PEEL EXPLORATION LIMITED

ABN 42 119 343 734

INTERIM FINANCIAL REPORT

31 DECEMBER 2008

PEEL EXPLORATION LIMITED

ABN 42 119 343 734

Corporate Directory

Directors

Simon Hadfield	Non-executive Chairman
Robert Tyson	Executive Director
Craig McGown	Non-executive Director

Company Secretary
David Hocking

Registered Office
Level 1, 79 Hay Street, Subiaco, WA 6008

Telephone: (61-8) 9382 3955
Facsimile: (61-8) 9388 1025
E-mail: admin@Peel.com.au
Web-site: www.peelex.com.au

Share Registry
Computershare Investor Services Pty Ltd
Level 2, 45 St. George's Terrace, Perth WA 6000

Telephone: (61) 1300 664 593
Facsimile: (61-8) 9323 2033
E-mail: perth.services@computershare.com.au
Web-site: www.computershare.com.au

Auditors
BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street, Subiaco, WA 6008

Solicitors
Steinepreis Paganin
Level 4, Next Building, 16 Milligan St, Perth WA 6000

Bankers
National Australia Bank Limited

Home Exchange
ASX code: PEX

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Directors' Report

The directors present their report on the Company for the half-year ended 31 December 2008.

Directors

The following persons held office as directors throughout the entire financial period and up to the date of this report, unless otherwise indicated:

Simon Hadfield - Chairman
Robert Tyson - Executive Director
Craig McGown - Non-executive Director

Results

The loss of the Company for the half-year ended 31 December 2008 after providing for income tax amounted to $760,750 (2007: $182,769).

Review of Operations

The principal continuing activity of the Company is the acquisition of mineral tenements, mineral exploration and investment. During the half-year Peel Exploration continued to explore its tenements which are located in the New England region of New South Wales.

Further information on the Company's activities during the financial period is listed in Peel Exploration's quarterly activity reports.

Share-based compensation

On 5 December 2008 options over 1,000,000 shares in Peel Exploration Limited were granted to Mr Craig McGown, a director of the company. The options were granted, following shareholder approval, for nil consideration and are exercisable at 30cents on or before 30 April 2011.

Subsequent events

Subsequent to 31 December 2008 the company has issued 900,000 shares at 15cents each for a total cash consideration of $135,000. Also, subsequent to 31 December 2008 the company has acquired 5,000,000 shares, being the whole of the share capital, in Peel Energy Limited for the consideration of $5,000. The three directors of Peel Exploration Limited have all been appointed directors of Peel Energy Limited.

No other event has occurred subsequent to 31 December 2008 requiring disclosure in, or amendment to, these financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the directors.

R.Tyson
Executive Director

Perth, Western Australia
13 March 2009

Income Statement
For the half year ended 31 December 2008

	31-Dec 2008 $	31-Dec 2007 $
Revenue from continuing operations	63,526	82,061
Share-base remuneration to employees and directors	(52,290)	-
Employee and directors' benefits expenses	(266,226)	(76,559)
Exploration expenditure written-off	(437,186)	(99,157)
Administration expenses	(68,574)	(89,114)
Loss before income tax expense	(760,750)	(182,769)
Income tax expense	-	-
Loss for the half-year	(760,750)	(182,769)
	Cents	Cents
Basic and diluted loss per share	2.53	0.61

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

Balance Sheet
As at 31 December 2008

	NOTE	31-Dec 2008 $	30-Jun 2008 $
CURRENT ASSETS			
Cash and cash equivalents		1,352,251	2,030,930
Trade and other receivables		39,240	24,478
TOTAL CURRENT ASSETS		1,391,491	2,055,408
NON-CURRENT ASSETS			
Security deposits		60,000	60,000
Plant and equipment		70,324	84,754
TOTAL NON-CURRENT ASSETS		130,324	144,754
TOTAL ASSETS		1,521,815	2,200,162
CURRENT LIABILITIES			
Trade and other payables		118,658	88,545
TOTAL CURRENT LIABILITIES		118,658	88,545
TOTAL LIABILITIES		118,658	88,545
NET ASSETS		1,403,157	2,111,617
EQUITY			
Issued capital	3	2,766,921	2,766,921
Accumulated losses		(1,933,286)	(1,172,536)
Reserves		569,522	517,232
TOTAL EQUITY		1,403,157	2,111,617

