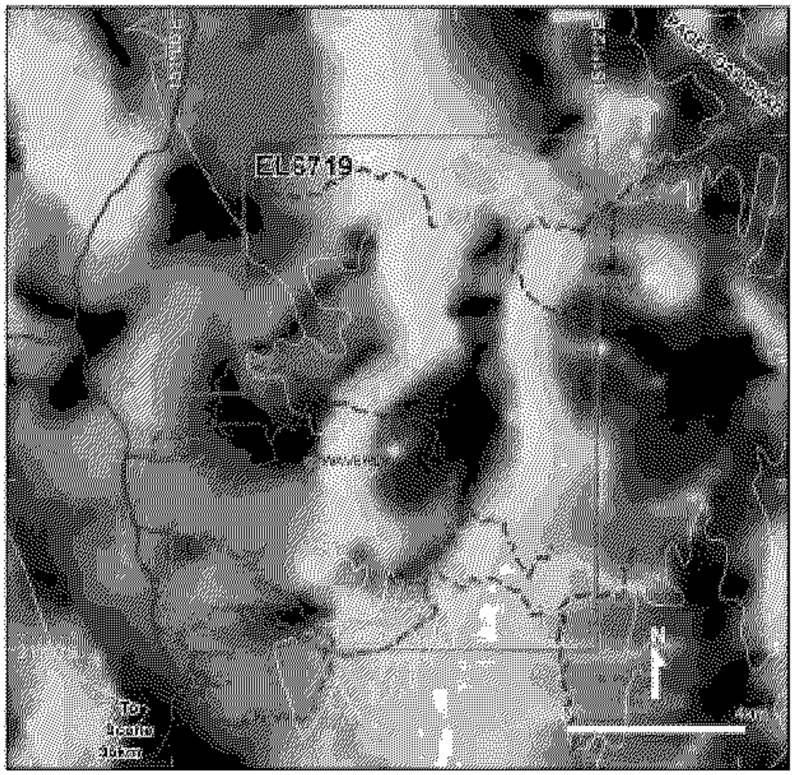
Located in the southern portion of the Tamworth Trough the permit covers the axial portion of the Timor anticline. This is a broad north westerly trending structure affecting sediments of the Devonian Tamworth Group and overlying the Parry Group of Late Devonian-Early Carboniferous age.

The lowermost unit of the Tamworth Group is the Yarramie formation consisting of fine-grained cherty sediments, mudstone, greywacke and limestone believed to be of shallow marine origin. The upper part of the Tamworth group and overlying Parry Group comprises a sequence of shallow shelf marine arenites and mudstones inter-fingered with terrestrial conglomerate and sandstone deposits.

A blanket of Tertiary basalt obscures the older rocks over much of the area to the east.

In the northern part of the permit the strata maintain a regional north westerly strike but there is a marked structural change in the south where the strata dip more steeply and the strike swings sharply to the north east. This change is accompanied by the development of a complex pattern of shear faults which also strike in a north easterly direction.

Figure 7 – EL 6719 Total Magnetic Intensity



Mineralisation

The only known mineralisation in the area is the Waverly Silver Lead Prospect which occurs as a series of discontinuous pods, stringers and veins within a northerly trending, steeply dipping shear zone. Mineralisation has been prospected intermittently over a strike length of 3 km hosted in south westerly dipping mudstone of the Parry Group.

Mineralisation along the zone consists primarily of quartz pods up to 3 m wide but generally <0.5 m with individual lenses <3 m in length though one was traced for a little over 20 m. Most lodes contain amounts of galena with quartz although locally baryte, pyrite, chalcopyrite and sphalerite also occur along with gold and silver.

Assays of up to 310 g/t of silver and 16% lead were obtained from active workings in 1906 although more recent sampling of the abandoned workings (1968) returned grades of < 65 g/t of silver and 0.6% lead. Sampling in 1995 returned results of up to 9.43% lead and 14.06% zinc and 739 g/t silver.

Previous Exploration

Since the discovery in 1868 there has been three principal phases of mining. The first over the period 1868 to 1873, the second in1884 and a third phase of sporadic operations over the period 1905 to 1912. No plans of the old workings exist although it has been reported that one mine operated on two levels that were two levels 49 m apart.

The NSW Geological Survey undertook a review of the deposit in 1967 when the surface expression of the workings was mapped, the geological setting established and some samples collected for analysis.

A programme of rock chip sampling and stream sediment geochemistry was undertaken by the tenement holder between 1995 and 1996. A total of 418 geochemical samples were collected and analysed for base metals, gold silver, arsenic and bismuth. Eighteen rock chip samples were analysed as shown in the accompanying table.

Table 1. Waverly Rock Sample Analyses

Analytical Data – Rock Sampling														
No	Au (F) (ppm)	Au(R) (ppm) Repeat	As (ppm	Cu (ppm)	Pb (ppm)	Zn (ppm)	Ag (ppm)	Bi (ppm)	Sb (ppm)	Hg (ppm)	Cd (ppm)	Ga (ppm)	In (ppm)	Ge (ppm)
1	0.02	0.04	120	1180	4070	870	258	<1	186					
2	<0.01		91	550	3680	7850	78	<1	158					
3	<0.01		57	169	385	318	14	<1	56					
4	<0.01		49	253	2280	2310	22	1	44					
5	<0.01		16	156	1780	172	14	1	40					
6	0.03	0.05	64	163	2680	6	419	<1	930					
7	<0.01	<0.01	80	18	117	63	4	1	14					
8	<0.01		11	12	13	<2	5	1	10					
9	<0.01	<0.01	8	63	1350	680	53	1	53					
10	0.03	0.03	39	850	8320	6840	210	1	504					
11	0.01	0.03	13	850	**1.42%**	7080	259	1	581	36.4	186	1.0	<0.05	8.6
12	<0.01	<0.01	8	118	1070	840	17	1	56					
13	0.03	0.04	31	900	**1.29%**	**1.25%**	389	1	602	579	384	1.7	<0.05	6.5
14	0.25	0.24	240	6150	**9.43%**	**14.60%**	739	1	3150	4183	4160	1.1	0.34	3.7
15	<0.01	<0.01	12	39	1400	288	9	1	24					
16	<0.01		<2	13	103	94	<1	1	5					
17	<0.01	<0.01	29	30	188	237	3	1	15					
18	<0.01	0.02	23	228	4360	1480	34	1	135					

Exploration Potential

The Waverly Silver Deposit is unusual in that it is an isolated occurrence of a vein hosted silver deposit in which there is neither an obvious source for the mineralisation nor any means by which it was mobilised. One difficulty in resolving these issues has been that much of the basement geology in EL 6719 is obscured by Tertiary volcanics. However recent aeromagnetic data acquired from the DPI has provided a means of "seeing" through the basalt to the underlying structure. This shows that a substantial circular magnetic low up to 2 km in diameter is developed to the east of Waverly which probably defines the occurrence of a small pluton.

The thermal effects of the intrusion of such a body would be sufficient to drive the mobilisation and deposition of the Waverly deposit although the source of the mineralisation is still problematic. It may be that there is previously unsuspected silver-lead-zinc VMS style mineralisation in the Tamworth or Parry Group rocks which has been remobilised. Further exploration of the area is warranted on the basis of the revised geological interpretation.

Exploration targets in the Parry area would be of two types:

- Extensions to or further occurrences of Waverly type mineralisation around the pluton which are currently obscured by the basaltic cover.

- Stratigraphically controlled silver-lead-zinc mineralisation.

EL 6722

Licence Details

Issued to Peel Exploration Ltd on 26 February 2007 for a period of 2 years, the EL comprises 100 sub-blocks and covers an area of 300 km^2.

Location and Access

Located 20 km NE of Armidale the permit area is situated over a gently undulating topography f the New England Plateau. The New England Highway passes through the western part of the area and it is traversed by a number of municipal roads and farm service roads. There is some remnant bushland but most of the area has been cleared for grazing.

Geology

Situated in the centre of the Central Block, EL 6722 has perhaps the most varied geology of all the areas held by Peel Exploration Ltd. The Sandon Beds of probable Late Devonian to Early Carboniferous are the oldest rocks in the area comprising mainly sandstones with chert, jasper and metabasalt. The sandstones consist primarily of intermediate and felsic volcanic detritus. The rocks have been strongly folded, faulted and regionally metamorphosed from prehnite-pumpellyite to lower greenschist facies.

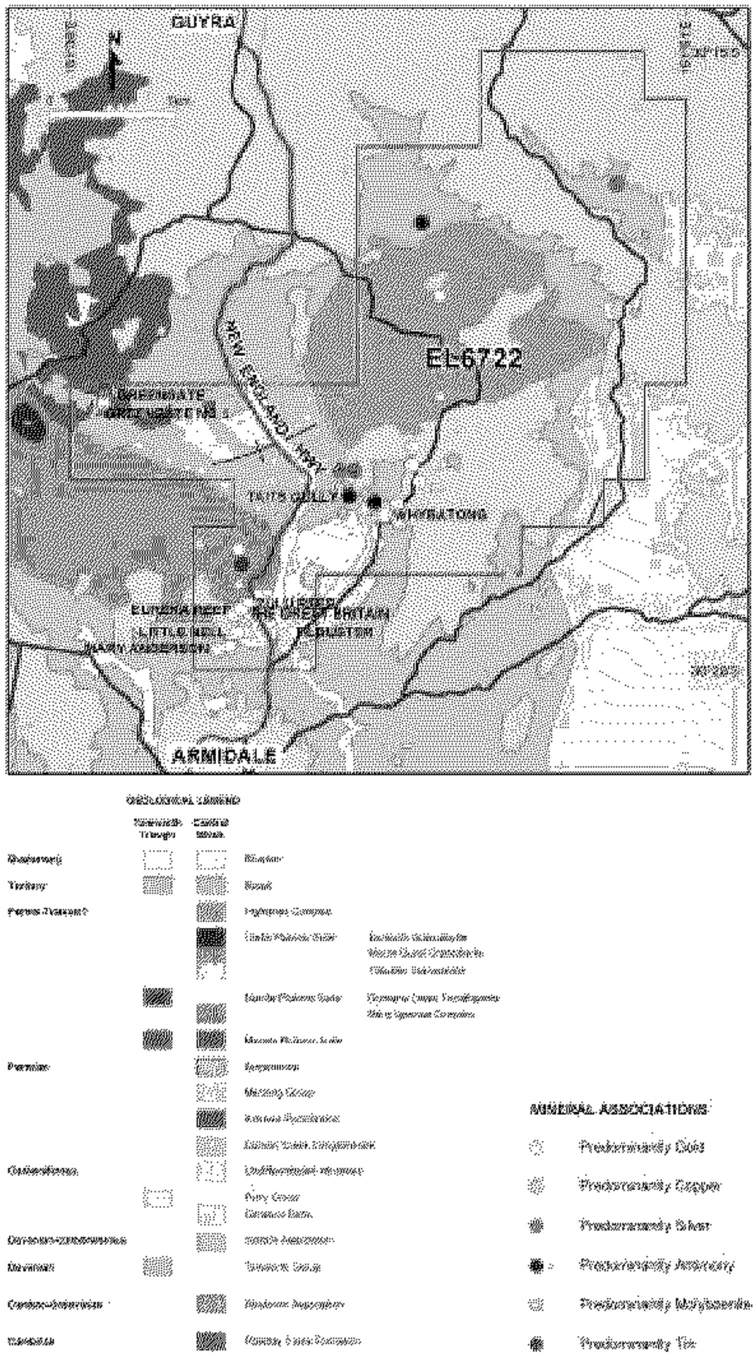
The Dummy Creek Conglomerate of Early Permian age occurs as an inlier in the north-western part of the area. Occurring in a north easterly trending synclinal structure the rocks rest unconformably on the Sandon Beds and comprise polymictic orthoconglomerate, sandstone and carbonaceous siltstone. The Annalee Pyroclastics, also of Permian age, occur as a separate inlier in the north west.The unit comprises felsic volcanics, minor tuffaceous sandstone and sub-volcanic intrusives.