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

Cash Flow Statement
For the half year to 31 December 2008

	31-Dec 2008 $	31-Dec 2007 $
Cash flows from operating activities		
Payments to suppliers and employees	(742,205)	(235,857)
Interest received	63,526	82,061
Net cash outflow from operating activities	(678,679)	(153,796)
Cash flows from investing activities		
Payment of security deposits	-	(20,000)
Payments for purchase of plant and equipment	-	(11,212)
Net cash outflow from investing activities	-	(31,212)
Cash flows from financing activities		
Proceeds from issue of shares and options	-	155,350
Transaction cost of issue of shares and options	-	(37,759)
Net cash inflow from financing activities	-	117,591
Net (decrease)/ increase in cash and cash equivalents	(678,679)	(67,417)
Cash and cash equivalents at the beginning of the financial period	2,030,930	2,656,920
Cash and cash equivalents at the end of the financial period	1,352,251	2,589,503

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

Statement of Changes in Equity
For the half year ended 31 December 2008

	Attributable to equity holders of the company			
	Contributed Equity	Accumulated Losses	Other Reserves	Total Equity
	$	$	$	$
At 1 July 2007	2,799,062	(414,888)	322,500	2,706,674
Loss for the period	-	(182,769)	-	(182,769)
Issue of options	-	-	150,000	150,000
Issue of share capital	5,618	-	(268)	5,350
Expenses of issues	(37,759)	-	-	(37,759)
At 31 December 2007	2,766,921	(597,657)	472,232	2,641,496
At 1 July 2008	2,766,921	(1,172,536)	517,232	2,111,617
Loss for the period	-	(760,750)	-	(760,750)
Share-based payments	-	-	52,290	52,290
At 31 December 2008	2,766,921	(1,933,286)	569,522	1,403,157

Notes to the Accounts

1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Peel Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Segment Information

The company operates predominantly in one business and geographical segment, being mineral exploration in Australia, and all of the assets of the company are deployed for these purposes. The company's primary segmentation is its business segmentation.

3. Issued Capital

Movements in ordinary share capital	**Shares**	**$**
Balance at 1 July 2007	30,000,000	2,799,062
Shares issued from exercise of options	26,750	5,618
Transaction costs on share issues	-	(37,759)
Balance at 31 December 2007	30,026,750	2,766,921
Balance at 31 December 2008	30,026,750	2,766,921

4. Contingencies

The Company had no contingent assets or liabilities for the half-year ended 31 December 2008.

5. Related Parties

Transactions with related parties

During the financial period the company granted options over 1,000,000 shares in Peel Exploration Limited to Mr Craig McGown, a director of the company. The options were granted, following shareholder approval, at nil consideration and are exercisable at 30 cents on or before 30 April 2011.

During the financial period the company paid $18,000 (2007: $12,097) as a management fee to RIU Pty Ltd, a company controlled by Mr S Hadfield.

Notes to the Accounts (Continued)

6. Events occurring after the Balance Sheet date

Subsequent to 31 December 2008 the company has issued 900,000 shares at 15 cents each for a total cash consideration of $135,000. Also, subsequent to 31 December 2008 the company has acquired 5,000,000 shares, being the whole of the share capital, in Peel Energy Limited for the consideration of $5,000. The three directors of Peel Exploration Limited have all been appointed directors of Peel Energy Limited.

Other than the above, there has not arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material or unusual nature, which is likely in the opinion of the Directors, to affect substantially the operation of the Company, the results of those operations and the state of affairs of the Company in the financial period subsequent to 31 December 2008.

7. Dividends

No dividends were paid during the period.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 3 to 7 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's financial position as at 31 December 2008; and

(b) there are reasonable grounds to believe that Peel Exploration Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

R. Tyson
Executive Director

Perth, Western Australia
13 March 2009

BDO Kendalls

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ABN 79 112 284 787

13 March 2009

The Directors
Peel Exploration Limited
79 Hay Street
SUBIACO WA 6008

Dear Sirs

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

As lead auditor of Peel Exploration for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Glyn O'Brien

Glyn O'Brien
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd

Signed at Perth, Western Australia
Dated this 13th day of March 2009.

BDO Kendalls

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PEEL EXPLORATION LIMITED
REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Peel Exploration Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Peel Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Kendalls

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Peel Exploration Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Glyn O'Brien
Director

Signed at Perth, Western Australia
Dated this 13th day of March 2009.