A number of granite plutons forming part of the Uralla Plutonic Suite of Permian age occur in the area. Plutons of this suite are typically massive and equigranular with boundaries discordant with the structural trends of the country rock. The principal plutons are the Mt Duval Adamellite, a porphyritic hornblende biotite monzogranite, the Tilbuster

Granodiorite, an augite-bronzite-hornblende biotite granodiorite and the Highlands Complex, principally a hypersthene-augite-amphibole-biotite monzonite.

Locally some areas of the basement geology are covered by a blanket of Tertiary basalt.

Figure 8 – EL 6722 Location, Geology and Mineral Deposits



Mineral Deposits

The Greengate No1 silver deposit in the north western part of the licence is the only stratabound deposit in the permit area. Most other deposits comprise vein hosted silver, gold, and/or base metals and antimony occurrences. Most of the deposits occur in two separate clusters referred to as the Tilbuster and Puddledock deposits. There are also several isolated mineral deposits in the area including the Greengate Silver Mine, Taits Gully Mine, Highlands antimony deposit and Clifton silver-gold deposit.

Greengate No 1 - the deposit is a conformable pyrrhotite-pyrite chalcopyrite orebody in the core of an anticline in the Sandon Beds. The host rocks comprise steeply dipping (74^{0} W) thinly bedded chert and argillite up to 15 m thick. The sulphides are confined to the argillite layers with the main mineralisation up to 0.3 m thick and extending over a strike length of 120 m. Although there is evidence of some remobilisation the deposit is considered to be of volcanic exhalative origin.

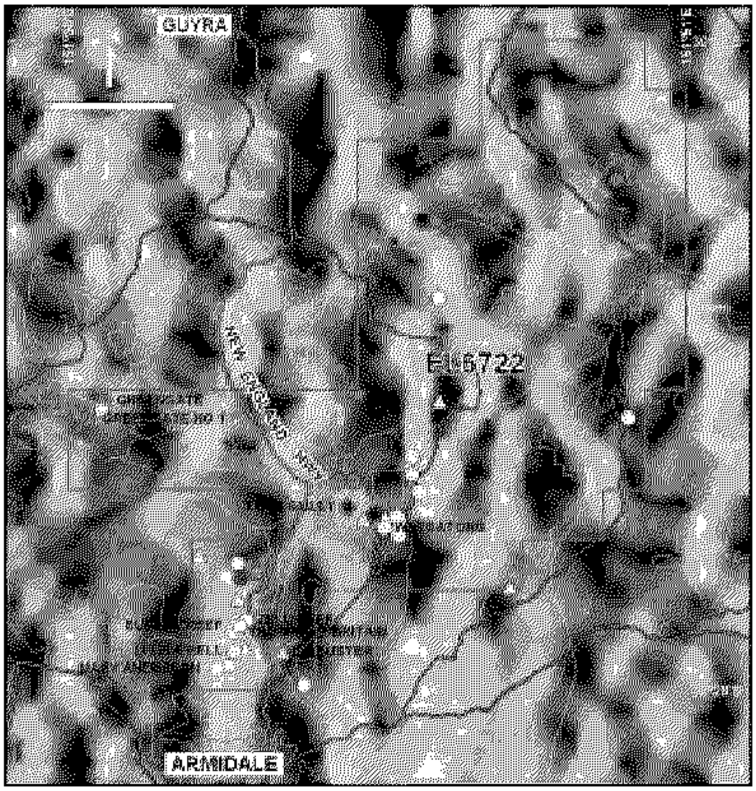
Greengate Silver Mine - located 600 m north of the Greengate No 1 mine, the Greengate Silver Mine occurs in a northerly trending silicified shear zone in arenaceous clastic rocks of the Sandon Beds. Extending over a strike length of 150 m two separate lodes are recognised which are respectively 0.7 m and 1.5 m thick. Grades are variable and are up to 36 g/t silver, 2.3% lead and 4.5% zinc. Pyrrhotite mineralisation was encountered in a borehole at the southern end of the prospect. Mineralisation is most likely genetically related to the Mt Duval Adamellite, which crops out 1.5 km to the south.

Tilbuster Deposits - a group of about ten separate prospects are located near the village of Tilbuster, 10 km north of Armidale. The most significant of these are the Great Britain, Zulu and Eureka at Tilbuster along with the Little Nell and Mary Anderson to the south. All these prospects are developed in the Mt Duval Adamellite. The deposits consist of near vertical veins of quartz, calcite and dolomite in brecciated altered granite. Ore minerals include stibnite and arsenopyrite with pyrite and gold. There is little data on the width, lateral extent and depth of individual deposits.

Puddledock Deposits - a cluster of about ten individual prospects occur 16 km to 20 km north northeast of Armidale comprising quartz stibnite-gold veins hosted in mildly hornfelsed mudstone and sandstone of the Sandon Beds. Alluvial deposits also occur in the area. The most important occurrence is the Whybatong Mine (not held by Peel Exploration) consisting of gold-antimony-silver minerals in quartz. Base metal sulphides reputedly occur at depth. The vein is up to 0.3 wide and 200 m in length.

Taits Gully - located in the Puddledock area, this prospect is considered to be genetically unrelated to the other deposits. Silver, gold and base metal minerals occur over 800 m in an easterly trending shear zone in contact-metamorphosed Sandon Beds comprising dolomitic tuffs, tuffaceous siltstones and calc-silicate rocks. The mineralised shear zone is 1.5 m or greater in width and the principal minerals are arsenopyrite, sphalerite and pyrite. Production pre 1904 averaged 1.22 kg/t silver. The style of mineralisation indicates a possible association with the Highlands Complex 1 km to the north rather than with the Tilbuster Granodiorite.

Figure 9 – EL 6722 Total Magnetic Intensity



Previous Exploration

Regional Exploration

Nickel Mines Ltd held MEL616 over the Armidale-Walcha area in 1971 and including the Puddledock area. There are no records of any significant work by this company.

EL1804 was granted in 1992 covering the Greengate-Puddledock-Tilbuster area for the purpose of prospecting for microfracture or breccia style bulk tonnage tin/base metal/silver deposits. Pre-existing aeromagnetic data was compiled, a regional structural interpretation was undertaken and a regional mapping and rock chip sampling programme was carried out. No targets of sufficient interest were identified.

A strong magnetic anomaly was identified which was associated with the Taits Gully prospect in 1984. It was believed the anomaly may indicate the occurrence a pyrrhotite rich sulphide body. The tenement holder carried out a detailed mapping programme, ground magnetics and drilled percussion holes. The drilling identified the anomaly as a magnetite rich alteration halo in Dummy Creek Conglomerate resulting from the intrusion of an east-west striking porphyry dyke. No significant mineralisation was identified and the area was relinquished.

In 1996, EL 4822 was granted covering 8795 km^2 for the purpose of diamond exploration. The area extended between Inverell and Tamworth to the west of the New England Highway. Work included an aeromagnetic survey of the northern part of the area, photogeology, ground investigation of photo features and aeromagnetic anomalies some ground magnetics along with the collection 73 gravel samples and 30 rock chip samples.

Table 2. Summary of Prospects in EL 6722

Prospect	Period of Activity	Mineralisation	Production
Greengate No1	19 ?	Copper	ND
Greengate Silver Mine	1890-1898 1966	Silver, Lead, Zinc	ND
Taits Gully	1905 – 1907 1909 – 1911	Silver and some Gold	2,376 kg silver
Clifton	1924	Silver, Lead, Zinc	ND
Tilbuster Deposits			
Great Britain	1899, 1900, 1904, 1934	Gold, Antimony	Little data, 5.22 kg gold from tailings in 1934
Zulu	1895	Gold	ND
Eureka	1938 ?	Gold	ND
Little Nell	1896 – 1897	Gold, Silver	ND
Mary Anderson	1900	Gold, Antimony	ND
Mt Duval Gossan	1982	Tin, Silver, Lead	No production
Puddledock Deposits			
Whybatong (not held by Peel Exploration)	1897, 1936 – 1939	Gold, Silver, Antimony	24.8 kg Au

Prospect Definition

Table 2 summarises the prospecting and mining activities for the known prospects in EL 6722. It will be seen that most prosecting and mining activity occurred around the end of the 19th Century and early 20th Century as well as before the 2nd World War. Systematic exploration has been undertaken on a few of the prospects since active mining ceased.

<u>Greengate Silver Mine</u> - A mapping and sampling programme was carried out at the Greengate mine by the NSW Geological Survey in 1967. The Survey also logged core from an inclined diamond drill hole put down to 29.4 m by the leaseholder 400 m south of the main workings. Six chip samples and five grab samples were analysed returning a maximum grade of 33 g/t of silver and 2.3% lead (66/1711) whilst another sample (66/1710) in the same locality returned a grade of 4.5% zinc. The drill hole contained several intersections of pyrrhotite but no significant precious or base metal mineralisation.

<u>Taits Gully</u> - An evaluation of Taits Gully was carried out by means of surface mapping and analysis of 11 dump samples. The best grades obtained were 222 g/t silver and 4.9 g/t gold from the Mary Anne Dump and 39 g/t silver with 0.64 g/t gold from the Endeavour dump.

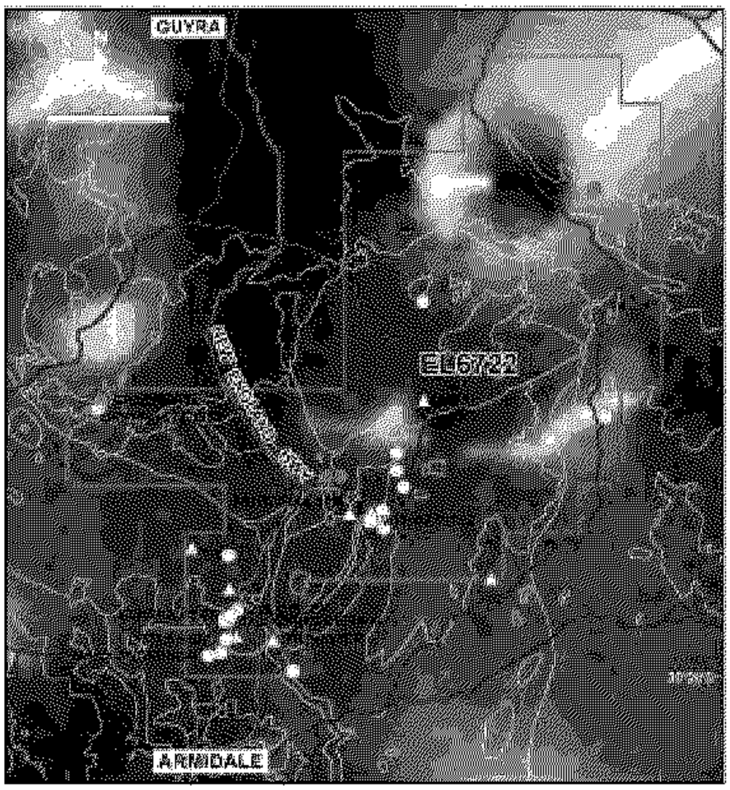
A sampling programme was carried out in 1984 and subsequently four inclined cored holes were drilled with a maximum depth of 134 m. Three percussion holes were subsequently drilled about 200 m west of the Endeavour shaft. Prior to the second phase of drilling further sampling and mapping was undertaken along with soil geochemistry and an IP survey.

The surface work identified that the host rocks consisted of fine grained tuffaceous siltstone and vitric tuff. The mineralisation is developed in a shear zone characterised by argillic alteration and silicification. Disseminated pyrite becomes more abundant on approaching the zone and mineralisation in the zone includes sphalerite, arsenopyrite with minor pyrrhotite, galena and chalcopyrite.

Mapping and geophysics identified a narrow east-west zone to the west of the workings which was shown by drilling to contain disseminated sulphides consisting mainly of pyrite and pyrrhotite. Other drilling included one hole at the Endeavour workings and three at the Mary Anne Workings. A single significant intercept of 7 m at 48 g/t silver, 0.2 g/t gold, 0.6% zinc and 0.3% lead from 54 m was returned from TGDDH03. This hole is believed to have tested only the footwall of the Mary Anne workings.

Interpretation of the geology as identified in the drilling was problematic and the tenement holder concluded the other holes drilled at the Mary Anne (TGDDH01 and TGDDH04) may have penetrated below rather than through the lode as result of misunderstanding of the geology. Hence the lack of significant mineralisation in these holes. A "low grade lode zone" known to occur in the old workings may therefore remain untested.

Figure 10 – EL 6722 Bouguer Gravity



Exploration Potential

The Armidale area contains many small mineral deposits, many of which have not been subject to recent exploration. Given that the area has been subject to a regional aeromagnetic survey only since 2005 it is believed that a complete review of the geology and mineral exploration potential is warranted subject to an analysis of the aeromagnetic data.

Perhaps the most significant area of known mineralisation is in the vicinity of the Taits Gully Mine. It is acknowledged by the tenement holder that the area has not been fully tested. A review of the previous exploration is warranted followed by detailed mapping and drilling.

A preliminary review of regional gravity data by Peel Exploration has revealed a circular gravity anomaly (Blue Moon prospect) in the northern portion of the area where the basement geology is obscured by a covering of Tertiary basalt. The nature and mineralogical significance of this anomaly cannot be assessed without further work by means of detailed surface mapping, ground magnetics and drilling.

Conclusion

The NEFB is a highly mineralised area but there has been very little systematic exploration for over 25 years. This has been in part due to the lack of any significant advances in the understanding of the regional geology since that time. Over the period 1998-2002 the DPI has conducted a series of regional aeromagnetic surveys in the region and a review of these data has lead to a better understanding of the stratigraphic, structural and mineralogical relationships.

Peel Exploration has identified four areas containing the potential for the discovery of VHMS style base metal deposits (EL 6613 and EL 6614) as well has vein hosted gold (and or silver) and base metal deposits (all areas). With the new data, better understanding of the geology and a systematic approach to the exploration there is a good chance of discovering an economic deposit in one or more of the areas.

I Blayden

I.D. Blayden
PhD MBA BSc MAusIMM MMICA CPGeo
Principal Consultant
7 March 2007

Geological and Management Services Pty Ltd
ABN 47 001 256 248
Unit 7, Level 3
Charles Plaza
66 King St
Sydney NSW 2000
Ph: (02) 9299 5591
Mob: 0417 461 262

Horwath

Horwath Securities (WA) Pty Ltd
[illegible]
A member of Horwath International
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

14th March 2007

The Directors
Peel Exploration Limited
79 Hay Street
SUBIACO WA 6008

Dear Sirs

Investigating Accountant's Report

1. Introduction

This report has been prepared at the request of the directors of Peel Exploration Limited ("Peel Exploration or the Company") for inclusion in a Prospectus to be dated in March 2007 inviting participation in the issue by Peel Exploration Limited of 15,000,000 ordinary fully paid shares at an issue price of $0.20 each to raise $3,000,000.

All amounts are expressed in Australian Dollars unless otherwise stated.

2. Background

Peel Exploration was incorporated on 20th April 2006 with the objective of seeking opportunities to obtain prospective properties to undertake mineral exploration.

3. Capital Structure

The expected capital structure of the Company following the completion of the Offer is as follows:

Shares	**Number**
Shares on issue at date of Prospectus	15,000,000
Shares now offered	15,000,000
Total Shares on issue at completion of the Offer	**30,000,000**
Options	
Options issued to Directors on 8th March 2007	7,500,000
Options issued to Shareholders on 8th March 2007	7,500,000
Total Options on issue at completion of the Offer	**15,000,000**

Horwath

4. Basis of Preparation

This report has been included in this Prospectus to assist investors and their financial advisers to make an assessment of the financial position and performance of Peel Exploration. This report does not address the rights attaching to the shares to be issued in accordance with this Prospectus, nor the risks associated with the investment.

The Directors of Peel Exploration have requested Horwath Securities (WA) Pty Ltd ("Horwath") to prepare an Investigating Accountant's Report for inclusion in this Prospectus dealing with the following financial and other information:

(i) the reviewed income statement of Peel Exploration for the period from incorporation on 20 April 2006 to 31 December 2006;

(ii) the reviewed statement of changes in equity of Peel Exploration for the period from incorporation on 20 April 2006 to 31 December 2006;

(iii) the reviewed cashflow statement of Peel Exploration for the period from incorporation on 20 April 2006 to 31 December 2006;

(iv) the reviewed balance sheet of Peel Exploration as at 31 December 2006; and

(v) the reviewed proforma balance sheet of Peel Exploration as at 31 December 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2.

5. Scope of Review

Our review has been conducted in accordance with Auditing Standard AUS 902 "Review of Financial Reports".

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Directors of Peel Exploration Limited have prepared and are responsible for the historical financial information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the Prospectus.

6. Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information as set out in Appendix 1 and 2 does not present fairly:

(i) the results of Peel Exploration for the period ended 31 December 2006;

(ii) the statement of changes in equity of Peel Exploration for the period ended 31 December 2006;

Horwath

(iii) the balance sheet of Peel Exploration as at 31 December 2006;

(iv) the cashflow statement of Peel Exploration for the period ended 31 December 2006; and

(v) the proforma balance sheet of Peel Exploration as at 31 December 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2,

in accordance with the accounting methodology required by applicable Australian equivalents to International Financial Reporting Standards and the accounting policies adopted by Peel Exploration as described in Note 1 and on the basis of the assumptions and transactions set out in Appendix 2.

7. Declarations

(a) Horwath will be paid a fee of $7,500 based upon normal charge rates and professional time incurred in the compilation of information and the preparation of this report. The involvement of Horwath in the preparation of this Prospectus is limited to the preparation of this report other than Horwath Audit (WA) Pty Ltd is the Auditor of the Company;

(b) Horwath was not involved in any other aspect of this Prospectus and did not authorise or cause the issue of any other part of this Prospectus and we have only issued our consent in respect of the inclusion of this report in this Prospectus;

(c) The author of this report does not have any interest in Peel Exploration or the shares offered by this Prospectus;

(d) The giving of our consent for the inclusion of this report in this Prospectus should not be taken as an endorsement of Peel Exploration or a recommendation by Horwath of any participation in the offer by any intending investors;

(e) The author of this report gives no assurance or guarantee whatsoever in respect of the future success of or financial returns associated with the subscription for shares being offered pursuant to this Prospectus; and

(f) This report should be read as a whole and no part of it quoted, otherwise referred to or produced without prior written consent of Horwath.

Yours sincerely
HORWATH SECURITIES (WA) PTY LTD

Horwath

Glyn O'Brien

GLYN O'BRIEN
Director

Horwath

APPENDIX 1

INCOME STATEMENT **For the period from 20th April 2006 to 31st December 2006**	Reviewed 31 December 2006 $
Revenue from continuing activities	-
Expenditure	
Advertising exploration licences	726
Auditors remuneration	4,200
Exploration expenditure	338
Formation expenses	1,164
Sundry expenses	191
Travel and accommodation	1,215
Loss before income tax	(7,834)
Income tax expense	-
Loss for the period	**(7,834)**
Loss attributable to members of Peel Exploration	**(7,834)**

This Income Statement is to be read in conjunction with Appendix 2.

STATEMENT OF CHANGES IN EQUITY **For the period from 20th April 2006 to 31st December 2006**	Reviewed 31 December 2006 $
Equity at the beginning of the period	-
(Loss) for the period	(7,834)
Transactions with equity holders in their capacity as equity holders	
Contributions of equity	22,800
Transaction costs of equity issues	-
Total equity at the end of the financial period	14,966

This Statement of Changes in Equity is to be read in conjunction with Appendix 2.

Horwath

APPENDIX 1

BALANCE SHEETS As at 31st December 2006	Note	Reviewed 31 December 2006 $	Proforma capital raising $
Current Assets			
Cash & Cash Equivalents	3	2,746	2,750,738
Trade & Other Receivables	4	420	420
		3,166	2,751,158
Non-Current Assets			
Receivables	5	20,000	20,000
Plant & Equipment	6	2,443	2,443
Exploration Assets	7	7,985	7,985
		30,428	30,428
Total Assets		33,594	2,781,586
Current liabilities			
Trade & other payables	8	4,620	4,620
Borrowings	9	14,008	-
		18,628	4,620
Net Assets		14,966	2,776,966
Equity			
Issued capital	10	22,800	2,784,800
Option Reserve	11	-	322,500
Accumulated losses	12	(7,834)	(330,334)
Total Equity		14,966	2,776,966

These Balance Sheets are to be read in conjunction with Appendix 2.

Horwath

APPENDIX 1

CASH FLOW STATEMENT For the period from 20th April 2006 to 31st December 2006	Note	Reviewed 31 December 2006 $
Cash flows from operating activities		
Payments to suppliers and employees		(3,634)
Net cash outflow from operating activities		(3,634)
Cash flows from investing activities		
Payments for plant & equipment		(2,443)
Payments for exploration assets		(7,985)
Funds placed on deposit		(20,000)
Net cash outflow from investing activities		(30,428)
Cash flows from financing activities		
Proceeds from borrowings		14,008
Proceeds from issue of shares		22,800
Net cash inflow from financing activities		36,808
Net increase in cash and cash equivalents		2,746
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the financial period	3	2,746

This Cash Flow Statement is to be read in conjunction with Appendix 2.

Horwath

APPENDIX 2

PEEL EXPLORATION LIMITED

FINANCIAL INFORMATION
For The Period Ended 31 December 2006

NOTE 1: BASIS OF PREPARATION

The financial information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS's), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial information is presented in abbreviated form insofar as it does not comply with all of the disclosure requirements set out in the AIFRS and the Corporations Act 2001.

The financial information has been prepared on the basis of historical costs except where stated.

The principal accounting policies relating to the financial information are described below:

Accounting Policies

(a) Income tax
The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profit will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

APPENDIX 2

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	7.50 - 37.50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(c) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(c) Exploration and development expenditure (continued)

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(d) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.
A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(e) Revenue recognition

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Trade payables

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(j) 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 proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(k) Share based payments

The fair value of options granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(k) Share based payments (continued)

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The dilutive effect of outstanding options may be reflected as additional share dilution in the computation of earnings per share.

(l) Comparative information

This is the first reporting period of the company and as such there are no comparative figures. The company also has no changes arising from the transition from AGAAP to AIFRS as it has not previously prepared financial statements in accordance with AGAAP. The company was incorporated in Australia on 20 April 2006.

2. Actual and proposed transactions to arrive at proforma balance sheet

The proforma balance sheet reflects the 31 December 2006 balance sheet adjusted to reflect the effect of the actual and proposed transactions pursuant to the proposed capital raising. The transactions reflected in the proforma are as follows:

- The issue on 27 February 2007 of 10,200,000 ordinary shares to raise $12,000;
- The issue on 8th March 2007 of 7,500,000 options exercisable at 20 cents each on or before 30 November 2010 to Shareholders;
- The issue on 8th March 2007 of 7,500,000 options exercisable at 30 cents each on or before 30 November 2010 to Directors.
- The issue of 15,000,000 ordinary shares at 20 cents each to raise $3,000,000 in accordance with the Prospectus;
- The payment of $250,000 for capital raising costs; and
- The repayment of related party borrowings.

	Reviewed 31 December 2006 $	Proforma capital raising $
3. Cash & cash equivalents		
Cash & cash equivalents	2,746	2,750,738
Proforma adjustments		
• As at 31 December 2006		2,746
• Share placement on 27th February 2007		12,000
• Shares issued pursuant to this Prospectus		3,000,000
• *Less:* capital raising costs		(250,000)
• Repayment of borrowings		(14,008)
		2,750,738
4. Trade & other receivables		
Trade & other receivables	420	420
5. Receivables		
Security deposits	20,000	20,000
6. Plant & equipment		
Plant & equipment	2,443	2,443
7. Exploration assets		
Exploration licences	7,985	7,985

Horwath

	Reviewed 31 December 2006 $	Proforma capital raising $
8. Trade & other payables		
Accounts payable	4,620	4,620
9. Borrowings		
Loans – Related Parties	14,008	-
10. Issued capital		
Issued Capital	22,800	2,784,800

	Number	$
20th April 2006 - issued on incorporation	2,100,000	2,100
17th July 2006 – raise working capital	2,700,000	20,700
As at 31 December 2006	4,800,000	22,800
Proforma adjustments		
• 27th February 2007 – raise working capital	10,200,000	12,000
• Shares issued pursuant to this prospectus	15,000,000	3,000,000
• IPO capital raising costs	-	(250,000)
	30,000,000	2,784,800

11. Option Reserve

Option reserve	-	322,500

	Number	$
Proforma adjustments		
Options issued to Shareholders on 8th March 2007	7,500,000	-
Options issued to Directors on 8th March 2007	7,500,000	322,500
	15,000,000	322,500

Horwath

APPENDIX 2

On 8th March 2007, it was resolved to issue to existing shareholders 7,500,000 options as a bonus issue on a 1 option for every 2 shares held basis. The options are exercisable at $0.20 each on or before 30th November 2010.

On 8th March 2007, it was resolved to issue to Directors 7,500,000 options for their services to the company. The options are exercisable at $0.30 each on or before 30th November 2010. The options have been independently valued using the black scholes and binomial option valuation models.

12. Accumulated losses

Accumulated losses	7,834	330,334

13. Events subsequent to balance date

There have been no material items, transactions, or events subsequent to 31 December 2006 which relate to conditions existing at that balance date that require comment or adjustment to the figures in this report, except for those disclosed in note 2 of appendix 2.

FINANCIAL SERVICES GUIDE

1. **Horwath Securities**

Horwath Securities (WA) Pty Ltd ABN 24008320643 ("Horwath Securities" or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to provide general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (**"FSG"**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorized to provide under our **Australian Financial Services Licence, Licence No: 266291**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

3. **Financial services we are licenced to provide**

We hold an Australian Financial Services Licence which authorizes us to provide financial product advice in relation to:

- Securities (such as shares and debentures)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorized to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. *Benefits that we may receive*

We charge fees for providing reports. These fees will be agreed with, and will be paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither Horwath Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. *Remuneration or other benefits received by our employees*

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. *Referrals*

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

8. *Associations with Product Issues*

Horwath Securities (WA) Pty Ltd and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

9. *Complaints resolution*

a. **Internal complaints resolution process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer, Horwath Securities (WA) Pty Ltd, PO Box 700, West Perth, WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

b. **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited (**"FICS"**). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007

Toll free: 1300 78 0808
Facsimile: (03) 9621 2291

10. *Contact details*

You may contact us using the details set out at the top of our letterhead on page 1 of this IAR.

STEINEPREIS PAGANIN
Lawyers & Consultants

Level 4, Next Building
16 Milligan Street
Perth WA 6000
GPO Box 2799
Perth WA 6001
Telephone: +61 8 9321 4000
Facsimile: +61 8 9321 4333
Web: www.steinpag.com.au

20 March 2007

The Board of Directors
Peel Exploration Limited
79 Hay Street
SUBIACO WA 6008

Dear Sirs

SOLICITOR'S REPORT ON TENEMENTS

This report is prepared for inclusion in a prospectus to be issued by Peel Exploration Limited (**Peel Exploration** or **Company**) on or about 20 March 2007 for the offer of 15,000,000 shares in the capital of the Company at an issue price of 20 cents per share to raise $3,000,000 (**Prospectus**).

1. ASSETS

This report relates to the interest of Peel Exploration in various mining tenements located in New South Wales (**Tenements**).

A schedule of the Tenements is attached to and forms part of this report (**Schedule**).

2. SEARCHES

For the purposes of this report, we have conducted searches and made enquiries in respect of all of the Tenements as follows:

(a) we have reviewed searches of the Tenements in the registers maintained by the New South Wales Department of Primary Industries (**DPI**). These searches were conducted on 13 February 2007 and 12 March 2007;

(b) we have reviewed searches of the Register of Native Title Claims maintained by the National Native Title Tribunal (**NNTT**) in respect of native title claims affecting the Tenements. This material was obtained on 13 February 2007.

As a result of these searches, we consider that this report provides an accurate statement as to the status of the Tenements as at the date the relevant searches were obtained.

Peel Exploration's interests in and rights in relation to the Tenements are subject to the Company continuing to comply with the Mining Act 1992 (NSW) and other relevant legislations and the conditions subject to which each Tenement is granted.

3. OPINION

As a result of our searches and enquiries, but subject to the assumptions and qualifications set out below, we are of the view that, as at the date of the relevant searches:

(a) the details of the Tenements included in this report are accurate as to the status of the Tenements;

(b) all expenditure requirements in respect of the Tenements under the relevant mining legislation have been met or exemptions obtained, unless otherwise noted in the Schedule; and

(c) the grant of any of the Tenements may be invalid unless there has been compliance with the provisions of the *Native Title Act* 1993 (Cth) as amended by the *Native Title Amendment Act* 1998 (Cth).

4. TENEMENTS

The Tenements comprise exploration licences granted under the *Mining Act* 1992 (NSW) (**NSW Mining Act**).

(a) Exploration Licence

The Tenements are granted exploration licenses in respect to Group 1 minerals, which are metallic minerals such as gold, silver and copper.

An exploration licence issued under the NSW Mining Act gives the holder exclusive rights to explore for the minerals specified in the area covered by the licence. An exploration licence takes effect on the date on which it is granted and ceases to have effect at the expiration of such period (not exceeding 5 years) as the relevant Minister may determine.

It is necessary to enter into an access agreement with all landholders prior to carrying out exploration (section 140). All landholders are entitled to compensation for all compensable loss caused by exploration (section 263) and mining (section 265). In the event that no agreement can be reached with the landholders, the matter can be referred to arbitration, and if not resolved there, the Mining Warden for determination.

Exploration licences are renewed under the provisions of the NSW Mining Act. If a holder intends to carry out further exploration within an exploration licence after the expiry date, the holder must apply for a renewal of the licence. Applications for renewal must be made no earlier than two months and no later than one month before the expiry date (section 113). If a valid application for renewal is not dealt with before the expiry date, the licence remains in force until the application is dealt with (section 117).

An exploration licence may not be renewed for more than half the area of the licence at the time of lodgement of the renewal application (section 116), unless special circumstances are applicable. On renewal, exploration licences can be any shape but cannot comprise more than 5 individual areas.

An exploration licence may be renewed for a maximum term of five years and may be renewed for further periods not exceeding five years on any one occasion.

(b) Generally Applicable Conditions

Mining tenements are granted subject to various conditions prescribed by the NSW Mining Act including compliance with minimum expenditure and reporting requirements.

The Tenements are also subject to statutory requirements of certain other Acts including Aboriginal heritage legislation, environmental protection legislation and rights in water legislation. These standard conditions are not detailed in the notes to the Schedule.

5. ABORIGINAL HERITAGE

5.1 General

There may be areas or objects of Aboriginal heritage located on the Tenements.

We have not undertaken searches to ascertain if any Aboriginal sites or objects have been registered in the vicinity of the Tenements as there is no obligation under the relevant legislation to register such sites or objects. Further, the exact location of Aboriginal sites can not be ascertained from these searches.

The Company must ensure that it is in compliance with the Commonwealth and New South Wales legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, the Company would need to conduct heritage surveys to determine if any Aboriginal areas or objects exist within the area of the Tenements. Any interference with these sites must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

5.2 Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

5.3 New South Wales Legislation

The *National Parks and Wildlife Act 1974* (NSW) (**NPWA**) is aimed at the preservation and protection of any Aboriginal places and objects that may be located on the Tenements.

Under the NPWA, the Minister administering the NPWA may declare a place to be protected where that place is deemed to have special significance to Aboriginal culture.

It is an offence to destroy, deface, damage or desecrate, or cause or permit the destruction, defacement, damage or desecration of an Aboriginal object or Aboriginal place without a heritage impact permit issued by the Director-General of the Department of Environmental and Conservation pursuant to section 90 of the NPWA. There is a defence to this offence where a party acts with due diligence and reasonable precaution.

6. NATIVE TITLE – LEGISLATION

6.1 General

On 3 June 1992, the High Court of Australia held in *Mabo v. Queensland (no.2) (1992) 175 CLR 1* (**Mabo #2**) that the common law of Australia recognises a form of native title which reflects the entitlements of Aboriginal people to their traditional lands in accordance with their traditional laws and customs. In order to succeed in a native title claim the persons making such claim must show that they enjoy certain customary rights and privileges in respect of a particular area of land and that by these rights and privileges they have a connection with that land.

In *Mabo #2*, the High Court held that native title could be extinguished through loss of traditional connection with the land or by legislative or executive actions which are inconsistent with the continued right to enjoy native title. In particular, native title may be extinguished by the State:

(a) granting a title or interest in land, such as a freehold or leasehold title; or

(b) appropriating or reserving and using land for a public purpose such as public works,

which is inconsistent with the continued right to enjoy native title in respect of the same land. Extinguishment may be whole or partial depending upon the nature of the State's action. The principles concerning extinguishment have been developed in subsequent High Court and Federal Court decisions.

The grant of a mining tenement only partially extinguishes native title rights and interests. Under Section 44H of the NTA and at common law, the rights held under mining tenements will prevail over any inconsistent native title rights. In the case of exploration licences, recent court decisions have held that there is considerable scope for the co-existence of native title rights and the exploration licensee's rights.

The Commonwealth Parliament responded to the Mabo decision by passing the *Native Title Act 1993* (Cth) (**NTA**). This Act enabled a State Parliament to validate any mining tenements granted prior to its commencement which might otherwise have been invalid.

The NTA was extensively amended by the *Native Title Amendment Act 1998 (Cth)*. These amendments include the validation of any titles that may have been invalidly granted over pastoral leases and certain other leasehold interests during the period 1 January 1994 to 23 December 1996. Other significant amendments include a revised threshold test for the acceptance of native title claims, confirmation of extinguishment of native title by the grant of "exclusive possession" pastoral leases and certain other leasehold interests and provisions intended to deal with overlapping claims.

6.2 New South Wales

The New South Wales Parliament has adopted the Native Title *(New South Wales) Act* 1994 (NSW) which adopts the NTA.

Under the NTA, native title is extinguished by grants of private freehold title and exclusive possession tenures such as freehold leases. Validly granted mining tenements that are to be granted solely over such tenures are not subject to native title considerations.

Tenures which may co-exist with native title are generally non-exclusive leases such as pastoral leases, pastoral development holdings, some special leases and term leases for grazing pastoral purposes, occupation licences, permits to occupy, road licences and some others.

We have not researched the underlying land tenure in respect of the Tenements in order to determine the extent of extinguishment of native title for the purposes of this report.

7. NATIVE TITLE – CLAIMS

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. The Court will then refer the application to the Native Title Registrar for the registration test.

If the Native Title Registrar is satisfied that the lodged claim meets the registration requirements set out in the NTA (**Registration Test**), it will be entered on the Register of Native Title Claims maintained by the National Native Title Tribunal (**Register**). Claimants of registered claims are afforded certain procedural rights under the NTA including the "right to negotiate".

Claims which fail to meet the Registration Test are recorded on the Schedule of Applications Received. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test. If a claim fails to meet the Registration Test, this only means that the native title claimants do not have access to the future act procedures under the NTA. It does not mean that the claim has been dismissed or discontinued. An unregistered claim must still be heard and determined by the Federal Court.

We have not undertaken the considerable historical, anthropological and ethnographic work that would be required to determine the likelihood that existing claims may be successful, or the possibility of any further native title claims being made in the future.

In any event, the existence of native title is not the main issue for the Company as the registered holder of the Tenements. The main issue is the existence of a registered native title claim. That effectively requires the Company to observe the provisions of the NTA in relation to the grant of the Tenements. The reason for this is that an act which affects native title rights such as the grant of a mining tenement may be invalid unless there has been compliance with the provisions of the NTA. Until the native title claim has been determined by the Federal Court the existence of native title will be uncertain. Prudence dictates that native title should be assumed to exist over all claimed land other than freehold, "exclusive possession" leasehold or vested reserve until the claim has been determined.

As at the date of this report, searches of the Register of Native Title Claims maintained by the NNTT indicate that no native title claims exists in respect of the Tenements. However, it is possible that claims may be made in the future.

8. NATIVE TITLE – VALIDITY OF TITLES

All of the Company's Tenements have been granted since 23 December 1996. Mining tenements granted since 23 December 1996 may be invalid if they were granted over land other than freehold, "exclusive possession" leasehold or vested reserve and the applicable processes prescribed by the NTA were not complied with.

So in summary, on the basis that the procedural requirements of the NTA were complied with prior to their grant, each of those Tenements is valid so far as native title is concerned.

9. QUALIFICATIONS

While the status of the Tenements is dealt with in the Schedule, we point out, by way of summary, that:

(a) we have assumed the accuracy and completeness of all tenement searches and other information or responses which were obtained from the relevant department or authority. We cannot comment on any obligations of the Company that may arise from agreements that are not registered as a dealing, encumbrance or otherwise noted on the searches of the Tenements;

(b) with respect to the Tenements, we have assumed the accuracy and completeness of the information which we have received from the various departments;

(c) the holding of the Tenements is subject to compliance with the terms and conditions and the provisions of the applicable state mining legislation;

(d) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;

(e) where compliance with the requirements necessary to maintain a Tenement in good standing is not disclosed on the face of the searches referred to in this report, we express no opinion on such compliance;

(f) references in the Schedule to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey; and

(g) the information in the Schedule is accurate as at the date the relevant searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements between the date of the searches and the date of the Prospectus.

10. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully

Steinepreis Paganin

STEINEPREIS PAGANIN

PART I

TENEMENT SCHEDULE

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (FIRST ROUND YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES / DEALINGS	NOTES	NATIVE TITLE CLAIM
EL6613	Peel Exploration Ltd	100% owned	22/08/06	21/08/08	84 Units	Nil	$42,000	Security - $10,000	1 – 3, 8, 10 – 23, 26 – 29, 32, 33, 36, 37, 40 – 43, 45 – 47	-
EL6614	Peel Exploration Ltd	100% owned	22/08/06	21/08/08	56 Units	Nil	$28,000	Security - $10,000	1 – 3, 8, 10 – 23, 26 – 29, 32, 33, 36, 37, 40 – 43, 45 – 47	-
EL6719	Peel Exploration Ltd	100% owned	26/02/07	25/02/09	73 Units	Nil	$36,500	Security - $10,000	1 – 3, 8 – 23, 26 – 29, 32, 33, 36, 37, 40 – 43, 45 – 47	-
EL6722	Peel Exploration Ltd	100% owned	26/02/07	25/02/09	100 Units	Nil	$50,000	Security - $10,000	1 – 3, 8, 10 – 23, 26 – 29, 32, 33, 36, 37, 40 – 43, 45 – 47	-

Key to Tenement Schedule

EL - Exploration Licence

Unless otherwise indicated, capitalised terms have the same meaning given to them in the Prospectus.

References to numbers in the "Notes" column refer to the notes following this table.

Notes: All Tenements are subject to the standard endorsements and conditions imposed by the NSW Department of Primary Industries.

Exploration Licence Conditions 2004

Section A APPROVAL OF PROSPECTING OPERATIONS

1. Prospecting Operations Permitted under the Licence

The prospecting operations listed in Category 1 may be conducted on the licence area provided that:

(a) the operations do not cause more than minimal impact on the environment, taking into account the sensitivity of the local environment to disturbance;

(b) the operations do not cause harm to any threatened species, population or ecological community, or their habitats, including critical habitat;

(c) the operations do not cause damage to Aboriginal objects or Aboriginal places;

(d) the operations do not cause damage to the values and features listed in section 238 of the Act;

(e) the requirements of section 30 of the Act are met, if relevant; and

(f) the requirements of all State conservation, threatened species, environmental protection, heritage and related legislation are met.

2. **Prospecting Operations Requiring Further Approval**

All prospecting operations not covered by Condition 1 require additional approval. Such operations comprise:

(a) prospecting operations listed in Category 1 where the provisos listed under Condition 1 cannot be satisfied;

(b) prospecting operations listed in Category 2 or 3; and

(c) surface disturbing prospecting operations not listed in Categories 1, 2 or 3.

All such prospecting operations require prior notification on a Surface Disturbance Notice form to the Department.

Approval by the Department requires assessment and determination under Part 5 of the Environmental Planning and Assessment Act 1979 (EP&A Act).

In the case of prospecting operations listed in Category 3, a review of environmental factors (REF) must be prepared, and must accompany the Surface Disturbance Notice. In respect of prospecting operations not listed under Category 3, the Department, after consideration of the completed Surface Disturbance Notice form, will determine whether a REF must be prepared and notify the licence holder in writing. Any REF must be prepared in accordance with Departmental guidelines. If the impact of prospecting operations on the environment is determined as likely to be significant in terms of Part 5 of the EP&A Act, then the Department will require the licence holder to submit an Environmental Impact Statement (EIS).

The licence holder must not commence the operations without prior written approval from the Department.

Section 8. SPECIAL AREA CONDITIONS

3. **Exempted Areas**

The licence holder must not commence prospecting operations in an exempted area under the Act without obtaining prior written consent from the Minister.

"Exempted areas" under the Act are lands set aside for public purposes. They include travelling stock reserves, land reserves, water supply reserves, State forests, and public reserves and permanent commons. Under Section 30 of the Act the "exercise of rights" under an exploration licence is subject to the consent of the Minister. The "exercise of rights" includes the right to conduct prospecting operations. The Minister's consent requires assessment and determination under Part 5 of the EP&A Act.

Applications for the Minister's consent to exercise rights under the licence may address Category 1 prospecting operations only, or may also address prospecting operations requiring further approval under Condition 2. If an application for the Minister's consent is submitted in terms of Category 1 prospecting operations only, then if granted it will contain a condition requiring approval of further prospecting operations under Condition 2. If the application also addresses prospecting operations requiring further approval under Condition 2, then it will satisfy the requirements of Condition 2 for prior notification to and approval by the Department of those operations. The Minister's consent may be granted subject to conditions.

Applications for the Minister's consent to exercise rights under the licence are to be submitted to the Titles Program, accompanied by any necessary Surface Disturbance Notice form, REF or EIS (see condition 2). Inclusion of the views and requirements of the agency or council controlling the exempted area will speed up the consent process.

8. **Native title Areas**

The licence holder must not prospect on any land or waters on which native title exists without prior written consent of the Minister.

9. **Wetland Areas**

the licence holder must not clear, drain, fill or construct a levee on a wetland without written approval of the Department. Approval may be granted subject to conditions and is subject to the concurrence of the Director-General, Department of Planning.

Section C ENVIRONMENTAL MANAGEMENT OF PROSPECTING OPERATIONS

10. Environmental Management Conditions

(a) conditions attached to any consent or approval given pursuant to the Act or this licence are taken to be condition of this licence and are enforceable under the Act as such;

(b) without limiting the generality of paragraph (a) conditions attached to the following approvals and consents are taken to be conditions of this licence and are enforceable as such:

(i) approvals under conditions 2, 6, 9, 16(a), 17, 20(b) and 21(a); and

(ii) consents under conditions 3 and 4.

(c) for the purposes of Sections 125(3) and 374A(1) of the Act, Conditions 1 to 6 and 9 to 39 (if included in the licence) are identified as being related to environmental management.

(d) for the purposes of Division 3 of Part 11 of the Act, Conditions 1 to 6 and 9 to 28 (if included in the licence) are identified as being imposed under Division 3 of Part 11 of the Act, as well as being imposed under Section 26(1), 114(4) or 121(3) of the Act as the case may be.

11. Environmental Management – General

(a) environmental management of operations must be carried out accordingly to current best environmental practice: or alternately, it must conform to a specific Environmental Management Plan prepared by the licence holder which is acceptable to the Department.

"As a guide see "Onshore Mineral and Petroleum Exploration", 1996 Commonwealth department of the Environment and Heritage or "Guidelines for Environmentally Responsible Mineral Exploration in NSW" 1998 NSW Minerals Council.

(b) approval of Category 3 prospecting operations may be subject to a requirement to prepare an Environmental Management Plan (EMP). When directed in writing by the Department, the licence holder must prepare an EMP for the operations or for a specific aspect of the operations. The EMP must be prepared in a format and with content as specified and to a timetable specified by the Department.

12. Aboriginal Cultural Heritage

(a) prior to carrying out any prospecting operations the licence holder must consider potential impacts on Aboriginal Heritage according to Guidelines for Aboriginal Heritage Impact Assessment in the Exploration and Mining Industries (NPWS: October 1997);

(b) Aboriginal Cultural Heritage issues must be satisfactorily addressed in any notification under Condition 2 of this licence; and

(c) the licence holder must not knowingly destroy, deface or damage any Aboriginal object or Aboriginal place within the area except in accordance with a consent issued under the National Parks and Wildlife Act 1974. The licence holder must take all necessary precautions in drilling, excavating or disturbing the land against any such destruction, defacement or damage.

13. Threatened Species, Populations, Ecological Communities and their Habitats, and Critical Habitat

(a) prior to carrying out any prospecting operations the licence holder must consider potential impacts on threatened species (of plants, animals and fish), populations and ecological communities and their habitats, and critical habitat, and plan the activities to minimise such impacts;

(b) threatened species populations and ecological communities and their habitats, and critical habitat, must be satisfactorily addressed in any notification under Condition 2 of this licence; and

(c) the licence holder must comply with legislation relating to threatened species, populations, ecological communities and their habitat, and critical habitat. Should prospecting operations require a licence under the National Parks and Wildlife Act 1974 or the Threatened Species Conservation Act 1995 then the licence holder must obtain such a licence.

14. Heritage Items

(a) prior to carrying out any prospecting operations the licence holder must consider potential impacts on items of heritage significance including old mine relics and workings. The licence holder must take all necessary precautions in drilling, excavating or disturbing the land against causing any damage to or destruction of items of heritage significance;

(b) heritage items must be satisfactorily addressed in any notification under Condition 2 of this licence; and

(c) the licence holder must not disturb any item of heritage significance within the area except in accordance with an approval issued under the Heritage Act 1977.

15. Trees and Vegetation

(a) the licence holder must not fell trees, strip bark or cut timber on any land subject of this licence without the consent of the landholder who is entitled to the use of the timber, or if such a landholder refuses consent or attaches unreasonable conditions to the consent, without the approval of the Mining Warden;

(b) the licence holder must not cut, destroy, ringbark or remove any timber or other vegetative cover on any land the subject of this licence other than in accordance with the conditions of this licence and any approval granted thereunder. Any clearing not authorised under the Act must comply with the provisions of the Native Vegetation Conservation Act 1997; and

(c) the licence holder must have any necessary licence from the Department's State Forests Division before using timber from any Crown land within the licence area.

16. Roads and Tracks

(a) operations must not affect the public's normal use of any road or track unless with the prior written approval of the Department;

(b) operations must not affect the availability of existing roads on any land for use for fire fighting;

(c) the licence holder must pay to the designated authority in control of the road or track (generally the local council or the Roads and Traffic Authority) the reasonable costs incurred by the designated authority in fixing any damage to roads caused by operations carried out under the licence;

(d) during wet weather the use of any road or track must be restricted so as to prevent damage to the road or track;

(e) existing access tracks should be used for all operations where possible. New access tracks must be kept to a minimum and be positioned so that they do not cause any unnecessary damage to the land, watercourses or vegetation;

(f) the design, construction, repair and rehabilitation of constructed access tracks must be in accordance with specifications given in any Review of Environmental Factors required (Condition 2) or an Environmental Management Plan (Condition 11) which has been accepted by the department;

(g) as soon as possible after they are no longer required for prospecting operations temporary access tracks must be rehabilitated and revegetated to the satisfaction of the Department; and

(h) rehabilitation activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).

17. Streams and Watercourses

The licence holder must not interfere with the flow of water in any stream or watercourse without the prior written approval of the Department, and subject to any conditions that may be stipulated.

18. Erosion and Sediment Controls

(a) all operations must be planned and carried out in a manner that minimises erosion, controls sediment movement. The licence holder must observe and perform any instructions given by the Department in this regard;

(b) for operations requiring approval under Condition 2 the licence holder must document in any Review of Environmental Factors required a plan setting out the proposed methods for minimising erosion and controlling sediment movement; and

(c) the procedures undertaken to minimise erosion and control of sediment movement must be included in reports prepared in accordance with Condition 28 (a).

19. Prevention and Monitoring of Pollution

(a) operations must be planned and carried out in a manner that does not cause or aggravate air pollution, water pollution (including sedimentation) or soil contamination. For the purpose of this condition, water shall be taken to include any watercourse, waterbody or groundwaters. The licence holder must observe and perform any instructions given by the department in this regard;

(b) for operations requiring approval under Condition 2 the licence holder must document in any Review of Environmental Factors required the proposed methods for minimising air pollution, water pollution and soil contamination;

(c) the licence holder must carry out environmental monitoring as directed by the Department to assess environmental performance in relation to prevention of pollution and rehabilitation of affected areas; and

(d) the procedures and results of monitoring of the activities undertaken to minimise air pollution, water pollution and soil contamination must be included in reports prepared in accordance with Condition 28 (a).

20. Refuse, Chemicals, Fuels and Waste Materials

(a) the licence holder must maintain operations areas in a clean and tidy condition at all times;

(b) all refuse and waste materials must be collected, segregated and deposited in properly constructed containers and removed to an approved landfill or buried in an approved manner at an approved location;

(c) sanitation collection should be in accordance with the requirements of the local authority, or the licence holder must make such provisions for sanitation as may be directed by the Department;

(d) precautions must be taken to prevent spills and soil contamination. All chemicals, fuels and oils must be stored in sound containers and kept spill trays or in a bunded area. A supply of appropriate spill and dust prevention and oil absorbent materials must be maintained at drill sites;

(e) all drill cuttings and fluids must be contained in above-ground tanks or in-ground sumps. To prevent contamination of the groundwater or soils in-ground sumps must be plastic lined whenever toxic or non-biodegradable drilling fluids are used or when drilling into rock potentially containing high concentrations of toxic metals or metaloids;

(f) any soil contaminated by chemicals, oils and fuels, or drilling mud or drill core containing toxic metals must be collected and remediate or disposed of in an approved manner, and the site rehabilitated with clean soil; and

(g) activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28(a).

21. Transmission Lines, Communication Lines, Pipelines and other Public Utilities

(a) operations must not interfere with or impair the stability or efficiency of any transmission line, communication line, pipeline or any other public utility without the prior written approval of the Department and subject to any conditions that may be stipulated; and

(b) if the operation in any way impacts on the utility the licence holder must inform the authority in control of the utility and provide sufficient information for the authority to asses the proposal or its impacts. The licence holder must pay costs for remediation or repair of damage to utilities caused by prospecting operations and associated activities.

22. Public and Private Property

The licence holder must observe any instructions given by the Department in connection with minimising or preventing public inconvenience or damage to public or private property.

23. Drilling

(a) at least 28 days prior to commencement of drilling operations other than Category 1 drilling the licence holder must notify the relevant Department of Planning Regional Hydrologist of the intention to drill exploratory drill holes together with information on the nature and location of the proposed holes;

(b) if the licence holder drills exploratory drill holes he must satisfy the Department that during and after the activity:

(i) all holes cored or otherwise are constructed and/or sealed to prevent the collapse of the surrounding surface;

(ii) if any drill hole meets natural or noxious gases it is plugged or sealed to prevent their escape;

(iii) if any drill hole meets an artesian or sub-artesian flow it is effectively sealed to prevent contamination or cross-contamination of aquifers, and is permanently sealed with cement plugs to prevent surface discharge of groundwater;

(iv) potentially hazardous tools or logging equipment dropped in holes and unable to be recovered must be reported to the Regional Inspector of Mines and if directed to do so the licence holder must recover the equipment;

(v) waters flowing from any drill holes must be managed and contained. Disposal of any such waters must be in accordance with the ANZECC/ARMCANZ 2000 Water Quality Guidelines so as to meet the environmental values of the receiving watercourse or stock dam or must be disposed of in accordance with a licence issued by the Department of Environment and Conservation;

(vi) once any drill hole ceases to be used the land and its immediate vicinity is to be rehabilitated to its former condition; and

(vii) activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).

26. Maintenance of Open Drillholes

Where the licence holder wishes to temporarily maintain a drill hole in an open condition for monitoring purposes, or where a landholder requests that a drillhole be left open for water supply purposes, the licence holder shall inform the Department and provide reasons for leaving the hole open. If leaving the drillhole open at the request of a landholder, the licence holder must produce a signed copy of a document transferring the responsibility of that drillhole and its licencing requirements to the landholder. All drillholes which are maintained in an open condition must be cased to prevent collapse and fitted with a removable cap to ensure the safety of persons and stock.

27. Rehabilitation of Land

(a) land disturbed must be rehabilitated to a stable and permanent form suitable for a subsequent land use acceptable to the Department so that:

(i) there is no adverse environmental effect outside the disturbed area and the land is properly drained and protected from soil erosion;

(ii) the state of the land is compatible with the surrounding land and land use requirements;

(iii) the landforms, soils, hydrology and flora require no greater maintenance than that in or the surrounding land;

(iv) in cases where native vegetation has been removed or damaged, and where vegetation is required, species endemic to the area must be re-established. If the previous vegetation was not native, any re-established vegetation must be appropriate to the area or to the satisfaction of the landholder. Any re-established vegetation must be at an acceptable density and diversity; and

(v) the land does not pose a threat to public safety.

(b) any topsoil that is temporarily removed from an area of prospecting operations must be stored, maintained and returned as soon as possible in a manner acceptable to the Department;

(c) any shafts, drill holes and excavations, that remain abandoned from previous mining or exploration, which are opened up or used by the licence holder must be filled in or otherwise rehabilitated to a standard acceptable to the Department;

(d) all rehabilitation of disturbed areas should be completed before the expiry of the licence or immediately following termination of the licence; and

(e) activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).

28. Environmental Reporting

(a) an Environmental and Rehabilitation Report must be submitted to the Department as follows:

(i) the reports must be prepared according to Departmental Guidelines for environmental and rehabilitation reporting on exploration licences;

(ii) the reports must be lodged within one month of expiry or earlier termination of the licence or whenever part of the licence ceases to have effect; and

(ii) the reports must be prepared to the satisfaction of the department and include information on all surface disturbing prospecting operations and rehabilitation carried out in the licence area or in the part of the licence that has ceased to have effect. They should include sufficient information to demonstrate that the requirements of Conditions 1 to 6 and 9 to 27 or those of them included in the licence have been satisfied.

(b) an Incident and Complaints Report must be submitted to the Department as follows:

(i) the report is to be submitted within 24 hours of confirmation of any serious environmental incident, breach of Conditions 1 to 27 or those of them included in the licence or breach of other environmental regulations, or a serious complaint from landholders or the public;

(ii) the report must include the details of the exploration licence, contact details for the exploration manager, complainant and landholder, a map showing the area of concern, the nature of the incident or complaint, likely causes and consequences, and a timetable showing actions taken or planned to fix the problem; and

(iii) details of all incidents or complaints occurring whilst the licence is in force must be included in reports prepared in accordance with Condition 28 (a).

(c) additional environmental reports may be required on specific surface disturbing operations or environmental incidents from time to time as directed in writing by the Department and must be lodged as instructed.

29. Security

(a) a security in the sum of $10,000 must be given and maintained with the Minister by the licence holder for the purpose of ensuring the fulfilment by the licence holder of obligations under this licence. If the licence holder fails to fulfil any one or more of such obligations, the said sum may be applied at the discretion of the Minister towards the cost of fulfilling such obligations; and

(b) the licence holder must provide the security required by paragraph (a) in one of the following forms:

(i) cash; or

(ii) a security certificate in a form approved by the Minister and issued by an authorised deposit-taking institution.

32. Failure to Fulfil Obligations

For the purposes of Condition 29, the licence holder shall be deemed to have failed to fulfil the obligations of this licence if the licence holder fails to comply with:

(a) any condition or provision of the licence;

(b) any condition of a consent or approval given pursuant to the Act or the licence;

(c) any provision of the Act or regulations made thereunder; or

(d) any direction or other instruction given by the department pursuant to paragraphs (a) – (c) above.

Section D GENERAL CONDITIONS

33. Control of Operations

(a) If the Department believes that the licence holder is not complying with any provision of the Act or Regulations, or any condition or provision of this licence, the Department may direct the licence holder to:

(i) cease all prospecting operations and other activities authorised by the licence; or

(ii) cease those prospecting operations and other activities not complying,

until in the opinion of the Department the situation has been corrected.

(b) the licence holder must comply with any direction given under this Condition.

36. **Safety of Operations**

(a) the licence holder must give notification to the Department at the Department's nearest regional office at least 7 days before commencement of any field exploration activity involving drilling, blasting or other potentially hazardous operations;

(b) operations must be carried out in a manner that ensures the safety of landholders and members of the public, stock and wildlife in the vicinity of the operations;

(c) the measures put in place to control hazards must comply with the Mines Inspection Act 1901 and the Mines Inspection Act 1901 General Rule 2000. These measures include, but are not limited to, the development of a Safety Management Plan prepared according to Departmental guidelines; and

(d) operations must be carried out and supervised in a manner that ensures the safety of all employees and contractors.

37. **Core Samples (For Groups 1 to 7 and Group 10 Minerals)**

(a) the licence holder must supply notifications and particulars and preserve any cores and samples as required by Section 428 of the Mines Inspection Act, 1901;

(b) the holder must not dispose of any core obtained during the course of drilling in the licence area without first offering it to the Department for archival storage. On termination of the licence the licence holder must advise the Department of plans regarding the continued storage or disposal of core. If so directed, the licence holder must lodge selected core with the Department's Core Library at Londonderry; and

(c) selected core must be lodged with the department in standard modular metal core boxes, the size specifications of which are obtainable from the Core Library.

Section E EXPLORATION PERFORMANCE AND REPORTING CONDITIONS

40. **Expenditure**

The licence holder must effectively prospect the licence area and, unless approved by the Department, must expend on operations no less than:

* $63,000 per annum for EL6613;
* $28,000 per annum for EL6614;
* $36,500 per annum for EL6719; or
* $30,000 per annum for EL6722,

whilst the licence is in force.

41. **Completion of Exploration Program**

The licence holder must satisfactorily complete the work program nominated in the application for this licence or for renewal of this licence. Any change to the Technical Manager must be approved by the Department.

42. **Technical Management of Exploration**

Prospecting operations are to be conducted, or directly supervised, by the Technical Manager nominated in the application for this licence. The nominated technical manager must prepare or supervise and approve all exploration reports. Any change to the Technical Manager must be approved by the Department.

43. **Exploration Reports (For Groups 1 to 7 and Group 10 Minerals)**

The licence holder must lodge reports to the satisfaction of the Department detailing the operations conducted. The reports must comply with Departmental guidelines for preparation of geological reports and be lodged, as specified in this condition, and include all maps, plans and data necessary to satisfactorily interpret and evaluate the reports. Approval by the Department is required if the holder wishes to lodge reports at times other than those specified.

(a) Annual Reports must be lodged within one calendar month after the expiry of each 12 months of the term of the licence and must contain full particulars of:

(i) all surveys and other operations, including expenditure thereon, carried out by or on behalf of the licence holder during the 12 month period;

(ii) the results and conclusions of such surveys and other operations; and

(iii) the proposed exploration to be conducted during the following 12 month period.

(b) Interim Reports must be lodged within one calendar month after the expiry of the first six months of each annual period. They must therefore be lodged after the first six months, and thereafter at 12 monthly intervals. Each report must contain a brief summary of exploration completed in the six months and the proposed exploration to be conducted in the following six months. The reports should be completed on the "Interim Report on Mineral Exploration" form;

(c) Airborne Geophysical Survey Results must be lodged within 6 calendar months of the completion of any airborne geophysical survey. The results must be in digital form and comply with departmental Guidelines for the Submission of Digital Exploration Data.

(d) a final Report must be lodged on the expiry or earlier termination of the licence and must contain:

(i) a summary of all surveys and other operations carried out by or on behalf of the licence holder during the full term of the licence from grant to termination;

(ii) detailed data of all surveys and other operations if these have not been provided in previous Annual Reports; and

(iii) the main results and conclusions of each phase of operations.

(e) additional Reports on surveys and other operations may be required from time to time and must be lodged as instructed.

45. **Confidentiality of Reports**

(a) all exploration reports lodged in accordance with the conditions of this licence will be kept confidential while the licence is in force, except in cases where:

(i) the licence holder has agreed that specified reports may be made non-confidential; or

(ii) reports deal with exploration conducted exclusively on areas that have ceased to be part of the licence.

(b) confidentiality will be continued beyond the termination of a licence where an application for a flow-on title was lodged during the currency of the licence. The confidentiality will last until that flow-on title or any subsequent flow-on title, has terminated;

(c) continued confidentiality is subject to the licence-holder lodging a report that covers all exploration conducted on the area not covered by the flow-on title. This report will be made public; and

(d) the Department may extend the period of confidentiality.

46. Licence to Use Reports

(a) the licence holder grants to the Minister, by way of a non-exclusive licence, the right in copyright to publish, print, adapt and reproduce all exploration reports lodged in any form and for the full duration of copyright; and

(b) the non-exclusive licence will operate as consent for the purposes of section 365 of the Act.

47. Terms of the non-exclusive licence

The terms of the non-exclusive copyright licence granted under Condition 46 (a) are:

(a) the Minister may sub-license others to publish, print, adapt and reproduce but not on-licence reports;

(b) the Minister and any sub-licensee will acknowledge the licence holder's and any identifiable consultant's ownership of copyright in any reproduction of the reports, including storage of reports onto an electronic database;

(c) the licence holder does not warrant ownership of all copyright works in any report and, the licence holder will use best endeavours to identify those parts of the report for which the licence holder owns the copyright;

(d) there is no royalty payable by the Minister for the licence; and

(e) if the licence holder has reasonable grounds to believe that the Minister has exercised his rights under the non-exclusive copyright licence in a manner which adversely affects the operations of the licence holder, that licence is revocable on the giving of a period of not less than three months notice.

9. RISK FACTORS

9.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

9.2 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(a) general economic outlook;

(b) interest rates and inflation rates;

(c) currency fluctuations;

(d) changes in investor sentiment toward particular market sectors;

(e) the demand for, and supply of, capital; and

(f) terrorism or other hostilities.

9.3 Market Conditions

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

9.4 Exploration Success

The mineral tenements of the Company as described in this Prospectus are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company described in the Independent Geologist's Report are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

9.5 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated on 20 April 2006, the Company does not have any operating history, although it should be noted that the Company's directors have between them significant operational experience. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

9.6 Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

9.7 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

9.8 Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In this regard, the Department of Primary Industry in New South Wales from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

9.9 Title Risks and Native Title

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

9.10 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

9.11 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

9.12 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this

Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

10. ADDITIONAL INFORMATION

10.1 Rights Attaching to Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

(i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) 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

(iii) 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 as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) Variation of Rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

10.2 Rights Attaching to Options

There are currently two classes of Options on issue, with varying exercise prices ($0.20 and $0.30 respectively).

The remaining terms and conditions of the Options are as follows:

(a) each Option entitles the holder to one (1) Share in the Company;

(b) the Options are exercisable at any time on or prior to 5.00pm (WST) on 30 November 2010 (**Expiry Date**) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;

(c) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;

(d) subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable;

(e) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation of the Options and all Shares issued upon exercise of the Options on ASX;

(f) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and

(g) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

10.3 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options ($0.30 exercise)	Options ($0.20 exercise)
Michael Kiernan	3,000,000	2,500,000	1,500,000
Rob Tyson	2,500,000	2,500,000	1,250,000
Simon Hadfield	2,500,000	2,500,000	1,250,000

10.4 Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed $300,000 per annum.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

In the 2 years prior to the date of this Prospectus, none of the Directors received any remuneration from the Company.

From the date the Company lists on ASX, it is proposed that the Directors will receive the following remuneration:

Director	Remuneration
Michael Kiernan	$35,000
Rob Tyson	$50,000
Simon Hadfield	$30,000

10.5 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

(a) Director of the Company;

(b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(c) promoter of the Company; or

(d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

(e) the formation or promotion of the Company;

(f) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or

(g) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Horwarth (WA) Pty Limited has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 7 of this Prospectus. The Company estimates it will pay Horwarth (WA) Pty Limited a total of $7,500 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Horwarth (WA) Pty Limited has not received any other fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer, has prepared a Solicitor's Report on Tenements which has been included in Section 8 of this Prospectus and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin $25,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any other fees for legal services.

Geological and Management Services Pty Ltd has acted as the Independent Geologist and has prepared an Independent Geologist's Report which has been included in Section 6 of this Prospectus. The Company estimates that it will pay Geological and Management Services Pty Ltd a total of $20,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Geological and Management Services Pty Ltd has not received any other fees from the Company.

10.6 Consents

Each of the parties referred to in this section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Horwarth (WA) Pty Limited has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 7 in the form and context in which the report is included. Horwarth (WA) Pty Limited has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Horwarth Audit (WA) Pty Ltd has given its written consent to being named the Company's Auditor in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitor to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Tenements in Section 8 in the form and context in which the report is included. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Geological and Management Services Pty Ltd has given its written consent to being named as the Independent Geologist to the Company in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 6 in the form and context in which the report is included. Geological and Management Services Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to being named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

10.7 Restricted Securities

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Shares held by them. These agreements will be entered into in accordance with the Listing Rules.

10.8 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately $250,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount ($)
ASIC fees	$2,010
ASX fees	$25,000
Advisors' fees	$52,500
Printing	$10,000
Broker's fees	$150,000
Miscellaneous	$10,490
TOTAL	$250,000

10.9 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

10.10 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please obtain a copy of the Prospectus from the Company's website at www.peelex.com.au.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10.11 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

10.12 Forecasts

Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts can not be prepared and accordingly have not included forecasts in this Prospectus.

11. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Michael Kiernan
Chairman
For and on behalf of
Peel Exploration Limited

12. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

12.1 Glossary of Technical Terms

Acid	An igneous rock having a higher percentage of silica than orthoclase.
Acid volcanics	Rocks of volcanic origin containing a high proportion of silica.
Acidic	Igneous rocks containing more than 60 per cent silica.
Actinolite	A complex calcium magnesium iron silicate mineral commonly occurring in metamorphic rocks.
Adamellite	A form of granitic rock with approximately equal proportions of orthoclase and plagioclase feldspar minerals.
Aeromagnetic survey	A survey made from the air, recording variations in the earth's magnetic field
Aeromagnetics	Results of an airborne survey recording magnetic characteristic of rocks.
Aggregate	Sand, gravel, or any clastic material.
Alluvial deposit	A mineral deposit consisting of recent surficial water-lain sediments.
Alluvial	Pertaining to sedimentary rocks of relatively young geological age deposited by a river system.
Alluvium	Gravel and sediment found along rivers and creeks.
Alteration	Change in the physical or chemical composition of a rock.
Alteration zone	Zone within which rock-forming minerals have been chemically changed.
Altered	Referring to physical or chemical change in a rock or mineral subsequent to its formation
Amphibolite	A metamorphic rock composed mainly of amphibole minerals.
Amphibolite facies	An intermediate level of metamorphism.
Andalusite	An hydrous alumino-silicate mineral characteristic of contact-metamorphosed argillaceous rocks.
Andesite	A volcanic rock of intermediate composition.
Anomalous	Having relatively high values which may be directly or indirectly tested to significant mineralisation.
Anomaly	Value higher or lower than the expected or norm.
Anticline	A fold structure in which the strata dip away from each other
Antimony	An element of metallic appearance and crystalline structure, tin-white in colour, hard and brittle.
Arenite	A sedimentary rock with a sandy texture.
Arsenopyrite	An iron arsenic sulphide mineral.
Augite	A dark pyroxene mineral.
Aureole	A term applied to the zone of contact metamorphosed rocks surrounding an intrusion.
Auriferous	Containing gold.
Baryte	A barium mineral, found in geothermal veins and replacements and in modular masses.

Basalt	A dark coloured fine grained volcanic igneous rock.
Bedding	The arrangement of rock in beds or layers of varying thickness and character.
Biotite	A form of mica.
Bornite	A sulphide mineral of copper and iron.
Brecciated	Pertaining to rocks made up of highly angular course fragments formed by crushing, volcanism or sedimentary processes.
Caldera	A large inverted cone shaped depression formed by a volcanic explosion
Cambrian	A geological time classification in which the rocks are between 500 and 570 million years old.
Cambro-Ordovician	Geological period, corresponding to approximately 435 to 570 million years ago
Carbonaceous	Pertaining to rocks containing a substantial amount of carbon.
Carboniferous	A period in geological history from about 360 to 386 million years from the present
Chalcopyrite	A sulphide mineral of copper and iron.
Chert	A compact massive siliceous rock.
Cherty siltstone	A siltstone with high massive silica content
Clastics	Sediments derived from erosion of pre-existing rocks.
Clay	Earthy deposit of extremely fine texture which is usually plastic when wet.
Cleavage	Parting surface in a rock.
Complex	An ore is complex when it carries several metals difficult to extract.
Conformable	Same dip as the underlying strata
Conglomerate	Pertaining to sedimentary rocks consisting mainly of fragments greater than 2 mm in diameter.
Contact metamorphic	A rock in contact with an igneous body altered by the heat from the igneous body
Contact zone	Zone in the country rock surrounding an igneous intrusion.
Cordierite	Alumino-silicate mineral characteristics of contact-metamorphosed argillaceous rocks.
Costean	An exposure of bedrock made by removal of surface material in a trench.
Costeaning	Trenching for the purpose of sampling a mineral prospect.
Cretaceous	A geological time classification in which the rocks are between 65 and 135 million years from the present.
Cupriferous	A rock containing copper or an ore of copper
Deformation	Process by which rocks are folded or faulted.
Devonian	A geological time classification in which the rocks are between 362 and 413 million years old.
Diamictite	A sedimentary rock containing large fragments distributed through a much finer groundmass
Diorite	A granitoid rock composed essentially of hornblende and feldspar.
Dyke	An elongate thin planar form of igneous intrusion.

Elongate	Lengthened structure.
Equigranular	An igneous rock made up of crystals essentially equal in size
Exhalative	Description of a chemical sediment found by the escape of volcanically-derived fluids onto the sea floor or into the sea.
Extrusion	Pertaining to igneous rocks ejected at the Earth's surface.
Facies	Characteristic of a rock unit which reflects the conditions of origin and differentiates the unit from adjacent units.
Fault	A fracture or fracture zone along which there has been displacement of two sides relative to one another parallel to the fracture.
Felsic	Descriptive of an igneous rock which is predominantly of light-coloured minerals (opposite of mafic).
Felsite	Fine-grained siliceous volcanic rock.
Felspar	A common rock-forming group of silicate minerals.
Ferruginous	Containing iron.
Formation	A unit in stratigraphy defining a successful of rocks of the same type.
Gabbro	Dark granular igneous rock.
Gossan	A ferruginous deposit commonly derived from the weathering of sulphide ores and often showing relict crystalline textures.
Gossanous	An outcrop with features of a gossan
Granite	Coarse grained igneous crystalline rock with a high silica content.
Granodiorite	An intermediate igneous rock occurring in the form of batholiths containing quartz and approximately equal proportions of orthoclase felspar and plagioclase felspar.
Greenschist	Metamorphic mineral assemblage typical of low grade regional metamorphism.
Greenschist facies	A low level of metamorphism characterised by development of green colouration in basic igneous rocks.
Greywacke	Poorly sorted sandstone with a clay matrix.
Hornblende	A variety of the mineral amphibole.
Hypersthene	A complex iron/magnesium silicate mineral.
Igneous	Rocks formed by solidification from a molten state.
Inliers	An area or group of rocks surrounded by rocks of younger age.
Intrusion	A mass of igneous rock which, while molten, was forced into or between other rocks.
intrusive	A rock that has intruded previously existing rocks.
Jasper	Variety of chert coloured by iron oxide.
Jaspilites	A rock consisting essentially of red jasper and iron oxides in alternating bands. Similar to banded iron formations.
Jurassic	A geological time classification in which the rocks are between 135 and 192 million years old.
Lacustrine	Pertaining to strata deposited in a lake
Leucogranite	
Lithic	Rocks formed from rock fragments derived from older rocks.
Lithic clastics	Sedimentary rock of sand size made up of fragments of other rocks

Lithologically	Pertaining to the type of rock.
Mafic	Igneous rocks with dark coloration due to high magnesium and iron content.
Marine	Pertaining to strata deposited in an ocean
Meta	Signifying that the rock name which follows has been altered in form, structure or composition by the metamorphic processes of heat and/or pressure.
Metabasalt	Fine grained volcanic rock containing plagioclase feldspar and mafic minerals that has been recrystallised by metamorphism.
Metamorphic	Rock which has changed its structure and properties through the effects of heat and pressure over time.
Metamorphosed	Altered by metamorphic processes.
Metamorphism	The process of solid state rock alteration in response to pronounced changes in temperature, pressure and chemical environment.
Molybdenite	A sulphide mineral of molybdenum.
Molybdenum	A metallic element of the chromium group, resembling iron in its white colour, malleability, difficult feasibility and its capacity for forming steel-like alloys with carbon.
Monzogranite	A form of granite.
Monzonite	An intermediate intrusive rock with near equal proportions of orthoclase and plagioclase
Mudstone	Poorly stratified sediment consisting of clay and silt particles.
Muscovite	Hydrated potassium aluminium silicate mica.
Oolitic limestone	A limestone made up of spheroidal calcite deposits
Orthoconglomerate	A coarse conglomerate with little or no finer grained clasts in the matrix
Outcrop	Part of a rock formation which appears at the surface of the ground.
Permian	A period in geological history from about 286 to 248 million from the present.
Plugs	Inclination of the axis of folded structure.
Plutonic	Term applied to igneous rocks which have crystallised at great depth.
Plutons	A body of igneous rock that has formed beneath the surface of the earth by consolidation from magma.
Polymetallic	Containing more than one mineral
Porphyritic	A textural term for those rocks which have larger crystals set in a finer groundmass, which may be crystalline, glassy, or both.
Post tectonic	Pertaining to geological activity after a major event of folding and/or intrusion
Precambrian	All rocks formed before Cambrian time, greater than 570 million years old.
Prehnite	A complex hydroxide of calcium, aluminium and silica
Prehnite-pumpellyite facies	A form of low temperature regional metamorphism
Pumpellyite	A complex hydroxide of calcium, magnesium, aluminium and silica
Pyrite	A sulphide mineral of iron.

Pyroclastic	Fragmental deposits formed from the accumulation volcanic ejecta.
Quaternary	Period of time covering the last 2 to 3 million years.
Regressive marine	A sedimentary environment where the sea shore is receding over time
Sandstone	A sedimentary rock in which the fragments are between 1/16 mm and 2 mm in size.
Sediments	Rocks formed of particles deposited from suspension in water, wind or ice.
Serpentine	An ultrabasic rock consisting almost entirely of serpentine, a hydrous magnesium silicate mineral.
Serpentinite	Main alteration product of ultramafic rocks
Siltstone	A sedimentary rock in which the detrital fragments are between 1/256 mm and 1/16 mm in size.
Silurian	A geological time classification in which the rocks are between 413 and 445 million years old
Siluro-Devonian	An age at the boundary of the Silurian and Devonian time periods, approximately 400 millions years ago.
Slate	Fine grained sedimentary rock, usually altered under pressure, possessing well developed cleavage which may be parallel to bedding.
Sphalerite	A mineral, the principal ore of zinc.
Stibnite	Sulphide of antimony sometimes associated with gold mineralisation.
Stockworks	A three-dimensional network of veinlets.
Stratabound	Deposit confined to a single stratigraphical unit
Stratiform	Specific variety of stratabound deposit is conformable with the enclosing units.
Stratigraphic	Pertaining to rocks of a generally layered nature, in a geometric or time sense.
Subduction	Section of crust which has thrust under-overlying zones due to crustal movement.
Syngenetic	Said of a mineral deposit formed at the same time, and by the same processes, as the enclosing rocks.
Terrestrial	Pertaining to sedimentary rocks deposited in non-marine environments
Tonalite	A coarse-grained intrusive rock of intermediate composition.
Trondjhemites	A form of granite containing mainly quartz, oligoclase, and biotite.
Tuffaceous	Pertaining to rocks formed substantially by the accumulation of volcanic ash and dust.
Ultramafic	Descriptive of an igneous rock with very high magnesium and iron content.
Unconformably	Descriptive of rocks on either side of an unconformity.
Unconformity	A contact between rock strata at which a substantial break in the geologic record has occurred.
Volcaniclastic	Clastic sediments derived partially or substantially from volcanic rocks.
Volcanics	Pertaining to a rocks discharged from volcanic activity

12.2 Glossary of Defined Terms

A$ or $	Australian dollar.
Application Form	The application form accompanying this Prospectus relating to the Offer.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691).
Board	The board of Directors as constituted from time to time.
Business Day	A week day when trading banks are ordinarily open for business in Perth, Western Australia.
Company or Peel Exploration	Peel Exploration Limited (ACN 119 343 734).
Closing Date	The closing date of the Offer as set out in Section 3.3.
Constitution	The constitution of the Company.
Corporations Act	The Corporations Act 2001 (Cth).
Directors	The directors of the Company at the date of this Prospectus.
Exposure Period	The period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.
Listing Rules	The official listing rules of ASX.
Offer	The offer of Shares pursuant to this Prospectus as outlined in Section 4.
Official List	The Official List of ASX.
Official Quotation	Official quotation by ASX in accordance with the Listing Rules.
Option	An option to subscribe for a Share subject to the terms and conditions set out in Section 10.2 of this Prospectus.
Prospectus	This prospectus.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Computershare Investor Services Pty Limited.
Shareholder	A holder of Shares.
Tenements	Tenements set out in Part I of the Solicitor's Report on Tenements in Section 8 of this Prospectus.
WST	Western Standard Time, Perth, Western Australia.

Registry Use Only

Peel Exploration Limited

ACN 119 343 734

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Broker Code | Adviser Code

A I/we apply for

Number of Shares in Peel Exploration Limited at $0.20 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

A$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - include State and Postcode

Unit | Street Number | Street Name or PO Box/Other Information

City / Suburb / Town | State | Postcode

E Enter your contact details

Contact Name | Telephone Number - Business Hours / After Hours

( )

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to Peel Exploration Limited - Share Trust Account

G

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
				A$

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

IPO

How to complete this form

A **Shares Applied for**

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 5,000 Shares.

B **Application Monies**

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C **Applicant Name(s)**

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D **Postal Address**

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E **Contact Details**

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F **CHESS**

Peel Exploration Limited (the Company) will apply to the ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESS, the company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G **Payment**

Make your cheque or bank draft payable to Peel Exploration Limited - Share Trust Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read the prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Peel Exploration Limited is upon and subject to the terms of the prospectus and the Constitution of Peel Exploration Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Perth office of Computershare Investor Services Pty Limited by no later than 5:00 pm WST on 30 April 2007.
Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited	OR	Computershare Investor Services Pty Limited
GPO Box D182		Level 2,
PERTH WA 6840		45 St Georges Terrace
		PERTH WA 6000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 554 593.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	JA Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Mrs Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

IPO

Registry Use Only

Peel Exploration Limited

ACN 119 343 734

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Broker Code

Adviser Code

A I/we apply for

Number of Shares in Peel Exploration Limited at $0.20 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

A$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit | Street Number | Street Name or PO Box/Other Information

City / Suburb / Town | State | Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

( )

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to Peel Exploration Limited - Share Trust Account

G

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
				A$

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

IPO

How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHESS

Peel Exploration Limited (the Company) will apply to the ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESS, the company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to Peel Exploration Limited - Share Trust Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which the application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Peel Exploration Limited is upon and subject to the terms of the prospectus and the Constitution of Peel Exploration Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Perth office of Computershare Investor Services Pty Limited by no later than 5:00 pm WST on 30 April 2007.
Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited GPO Box D182 PERTH WA 6840	OR	Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace PERTH WA 6000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 664 593.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Mrs Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Ms Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund