



2 October 2012

Dear Peel Mining Shareholders

RE: 2012 Annual Report Lodgement

Please see the below re-lodgement of the 30 June 2012 Annual Report including the Independent Auditor's Report and the Auditor's Independence Declaration, that were excluded on the prior announcement due to an upload error.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ryan Woodhouse".

Ryan Woodhouse
Company Secretary

Peel Mining Limited ACN 119 343 734

Unit 1, 34 Kings Park Rd, West Perth, WA 6005. Ph: (08) 9382 3955. Fax (08) 9388 1025.
E:info@peelmining.com.au www.peelmining.com.au

Peel Mining Limited

Annual Report

30 June 2012

Chairman's report

Directors

Simon Hadfield – Chairman
Rob Tyson – Managing Director
Graham Hardie – Non-executive Director
Craig McGown – Non-executive Director

Company Secretaries

David Hocking
Ryan Woodhouse

Registered Office

Unit 1, 34 Kings Park Rd
WEST PERTH WA 6005
Telephone: +61 (0) 8 9382 3955
Facsimile: +61 (0) 8 9388 1025

Stock Exchange Listing

Securities of Peel Mining Limited are listed on the
Australian Securities Exchange (ASX)
ASX Code: PEX

ACN: 119 343 734

Share Registry

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

Telephone +61 (0)8 9323 2000

Facsimile: +61 (0)8 9323 2033

Solicitors to the Company

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station St
SUBIACO WA 6008

Website

www.peelmining.com.au

Contents

Chairman's report	2
Review of operations	3
Schedule of tenements	21
Directors' report	22
Consolidated statement of comprehensive income	28
Consolidated statement of financial position	29
Consolidated statement of changes in equity	30
Consolidated statement of cash flows	31
Notes to the consolidated financial statements	32
Directors' declaration	45
Auditor's independence declaration	46
Independent auditor's report	47
Corporate governance statement	49
Shareholder information	51

Chairman's report

Dear Fellow Shareholders,

It is a pleasure to report to you on what has been another busy and exciting year for Peel. The Company's work over the year was predominantly focused on the exciting Mallee Bull copper-polymetallic discovery, in the Cobar district of western NSW.

Mallee Bull, located in the 4-Mile Goldfield area of the Gilgunnia project, was initially identified in January 2011 as a strong coincident magnetic and electromagnetic (EM) anomaly following a helicopter-borne geophysical survey (VTEM). Investigation commenced immediately and by March, RC drilling was underway.

In July/August 2011, after several rounds of drilling and considerable perseverance, massive and stringer/breccia sulphides containing strong copper-silver-gold-lead-zinc-cobalt mineralisation were intersected. These initial drill results included a 10m zone averaging more than 20% combined lead-zinc plus silver-gold, and a 6.65m zone averaging better than 3% copper plus silver-gold.

Following the identification of significant mineralisation, Peel embarked on a 5,817m follow-up RC and diamond drilling programme in November 2011. This drilling was completed in February 2012 with results confirming a significant "greenfields" copper-polymetallic discovery. Some of the better results from this programme included 11m at 2.71% copper plus silver and gold, 10m at 2.66% copper plus silver and gold, and 10m at 2.22% copper plus silver and gold.

Whilst your company was very encouraged by the results, the stock market was in a period of significant decline and Peel's shares were not immune. During this period, Peel was approached by a number of large companies interested in farming into Mallee Bull. To this end, your board was pleased to partner the Mallee Bull project with CBH Resources Limited. CBH, which is 100%-owned by Tokyo Stock Exchange-listed Toho Zinc Co. Ltd, is an Australian-based mineral resources company producing zinc, lead and silver from the Endeavour Mine north of Cobar and the Rasp mine at Broken Hill.

Under the agreement, CBH has the right to earn an interest of up to 50% over a three-year period through staged expenditure of \$8.33 million. CBH brings a wealth of technical expertise and resources to the Mallee Bull project, particularly with regards to exploration and development within the Cobar Superbasin, and I sincerely welcome CBH/Toho as our partner.

Peel believes that the CBH partnership provided an opening to underwrite Peel's exploration efforts within the Cobar Superbasin, and to that effect, took the opportunity to acquire and peg further ground within the district. At September 2012, Peel has more than 1,000 km² of new 100%-owned tenure which includes several advanced prospects.

Subsequent to the year's end, renewed exploration at Mallee Bull had commenced as part of the farm-in agreement, and pleasingly, the most significant mineralisation discovered to date at Mallee Bull was returned from the second drillhole with a 72m of cumulative intercept at 2.11% copper plus strong gold, silver and cobalt values.

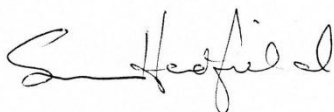
In line with your Company's philosophy to reduce risk through project diversity, during the year Peel also completed exploration at the Apollo Hill gold project in WA, at the Ruby Silver project in NSW and at the Rise and Shine gold project in New Zealand. The most significant achievement at these projects was the completion of an updated inferred resource estimate at Apollo Hill of 505,000 ounces gold.

The coming year is shaping up as a very exciting time with follow-up drilling at Mallee Bull now well advanced and exciting results beginning to flow. Your board believes that the Company's policy of systematically exploring several projects at once is paying off, and plans on testing several new prospects over the coming year.

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

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

Yours sincerely



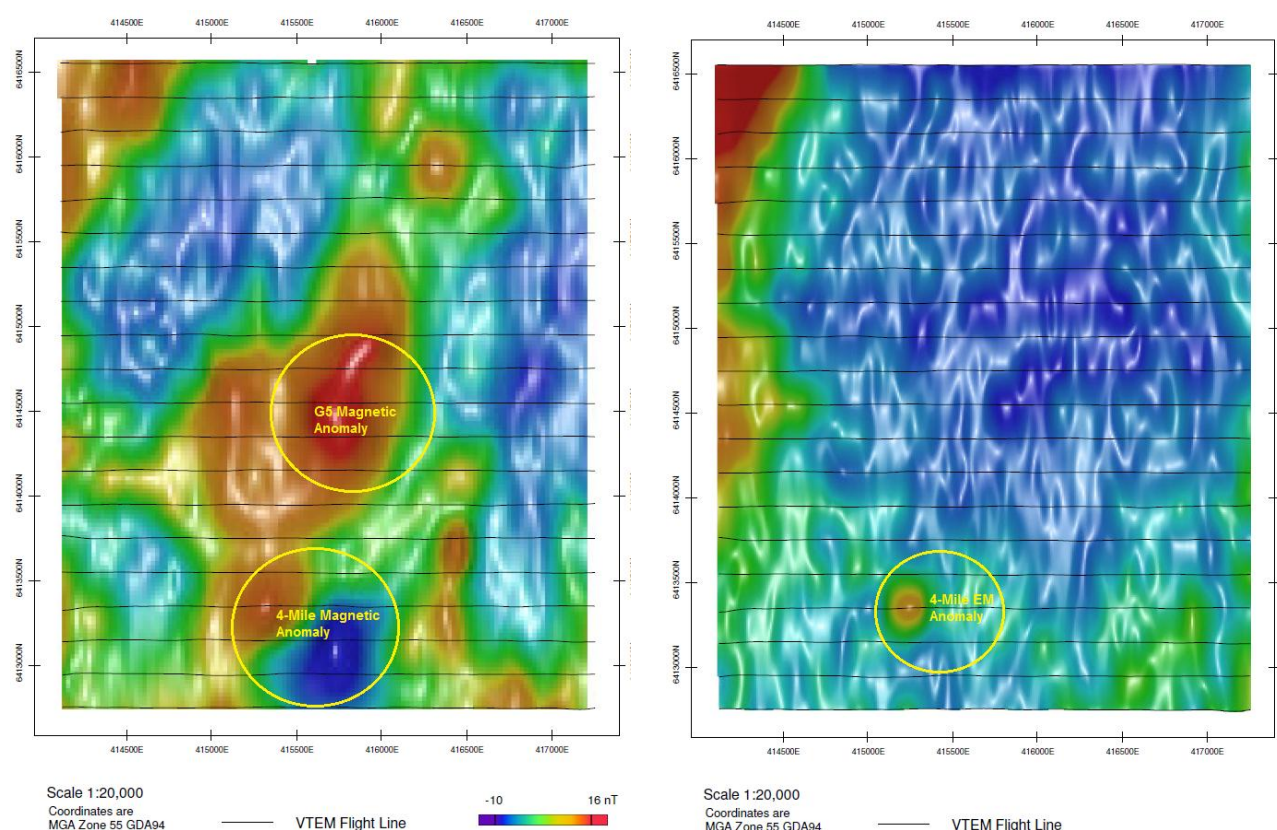
Simon Hadfield
Chairman
28th September 2012

Review of operations

Background

Peel Mining Limited is focused on precious, base and specialty metals exploration with its projects, located in Australia and New Zealand. At September 2012, Peel held six key separate mineral projects comprising granted exploration licences and licences under application.

- **Gilgunnia** (EL7461 and ML1361) containing the Mallee Bull copper-polymetallic discovery and the May Day polymetallic deposit (located on a 100 hectare mining lease). The tenure also hosts the historic Gilgunnia and 4-Mile goldfields. Early in the reporting period, Peel announced the discovery of high-grade copper-polymetallic mineralisation at the Mallee Bull prospect, located within the 4-Mile Goldfield. Since then, Peel has made significant advances confirming Mallee Bull as one of the region's most important discoveries in recent times. May Day and Mallee Bull appear to be classic analogues for Cobar-style precious and base metal mineralisation. During the year, Peel and CBH Resources Limited reached an agreement, under which CBH Resources has the right to earn up to 50% of the Gilgunnia project through staged expenditure of \$8.33 million.
- **Cobar Superbasin Project (CSP)** is a package of tenements (ELs and ELAs) covering 1,389 km² of prospective stratigraphy within the Cobar Superbasin. The tenements are considered prospective for Cobar-style and VHMS polymetallic deposits. The package includes EL7519, which abuts EL7461 (Gilgunnia) and is subject to a purchase agreement with Oz Minerals Ltd. EL7519 contains several strong magnetic anomalies which Peel believes have not been adequately tested. The package also hosts the Mundoe prospect where previous drilling returned significant base and precious metal values.
- **Apollo Hill** contains two significant gold deposits; Apollo Hill and the Ra Zone. These deposits exhibit the hallmarks of a major mineralised Archean system, showing extensive and intense hydrothermal alteration and deformation. During the year, Peel announced an updated inferred resource estimate of 505,000 ounces gold.
- **Rise and Shine** contains multiple workings associated with the Rise and Shine Shear Zone, and the Cromwell Lode in the nearby Bendigo Goldfield. The Rise and Shine Shear Zone is considered structurally similar to the Hydes-Macraes Shear Zone that hosts multi-million ounce Macraes gold mine. The Cromwell lode has produced about 150,000 ounces of gold grading about 10 g/t gold.
- **Ruby Silver** contains numerous historic silver and gold mines/workings/prospects including the very high grade Ruby and Tulloch silver mines. Hydrothermal mineralisation associated with quartz/carbonate veins containing narrow silver-rich (up to 60,000 g/t) massive sulphide pods and shoots. During the year, Peel completed surface mapping and geochemical sampling and an RC drill programme.
- **Attunga** contains numerous historic gold, tungsten, molybdenum and copper mines/workings/prospects. Peel has outlined a high-grade tungsten-molybdenum resource at the Attunga Tungsten Deposit (1.29 Mt at 0.61% WO₃ and 0.05% Mo), and also identified significant gold mineralisation at the Kensington gold prospect, and gold-copper-molybdenum mineralisation at the Attunga Copper Mine prospect.



Review of operations

Details on Assets

Gilgunnia

The Gilgunnia project, located about 100km south of Cobar in western NSW, contains the Mallee Bull copper-polymetallic discovery, the May Day polymetallic deposit and the historic Gilgunnia and 4-Mile goldfields. During the year, Peel and CBH Resources Limited reached an agreement, under which CBH Resources has the right to earn up to 50% of the Gilgunnia project through staged expenditure of \$8.33 million. Further information is provided below.

Exploration over the reporting period has focused on the Mallee Bull prospect area where investigations have returned highly encouraging results. Mallee Bull was initially recognised in January 2011, when a strong electromagnetic (EM) and coincident magnetic anomaly was identified in the 4-Mile Goldfield following an airborne EM survey (VTEM). Investigation commenced immediately culminating in the discovery of multiple zones of strong polymetallic (Au-Ag-Cu-Pb-Zn) mineralisation including massive sulphides. Further information is provided below.

Mallee Bull Discovery

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

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

Systematic exploration followed and involved several rounds of additional drilling (4 more RC drillholes plus a diamond tail) and several downhole geophysical (DHEM) surveys. This work culminated in discovery drillhole 4MRC007 intersecting multiple zones of strong copper-dominated polymetallic mineralisation including massive sulphides. In late August 2011, Peel announced that drillhole 4MRCDD006 intersected a 10m zone of massive sulphide averaging more than 20% combined lead-zinc plus silver-gold, and a 6.65m semi-massive zone averaging better than 3% copper plus silver-gold. Mineralisation included chalcopyrite, sphalerite, galena, pyrrhotite, pyrite, and arsenopyrite.

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

Mineralisation occurs either as massive sulphide or breccia/stringer styles and occurs within a package of brecciated volcanoclastic and turbidite sediments comprising siltstones and mudstones and is interpreted as occurring as a shoot-like structure dipping moderately to the west. Drill intercepts in Table 1 are construed as being close to true width.

In September and October 2011, Peel completed further ground-based geophysics including high-resolution magnetics and gravity surveys, and additional downhole and fixed loop EM surveys. RAB geochemical/geological drilling was also completed in anticipation of significant drill programme.

In February 2012, Peel completed a Phase 1 follow-up 5,817m RC/diamond drilling programme designed to test along strike and down dip of previously intersected mineralisation. Drilling was carried out on an approximate 40m by 40m grid pattern and comprised a series of RC and RC pre-collar/diamond tail drillholes.

Multiple drillholes intersected zones of copper-polymetallic mineralisation comprising intervals of massive sulphide and/or stringer mineralisation, including visible chalcopyrite, sphalerite and galena with accessory sulphide minerals including pyrrhotite, pyrite, and arsenopyrite. See Table 1 for full drill assay results.

Drilling returned to March 2012 showed that high-grade copper-dominant polymetallic mineralisation at Mallee Bull had a strike length of at least 120m, came to within at least ~150m of surface, and extended to at least ~300m below surface and was open in multiple directions including at depth. Peel notes that several strongly mineralised intercepts were recorded from deeper drillholes (4MRCDD008/009), and that Cobar-style deposits are typically short in strike length but long in the vertical plane.

In May 2012, Peel and CBH Resources Limited reached an agreement, under which CBH Resources has the right to earn up to 50% of the Gilgunnia project through staged expenditure of \$8.33 million. CBH, which is wholly-owned by Tokyo Stock Exchange-listed Toho Zinc Co. Ltd, is an Australian-based mineral resources company producing zinc, lead and silver from the Endeavour Mine north of Cobar and the Rasp mine at Broken Hill.

Review of operations

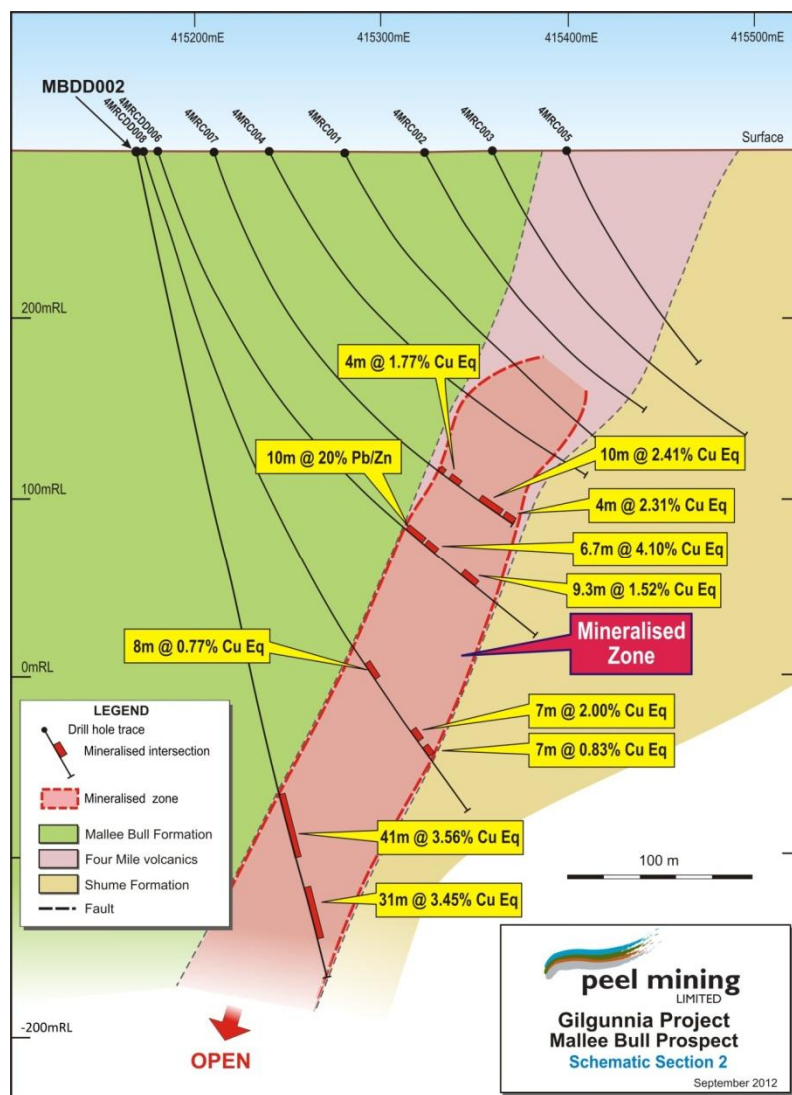
CBH brings a wealth of technical expertise and resources to Mallee Bull, particularly with regards to exploration and development, and Peel believes that attracting a partner of CBH's calibre is testament to the excellent potential of Mallee Bull.

The key terms of the Farm-in Agreement between Peel and CBH are:

- Agreement covers all of the May Day-Gilgunnia project assets (ML1361 and EL7461) including Mallee Bull copper-polymetallic discovery.
- Peel to be responsible for exploration activities (operator).
- Stage 1 of the Farm-in sees CBH earn a 15% interest in the project by making a payment of \$1 million to Peel (received July 2012) as contribution to past expenditure and by contributing \$1.5 million to eligible exploration expenditure within a 12 month period (underway as at September 2012).
- Stage 2 of the Farm-in sees CBH (at its election) earn an additional 15% interest in the project (30% total interest) by contributing a further \$2.5 million to eligible exploration expenditure within a 12 month period.
- Stage 3 of the Farm-in sees CBH (at its election) earn an additional 20% interest in the project (50% total interest) by contributing a further \$3.33 million to eligible exploration expenditure within a 12 month period.
- CBH may elect to form a joint venture at the end of any stage and the parties can then elect to contribute on pro-rata basis or be diluted according to an industry-standard dilution formula.

Subsequent to the year's end, in July 2012, diamond drilling recommenced at Mallee Bull, as part of Stage 1 of CBH Resources' \$8.3m farm-in. Exploration drilling was to comprise about 4,000m of diamond drilling targeting down-dip/plunge mineralisation and was expected to take approximately 3 months.

As part of the current exploration programme, RAB drilling designed to test for potential oxide or supergene mineralisation was also being completed. Additionally, a fixed-loop (surface) EM geophysical survey targeting the prospective Four Mile Volcanics unit that hosts the mineralisation at Mallee Bull was completed in August. This survey was designed to test the strike continuation of the Four Mile Volcanics.



In August/September 2012, Peel reported the intersection of strong massive and stringer/breccia sulphide mineralisation as part of the current exploration programme. Best cumulative results received at the time of writing included:

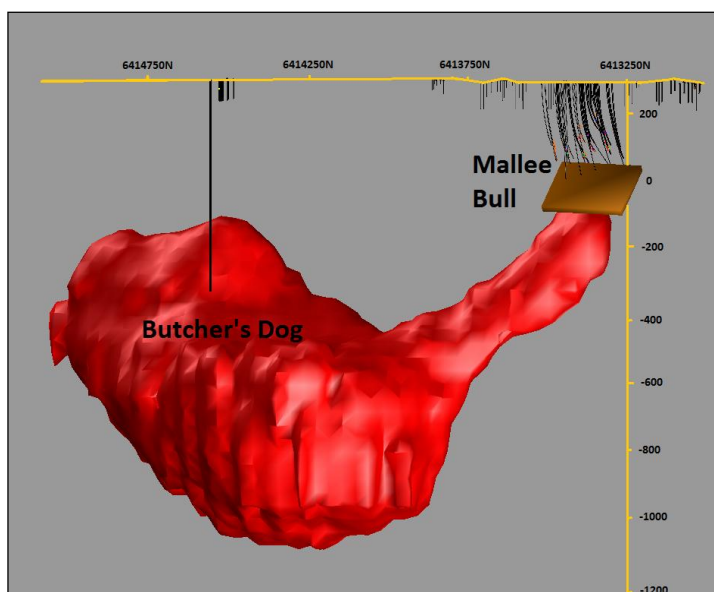
- 72m @ 2.11% Cu, 41 g/t Ag, 1.13 g/t Au, 384 g/t Co (3.51% Cu Eq) in MBDD002
- 36m @ 1.58% Cu, 48 g/t Ag, 0.43 g/t Au, 132 g/t Co (2.52% Cu Eq) in MBDD003
- 42m @ 1.01% Cu, 23 g/t Ag, 0.91 g/t Au, 250 g/t Co (1.99% Cu Eq) in MBDD005

At the time of writing, drilling at Mallee Bull was continuing with vertical drillhole MBDD007 currently underway and designed to serve as a platform for downhole EM and wedging/navi-drilling of deeper targets. Downhole EM was also scheduled to commence.

Drilling completed to date indicates that high-grade copper-dominant polymetallic sulphide mineralisation at Mallee Bull has a strike length of ~120m, comes to within 150m of surface, and now extends to at least 400m below surface and is open in multiple directions including at depth. The balance of the Phase 2 diamond drilling programme will test down dip from 400m below surface and at the time of writing was continuing.

Review of operations

Butcher's Dog Magnetic Anomaly



In November 2011, 3D inversion modelling was performed on the total magnetic intensity (TMI) data collected during the VTEM survey of the 4-Mile area. As a result, a 3D volume of the anomalous susceptibility was calculated. Interpretation of the data shows a large magnetic feature located about 1 km north of Mallee Bull. This feature, named the Butcher's Dog prospect, is assumed to be positioned under the axial plane of the 4-Mile anticline, with its core (susceptibility 4×10^{-3} SI) interpreted to be 500-1000m below surface. The top of the magnetic source is interpreted to be between 300-500m below surface.

The modelling also shows the magnetic anomaly associated with the Mallee Bull prospect as a horn-like feature extending out of the core of the Butcher's Dog magnetic anomaly.

In February 2012, Peel completed one deep drillhole targeting Butcher's Dog. Drillhole BDRCD001 was drilled as a vertical hole to a depth of 680m. No

satisfactory explanation for the magnetic anomaly was observed from geological logging or downhole geophysics. Further investigation is required.

Wirchilleba Station Option

In April 2012, Peel secured a 12-month option-to-purchase agreement over portions of Wirchilleba Station, which includes the immediate footprint of the Mallee Bull copper-polymetallic discovery. The material terms of the option agreement are:

The vendor has entered into an option agreement with Peel pursuant to which the vendor granted (12-month) options to Peel to purchase parts of the Wirchilleba property. The vendor has granted the following options to Peel:

1. an option to purchase the land comprised of Western Lands Lease 3456 (F/I 1339/762952) for a purchase price of \$800,000 (First Option); and
2. an option to purchase the land comprised of Western Lands Lease 3458 (F/I 1341/762954); Lot 1 on Plan 750656; and Lot 1 on Plan 750710, for a purchase price of \$890,467 (Second Option).

Peel has paid an option fee of \$80,000 which will be considered as a deposit on the first option in the event that it is exercised. The exercise of the Second Option is conditional upon the exercise of the First Option. In the event that either of the options is exercised, the vendor and Peel shall enter into a formal contract for the sale of the relevant land.

This option will help to provide Peel with security of tenure and land access as exploration at Mallee Bull progresses.

Table 1 - Significant Mallee Bull Phase 1 Drilling Results

Hole ID	Northing	Easting	Azi	Dip	Final Depth (m)	From (m)	To (m)	Width (m)	Cu (%)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)
4MRC001	6413351	415281	090	-60	225	165	168	3	0.03	9	0.06	0.65	0.50
						194	199	5	0.27	21	0.15	0.87	1.88
						205	206	1	0.09	22	0.24	1.49	1.50
4MRC002	6413348	415326	090	-60	219	138	143	5	0.04	11	0.15	1.28	2.10
						164	165	1	0.01	4	0.82	0.10	0.15
						173	174	1	0.03	7	0.18	0.32	0.59
						213	214	1	0.15	20	0.05	0.95	1.23
4MRC003	6413352	415359	090	-60	219	110	120	10	0.03	24	0.09	1.17	2.20
						133	134	1	0.09	26	0.02	1.22	0.24
						176	179	3	0.11	14	0.15	0.85	1.55
						205	208	3	0.01	8	0.07	0.43	0.97
4MRC004	6413353	415243	090	-65	255	197	216	19	0.17	13	0.15	0.42	0.47
4MRC005	6413348	415404	105	-60	147	138	143	3	0.04	5	0.45	0.24	1.16
4MRCDD006	6413377	415179	090	-70	345.1	253	263	10	0.14	41	0.77	9.01	11.00

Review of operations

and						267.35	274	6.65	3.10	34	0.93	0.65	0.13
and						293.7	303	9.3	1.20	19	0.14	0.28	0.17
and						306	311	5	0.15	30	0.15	1.21	2.76
4MRC007	6413365	415210	090	-70	270	187	188	1	-	-	3.59	-	-
and						219	220	1	1.65	90	1.48	9.99	2.00
and						226	230	4	1.42	18	0.21	0.39	0.20
and						235	242	7	0.27	15	0.15	0.51	1.75
and						248	256	8	1.94	55	0.3	0.16	0.29
and						262	266	4	1.49	59	0.18	0.26	0.21
4MRCDD008	6413390	415170	90	-72	399.7	295	298	3	0.03	16	1.39	0.21	0.11
						299	300	1	0.17	36	0.35	0.84	0.11
						301	303	2	0.43	14	0.21	0.5	0.93
						311	313	2	0.34	9	0.17	0.14	0.04
						317	318	2	0.76	21	0.17	0.05	0.14
						320	321	1	0.62	12	0.32	0.21	0.1
						322	323	1	0.33	8	0.23	0.12	0.03
						341	342	1	0.23	47	0.02	1.31	0.4
						355	357	2	0.56	11	0.1	0.01	0.03
						358	362	4	1.98	45	0.72	0.28	0.04
						366	367	1	0.5	31	0.14	0.48	0.02
						368	373	5	0.73	8	0.07	0.11	0.05
4MRCDD009	6413350	415160	90	-70	388	292.8	297	4.2	0.06	31	2.87	0.19	0.14
						302	307	5	2.4	28	0.6	0.05	0.05
						310	312	2	1.37	17	0.15	0.05	0.05
						315	316	1	0.86	12	0.09	0.11	0.04
						326	329	3	0.29	30	0.45	0.85	0.93
						336	343	7	2.32	14	0.15	0.1	0.04
4MRCDD010	6413310	415160	90	-70	372.6	222	226	4	0.02	184	0.12	0.003	0.01
						264	265	1	0.17	16	0.12	0.47	0.8
						266	267	1	0.71	12	0.17	0.1	0.13
						271	278	7	1.31	19	0.56	0.12	0.14
4MRCDD011	6413270	415160	90	-70	331	262	266	4	1.34	11	0.69	0.05	0.05
						270	271	1	0.52	5	0.03	0.05	0.03
						273	278	5	1.42	12	0.05	0.07	0.04
4MRC012	6413270	415200	90	-70	274	225	230	5	0.26	7	0.05	0.36	0.55
						233	234	1	0.5	5	0.08	0.04	0.04
4MRC013	6413270	415280	90	-70	229	-	-	-	-	-	-	-	-
4MRC014	6413310	415280	90	-70	230	164	180	16	0.47	14	0.21	0.22	0.22
						214	215	1	-	-	3.05	-	-
4MRC015	6413310	415240	90	-70	270	200	203	3	0.1	9	0.13	0.41	0.51
						208	214	6	2.01	64	0.43	0.52	0.22
4MRC016	6413310	415200	90	-70	259	233	244	11	2.71	36	0.26	0.11	0.07
						247	249	2	0.68	31	0.26	0.48	0.07
4MRCDD017	6413350	415188	90	-70	390.9	232.82	234	1.18	0.005	13	0.07	0.39	0.75
						235	237	2	0.05	10	0.06	0.78	0.36
						243	244	1	1.92	15	0.07	0.05	0.12
						245	246	1	0.49	18	0.2	0.41	0.83
						247	254	7	0.67	21	0.13	0.3	0.47
						258	261	3	1.13	41	0.47	0.56	0.15
						274	275	1	0.49	27	0.08	0.33	0.06
						276	278	2	0.34	33	0.12	0.46	0.83
						336	338	2	0.07	10	0.04	0.67	1.6
						358	360	2	0.05	8	0.43	0.51	0.75
4MRC018	6413430	415260	90	-70	244	180	184	4	0.24	10	0.13	0.25	0.32
						207	208	1	0.13	20	0.15	0.63	1.02
						210	211	1	1.43	33	0.52	0.44	0.93
4MRC019	6413430	415220	90	-70	256	215	232	17	0.68	21	0.87	0.19	0.22
						237	247	10	2.66	41	0.51	0.42	0.22
						254	256	2	-	-	0.67	-	-
4MRC020	6413470	415260	90	-70	250	184	198	14	-	3	0.05	0.34	0.38

Review of operations

						202	217	15	-	2	-	0.47	0.46
4MRC021	6413470	415220	90	-70	270	209	237	28	-	2	-	0.45	0.75
4MRCDD022	6413470	415180	90	-70	300.9	239	243	4	-	4	-	0.36	0.45
						255	263	8	-	-	-	0.36	0.78
						271	275	4	-	-	-	0.42	0.4
4MRCDD023	6413430	415180	90	-70	301	257	262	5	2.14	41	1.29	0.23	0.54
						264	267	3	2.22	38	0.75	0.09	0.12
						272	274	2	1.75	26	0.63	0.1	0.05
						277	279	2	3.88	57	1.67	0.1	0.02
						282	283	1	3.28	33	0.29	0.15	0.17
4MRC024	6413390	415280	90	-70	238	165	171	6	0.26	11	0.4	0.11	0.16
						174	184	10	2.22	33	0.44	0.11	0.16
						189	190	1	0.78	5	0.1	0.03	0.09
						216	218	2	0.61	38	0.21	0.07	0.07
						222	226	4	0.36	18	0.1	0.06	0.05
						228	231	3	0.58	24	0.1	0.63	0.94
4MRCDD025	6413390	415215	90	-70	354.5	207	208	1	0.07	17	0.05	1.65	2.35
						210	212	2	1.38	17	0.61	0.15	0.15
						215	218	3	0.13	23	0.25	7.12	3.84
						219	222	3	0.22	19	0.81	0.31	0.31
						223	225	2	3.48	40	0.82	0.13	0.3
						227	229	2	0.38	5	0.45	0.06	0.18
						258	261	3	1.84	36	0.13	1.4	0.5
						266	267	1	0.75	24	0.22	0.14	0.18
						273	275	2	0.94	37	0.4	0.78	0.75
4MRC026					250	142	145	3	0.09	14	0.12	0.69	0.75
						147	148	1	1.57	14	0.09	0.06	0.38
						152	153	1	0.62	47	0.06	0.91	0.75
						225	226	1	1.47	67	0.54	2.07	1.65
4MRC027					208	141	150	9	0.04	9	0.03	1.3	1.84
						169	172	3	1.39	36	0.12	0.82	1.3
						196	199	3	0.44	10	0.07	0.43	0.9

Information regarding drilling/assaying data

1. Drilling was completed as HQ diamond core.
2. Sample recoveries were considered adequate for all samples.
3. Drillcore has been logged in detail based on lithology, mineralisation, and alteration.
4. Samples for analysis were collected by sawing core in half.
5. Samples were submitted as 1m half-core intervals.
6. Samples were analysed at ALS Chemex utilising methods: Au-AA25 for Au (fire assay); ME-ICP41 for multi-element including Ag, Cu, Pb, Zn; Ag-OG46 for >100 g/t Ag; Cu-OG46 for >1% Cu; Pb-OG46 for >1% Pb; and Zn-OG46 for >1% Zn. Check sampling is being completed using ME-ICP61 for multi-element including Ag, Cu, Pb, Zn; Ag-OG62 for >100 g/t Ag; Cu-OG62 for >1% Cu; Pb-OG62 for >1% Pb; and Zn-OG62 for >1% Zn.
7. Drillhole collars were surveyed by DGPS.
8. Downhole gyroscopic surveys were run continuously.

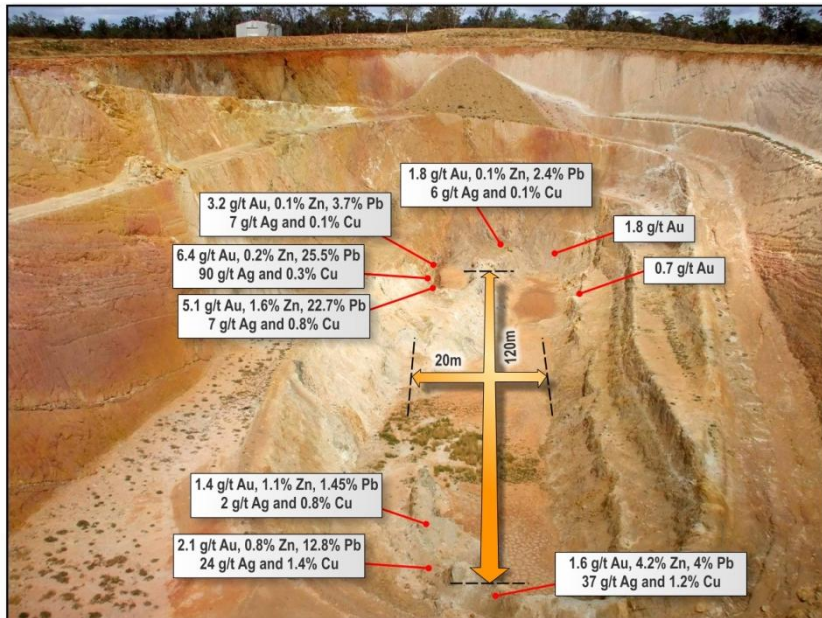
* Copper Equivalent Calculation Explanation:

- The copper equivalent (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result, nor metallurgical flowsheet considerations.
- The copper equivalent calculation is intended as an indicative value only. No metallurgical testwork has been completed to date however it is the Company's opinion that all the elements included in the copper equivalent calculation have a reasonable potential to be recovered.
- Copper equivalent conversion factors and long-term price assumptions used follow:
Copper Equivalent Formula (CuEq) = (Cu (ppm) x 0.0075 + Ag (ppm) x 0.96 + Au (ppm) x 50.00 + Co (ppm) x 0.025)/0.0075;
- Price Assumptions - Cu (US\$7,500/t), Ag (US\$30/oz), Au (US\$1,500/oz), Co (US\$25,000/t).
- Pb and Zn have not been used in copper equivalent calculation.

Review of operations

May Day

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



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

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

Several geophysical surveys were also completed in advance of drilling and to provide additional geological information about the local geological environment. An approximately 12km² gravity survey and a 15 line kilometre Induced Polarisation (IP) survey was undertaken over the immediate May Day mine environment and 2 kilometres along strike to the northeast. This data, along with regional airborne magnetic data shows that a moderate-to-strong chargeable IP anomaly and a deep (greater than 400m depth) magnetic anomaly is associated with the May Day deposit.

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

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

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

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

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

Early-warning metallurgical testwork on a single sample of May Day mineralisation to determine potential extraction characteristics returned excellent results, key findings of this testwork being:

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

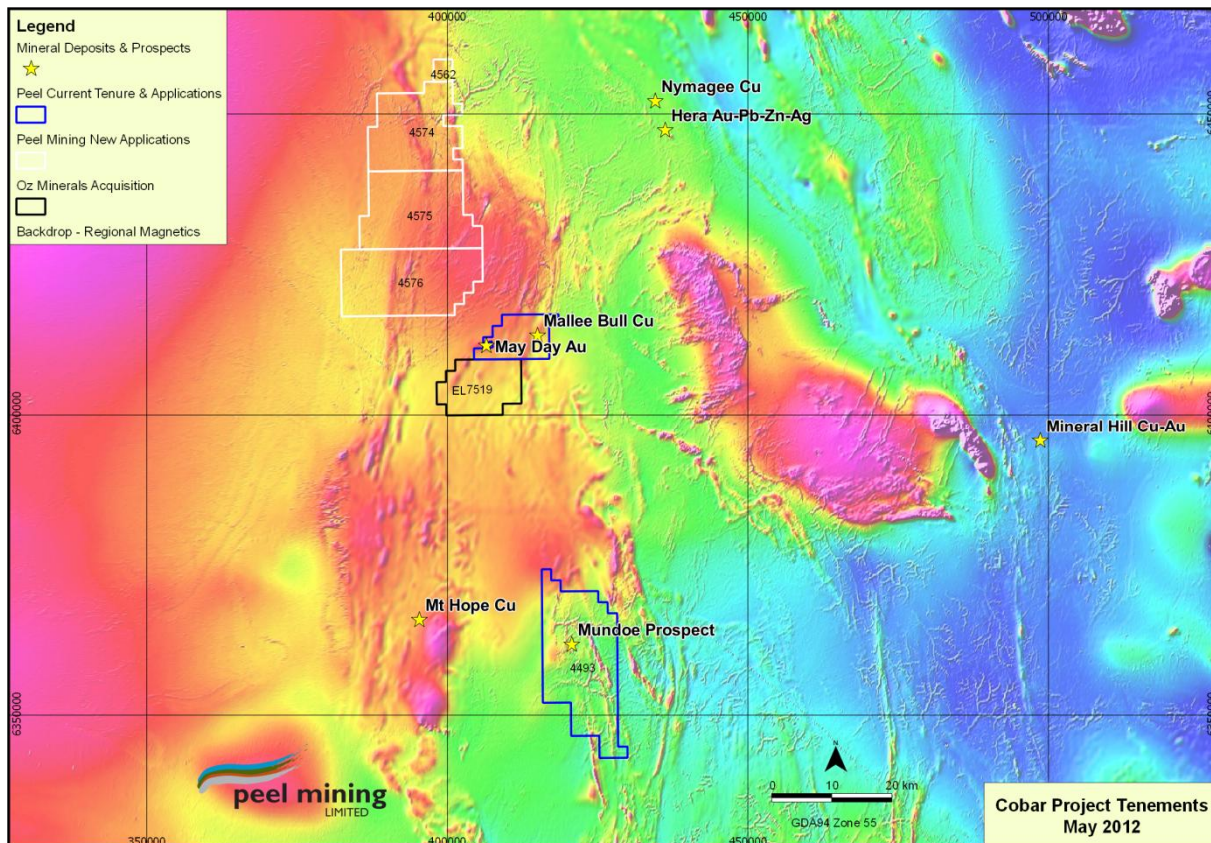
Review of operations

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

Developments at the nearby Mallee Bull prospect add significant value to the Gilgunnia project and support the prospectivity of the May Day deposit. Further work at May Day will involve a deep drilling programme targeting the magnetic anomaly at depth.

Cobar Superbasin Project (CSP)

During the year, Peel considerably strengthened its strategic position within the Cobar Superbasin by pegging and acquiring additional highly-prospective tenure. In total, Peel has added six new licences covering an area in excess of 1,100 km².



Of high importance amongst these tenements is ELA4493, about 90 km west of Condoblin in NSW, and covering about 300 km² of the Rast Trough, the Southern extension of the Cobar Superbasin. ELA4493 was pegged by Peel and is centred on the Mundoe prospect, which is defined by a 2km long multi-element geochemical anomaly, coincident geophysical anomalies, and encouraging historic drill results.

Mundoe was first identified in the 1970s as a “bulls-eye” magnetic anomaly. Follow-up exploration in early 1980s included geological mapping, RAB drilling, IP and gravity geophysical surveys, and a single diamond drillhole where a best result of 3m @ 2.90% Zn, 0.87% Zn, 30 g/t Ag and 0.4 g/t Au from 88m was returned.

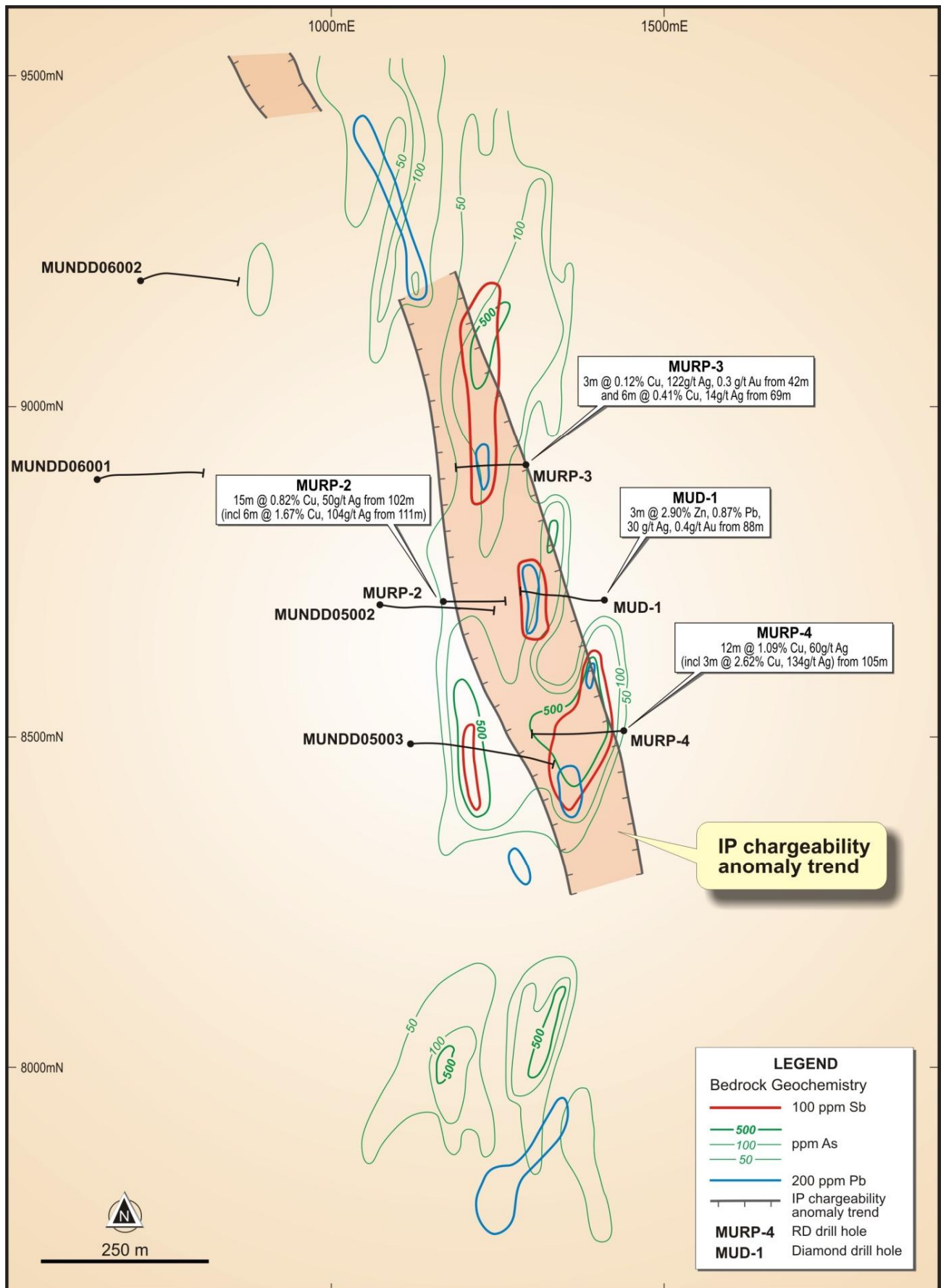
Exploration in the 1990s culminated in the discovery of strong copper-silver mineralisation in three separate drillholes covering 400m strike. Better results from this drilling included:

- 6m @ 1.66% Cu, 103 g/t Ag from 111m in MURP-2;
- 3m @ 122 g/t Ag, 0.3 g/t Au from 42m and 6m @ 0.42% Cu, 14 g/t Ag from 69m in MURP-3;
- 12m @ 1.09% Cu, 60 g/t Ag in MURP-4.

A small follow-up drilling programme in 2005 failed to return mineralisation. However, a data review by Peel indicates that mineralisation is likely to be dipping to the east presenting a significant possibility that this drilling (drilled from west to east) inadequately tested the previously intersected mineralisation.

During the year Peel reached agreement with OZ Exploration Pty Ltd, a subsidiary of OZ Minerals Ltd (ASX: OZL), to purchase a strategic exploration license in close proximity to Peel's Mallee Bull copper-polymetallic discovery. Peel has also pegged several large tenement areas that had been held by OZ Minerals.

Review of operations



Review of operations

A review of exploration data has identified several exciting targets of immediate interest to the southwest of Peel's Mallee Bull deposit. These targets will be prioritised for drill testing in due course.

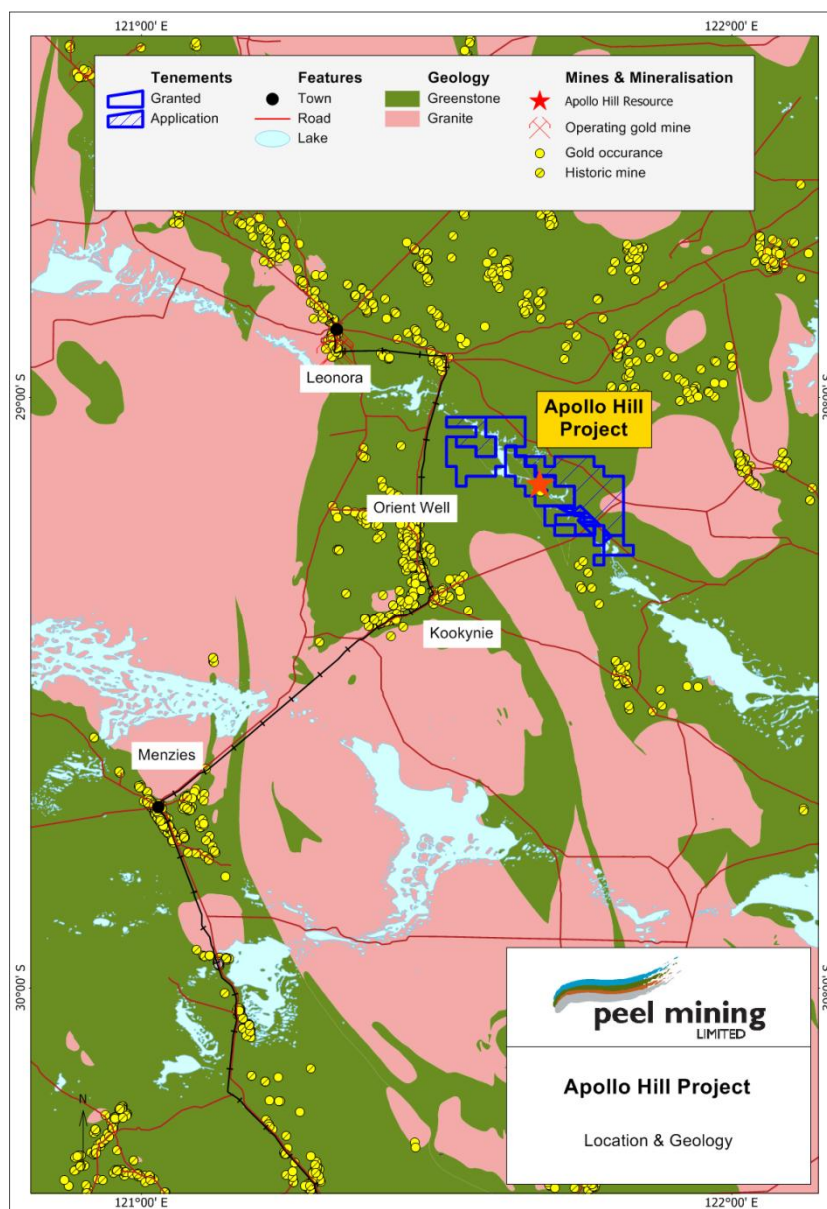
The following is a summary of the acquisition terms agreed between Peel and OZ Minerals Ltd:

- Peel to acquire a 100% interest in Exploration Licence EL7519.
- OZ Minerals Ltd not to renew other tenements in close proximity to the above EL.
- Peel to issue OZ Minerals Ltd: 2,500,000 PEX shares at \$0.10 per share (\$250,000).
- Consideration shares voluntarily escrowed for 12 months.

Subsequent to the year's end, exploration planning was well advanced at key prospects within the Cobar Superbasin project.

Apollo Hill

The Apollo Hill gold project, located about 50 km southeast of Leonora, WA, contains two significant gold deposits; Apollo Hill and the Ra Zone. In June 2010, entered into an option agreement with Hampton Hill Mining NL (ASX:HHM) to acquire the entire issued capital of Apollo Mining Pty Ltd, the 100%-owner of the Apollo Hill gold project in the North Eastern Goldfields of WA. In November 2010, Peel elected to exercise its option to acquire Apollo Hill. The key terms of the sale agreement saw Peel issue 11 million fully paid ordinary shares to HHM in consideration for Apollo Hill, and HHM granted a 5% gross overriding royalty on Apollo Hill gold production exceeding 1 million ounces.



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

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

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

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

Review of operations

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

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

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

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

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

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

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

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

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

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

Table 2 – September 2011 Apollo Hill Inferred Resource estimates to 180 metres depth (190mRL)

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

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

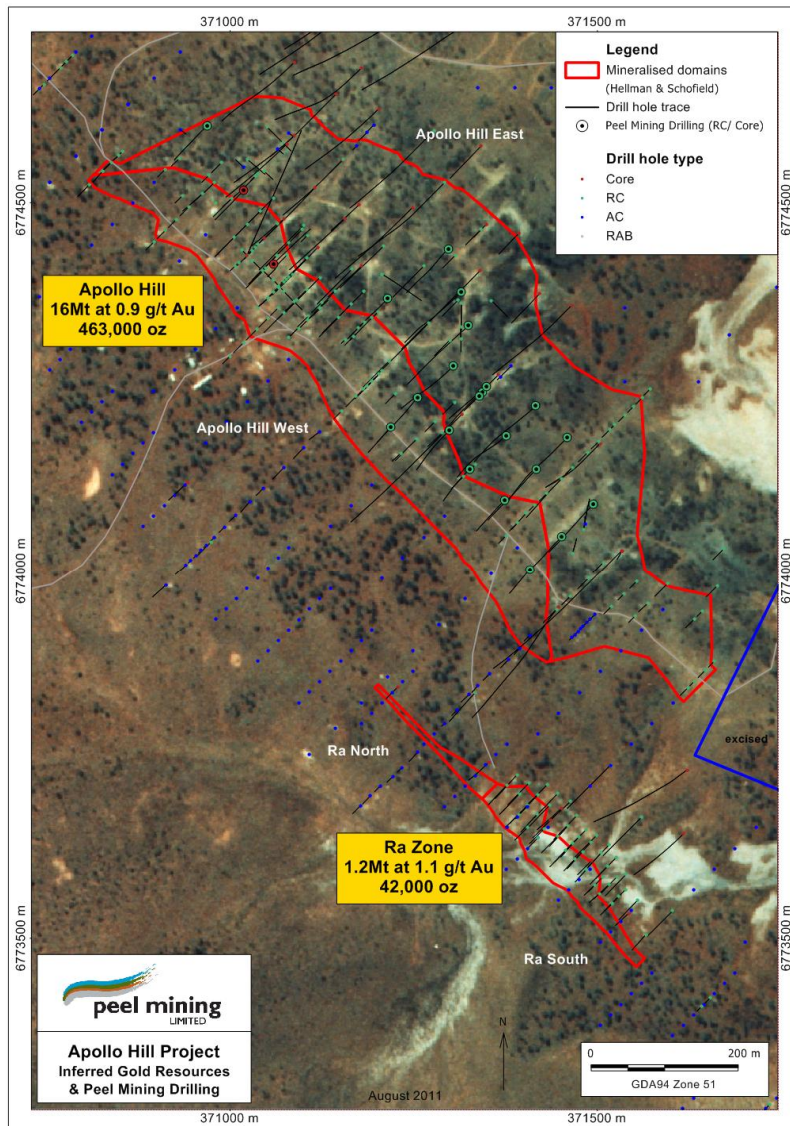
Resource Estimation Summary

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

Review of operations

metres below surface.

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



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

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

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

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

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

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

Metallurgical Testwork

Metallurgical testwork on Apollo Hill mineralisation was undertaken during financial year 2012. Results confirm that Apollo Hill gold mineralisation is readily amenable to gravity gold and cyanide leaching recovery techniques. The key outcomes from this testwork to date are:

Review of operations

Head Assay Characteristics

- Assays indicate clean, coarse-grained gold mineralisation with variable assay repeatability.

Comminution Characteristics

- SMC testwork indicates hard to very-hard rock strength of larger particle sizes (DWI average of 11.3 kWh/m³); HPGR should be considered.
- Bond Ball Mill Work Index indicates medium hardness of smaller particle sizes (BWI average of 14.3 kWh/t).
- Bond Abrasion Index indicates low abrasiveness of ore (BAI of 0.055 Ai); low steel ball consumption and low wear on crushing and grinding equipment, pipework, etc.

Gold Extraction Characteristics

- Excellent gravity gold extraction with 88% recovery at 75 µm; 68% recovery at 500 µm.
- Excellent gravity plus cyanide leach gold extraction (48hrs) with 99% recovery at 75 µm; 96% recovery at 500 µm; moderate cyanide consumption, low lime consumption.
- Moderate to good cyanide leach gold extraction at coarse grind/fine crush sizes: 86% at 2mm; 72% at 4mm; 73% at 6mm; moderate cyanide consumption, low lime consumption.

Other Activities

Late in 2012, Peel acquired mining licence M39/296 from Birimian Gold Limited for 750,000 ordinary Peel shares as consideration. M39/296 is immediately along strike (southeast) from the Apollo Hill resource and is considered to have good potential to host additional gold resources.

On the exploration front, Peel completed a field reconnaissance trip to Apollo Hill with a focus on mining licence M39/296 and regional exploration. A number of prospects were identified for follow-up and a substantial geochemical survey has now been planned. Subsequent to the year's end, Peel completed an additional aboriginal heritage survey to clear areas identified for follow-up exploration.

Ruby Silver

In 2011, Peel was granted an exploration licence covering the historic Ruby-Tulloch-Rockvale silverfield. Peel has since been granted an additional licence adjacent to the Ruby silver project. Ruby Silver is located approximately 30 km east of Armidale in north-eastern New South Wales.

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

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

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

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

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

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

Review of operations

Peel's Activities

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

Also in 2011 Peel also completed several reconnaissance mapping and rock chip/dump sampling programme at the Tulloch, G Reef, Happy Valley and Rockvale areas. This sampling returned very high silver and gold values. Samples were collected from shaft dumps at the Rockvale, G Grid and Happy Valley areas from rock chips along the line of lode at Rockvale. See Appendix 3 for technical details.

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

In May 2012, Peel completed a maiden RC drilling programme at Ruby Silver comprising 15 holes for 1,483m. The programme was designed to test IP chargeability anomalies, and to also test beneath historic workings at the Rockvale and Tulloch mines. Several narrow, high-grade silver intercepts were recorded with better results including:

- PRRC009 – 2m @ 32 g/t Ag from 9m, 3m @ 227 g/t Ag from 20m and 3m @ 267 g/t Ag, 0.82% Pb, 0.39% Zn from 115m;
- PRRC010 – 5m @ 145 g/t Ag, 0.23 g/t Au from 93m; and
- PRRC013 – 2m @ 173 g/t Ag from 16m and 1m @ 71 g/t Ag from 24m.

Best results were obtained from drilling directed at the Tulloch Lode. High-grade mineralisation was intersected below the base of old workings. Significantly, several shallow high-grade results were returned from near surface in a previously unidentified parallel lode.

Peel plans to complete a follow-up surface geochemical survey to help delineate any near-surface mineralisation.

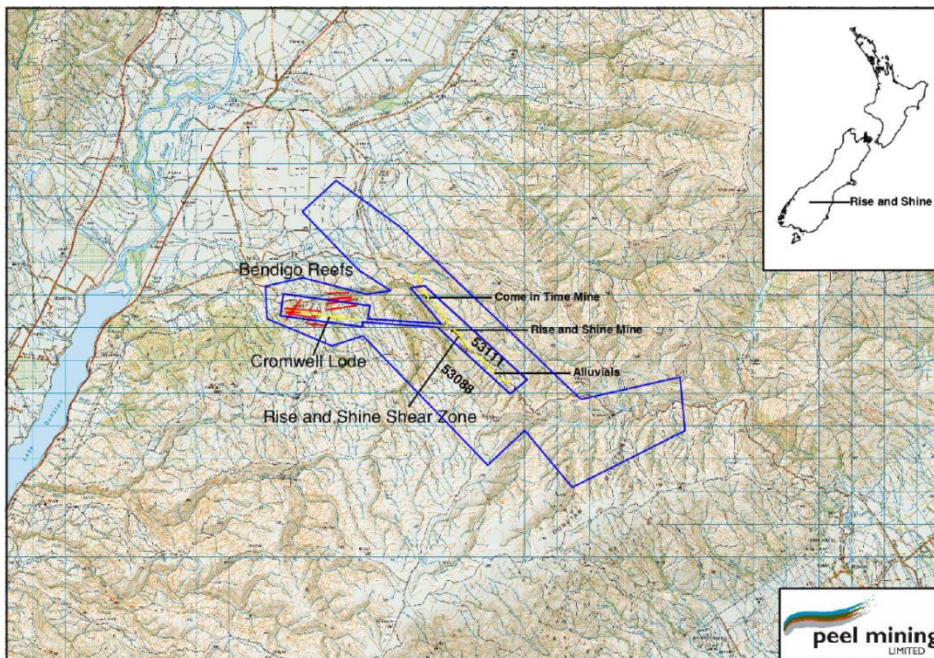
Table 3 – Ruby Silver significant drill results

Hole ID	Northing	Easting	Azi	Dip	Final Depth (m)	From (m)	To (m)	Width (m)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	Comment
PRRC001	6637764	403646	315	65	102	-	-	-	-	-	-	-	-	Abandoned due to high water inflow
PRRC002	6637380	403287	315	65	90	53	54	1	44	0.08	-	-	0.51	-
						74	76	2	12	0.05	-	0.05	0.10	-
PRRC003	6637211	403177	315	65	72	-	-	-	-	-	-	-	-	No Significant Assays
PRRC004	6637151	403207	180	65	120	-	-	-	-	-	-	-	-	No Significant Assays
PRRC005	6637328	403056	315	65	90	7	9	2	10	0.15	-	-	0.04	-
PRRC006	6637680	403212	315	80	96	19	20	1	10	0.08	-	0.1	-	-
						38	39	1	-	0.29	-	-	-	-
						70	72	2	22	-	0.3	0.35	-	-
						88	90	2	9	-	0.09	0.21	-	-
PRRC007	6638588	401593	315	65	90	75	77	2	-	0.18	-	-	-	-
PRRC008	6638330	401600	284	70	103	6	9	3	17	-	-	-	-	-
						102	103	1	34	-	-	-	-	Abandoned due to void/stope
PRRC009	6638334	401617	284	70	120	9	11	2	32	-	-	-	-	-
						20	23	3	227	-	0.15	0.12	-	-
						115	118	3	267	0.15	0.82	0.39	-	-
PRRC010	6638300	401585	284	70	108	93	98	5	145	0.23	-	-	-	-
PRRC011	6637653	403398	315	65	144	-	-	-	-	-	-	-	-	No Significant Assays
PRRC012	6638412	401806	284	60	132	28	29	1	40	-	-	-	-	-
PRRC013	6638328	401615	284	70	56	16	18	2	173	-	0.12	-	-	Abandoned due to bit shank
						24	25	1	71	-	-	-	-	-
PRRC014	6638300	401584	284	60	80									No Significant Assays
PRRC015	6638373	401565	284	60	80	57	58	1	-	0.15	-	-	-	-
						74	75	-	-	0.36	-	-	-	-

Review of operations

Rise and Shine

In November 2011, Peel was awarded EP 53088 and EP 53111 covering the Rise & Shine gold project. The Rise & Shine gold project, located about 20km northeast of Cromwell in Central Otago, New Zealand, hosts multiple historic gold workings with historic production estimated at more than 180,000 ounces gold.



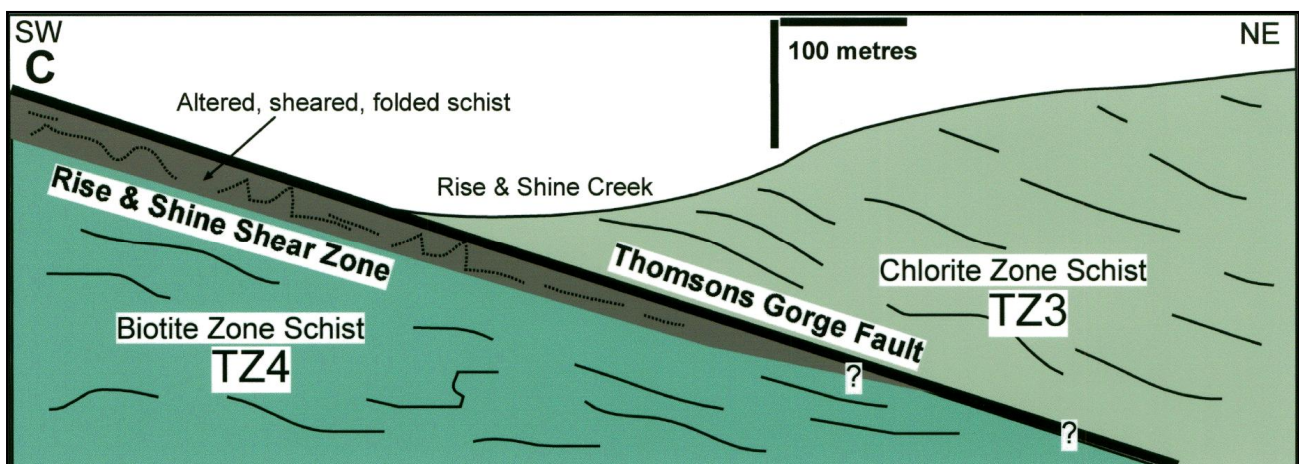
EP 53111 was the subject of a competitive permit allocation process (NAA) initiated in late 2010 and encompasses the Rise & Shine Shear Zone and the historic Bendigo goldfield, whilst EP 53088 provides a regional exploration buffer surrounding EP 53111. Gold mineralisation is known to be associated within the Rise & Shine Shear Zone, with multiple lode and alluvial gold workings occurring over a strike length of at least 4 km. The historic Bendigo “reefs” comprise a series of sub-vertical lodes with workings up to 130m below surface.

The Rise & Shine Shear Zone appears to be structurally similar to the Macraes Shear Zone, host to the multi-million ounce

Macraes gold mine. The Rise & Shine Shear Zone represents a gold mineralised low-angle deformation zone formed in a compressional environment and comprises a zone of hydrothermally altered schist. Alteration comprises variable silicification, sericitisation, chloritisation and widespread carbonate alteration. The shear is about 50m thick and is traceable for at least 7 km, strikes 140 degrees, and dips to the northeast.

Substantial amounts of exploration have previously been completed at Rise & Shine however the majority of work has been directed at historic workings sited at the base of the Rise & Shine Creek Valley. Peel believes that the Rise & Shine Shear Zone could possibly be “flatter” than previously assumed offering potential for large-tonnage, low-grade grade gold deposits extending up-dip from previously defined mineralisation. To that end, Peel plans to complete a programme of RC drilling aimed at testing this model.

The Rise and Shine Shear Zone contains three prospects: Alluvials; Rise and Shine mine; and Come in Time mine. These are inferred to represent mineralised “shoots” possibly similar to the shoots at the Macraes goldfield. Potential mineralisation in the permit area comprises the possible up-dip extension of the Rise and Shine Shear Zone, along with potential for higher grade lenses of mineralisation down plunge within the shoots, similar to the higher grade lenses within the Macraes Shear Zone.



Review of operations

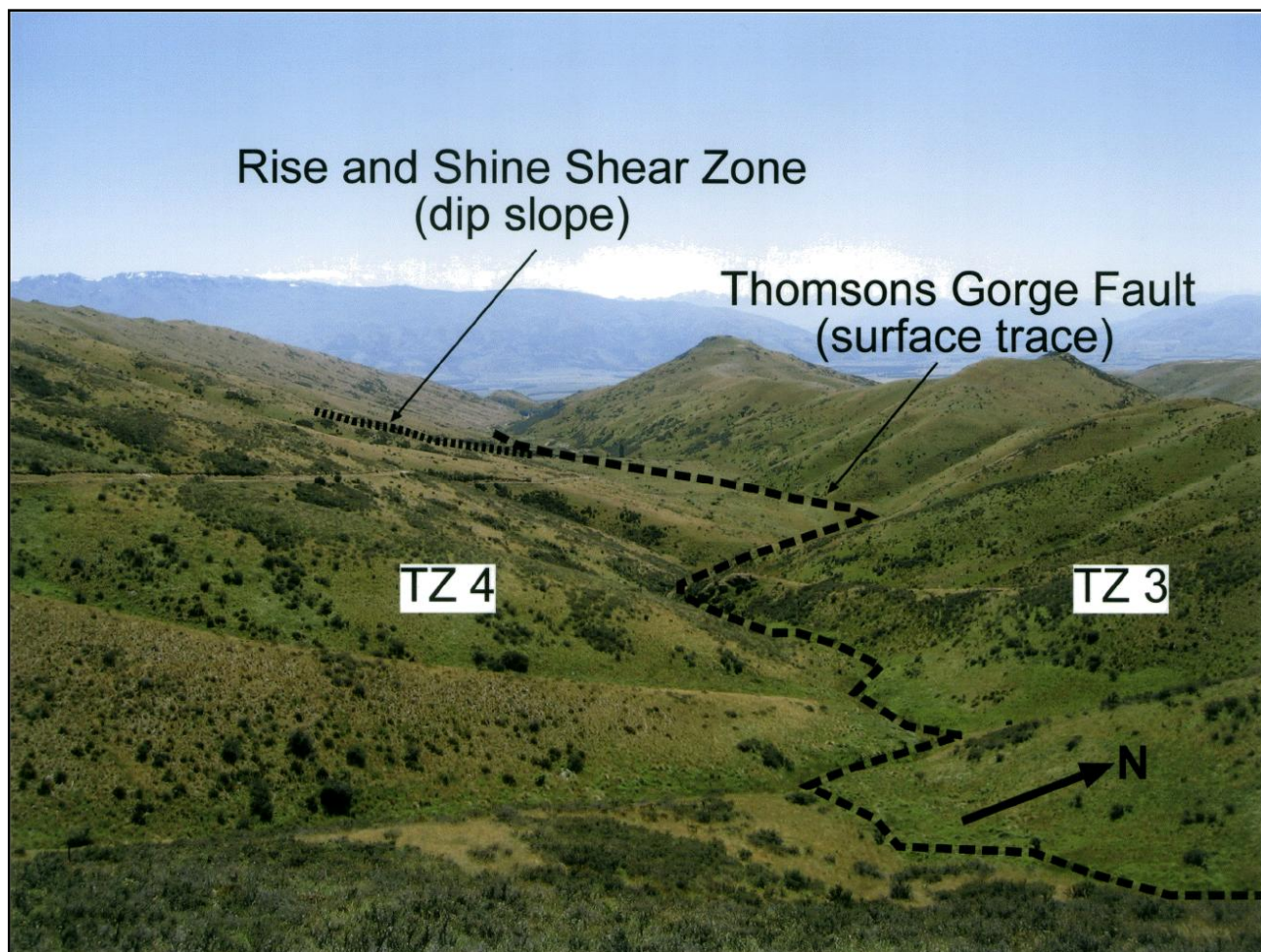
Better results from RC drilling along the Rise & Shine Shear Zone by the most recent tenement holder (2005-2010) included:

Hole	From (m)	To (m)	Interval (m)	Gold (g/t)
RCB19	37	42	5	2.76
RCB23	25	34	9	1.90
RCB24	56	64	8	2.03
RCB25	22	33	11	1.25
RCB26	16	34	18	0.85
RCB29	27	42	15	1.09
RCB31	39	57	18	1.58
RCB33	52	53	1	28.2
RCB37	31	34	3	8.98
RCB41	19	29	10	1.14

The bulk of the hard rock gold production came from the Bendigo goldfield. The Bendigo reefs comprise sub vertical lodes in psammitic or semi-psammitic schist. The geological relationship of the Bendigo Reefs to the Rise and Shine Shear Zone is uncertain. These lodes comprise a swarm of E-trending, narrow, vertical to sub-vertical shears composed of crushed schist, quartz veins, stringers, and puggy clay.

The reefs at the Bendigo Goldfield were mined from 1865 to 1913 and sporadically through to 1942. Historic gold production was at least 180,000 oz, of which about 150,000 oz was produced from the Cromwell Lode.

The Cromwell Lode was mined over a strike of 400m, and is reported to have been traced for another 1200m to the east. Thickness ranged from 0.6 – 1.8m, averaging 0.9m with an average grade of about 10 g/t gold. BHP concluded that a deep diamond drilling programme was required to assess gold potential beneath the worked lodes. Minimal modern exploration has been completed.



During the year a field reconnaissance visit was undertaken confirming the areas prospectivity. At the time of writing, exploration planning for Rise and Shine was advancing with initial activities, subject to access, planned for early calendar 2013.

Review of operations

Attunga

Attunga is located about 20 km north of Tamworth, NSW. Within the Attunga project, there are three specific areas of interest: the Attunga Tungsten Deposit; the Attunga Copper Mine prospect and the Kensington gold-tungsten prospect. The Attunga Project area is considered prospective for tungsten-molybdenum skarn-type mineralisation, base/precious metal skarn-type mineralisation, and gold (+/-tungsten) intrusive-related gold system type mineralisation.

Attunga Tungsten Deposit

During the period 2007-2009, Peel completed multiple phases of exploration at the Attunga Tungsten Deposit including the completion of an independent JORC-compliant resource estimation in April 2008. A high-grade inferred tungsten-molybdenum resource was defined with results including 1.29 Mt at 0.61% WO₃ and 0.05% Mo for 9,400t contained WO₃ equivalent using a 0.2% WO₃ equivalent cutoff.

In March 2009, Peel completed initial metallurgical testwork resulting in the production of high grade WO₃ concentrate along with a potential process flowsheet. The potential process flow sheet identified would involve staged crushing and grinding, conventional gravity concentration (spirals), drying of gravity concentrates, removal of magnetic gangue material (garnet) via magnetic circuit, and flotation of fine (-75 micron) spiral tails. Secondary processing/mineral dressing would involve further flotation work.

In June 2009, Peel announced that new drilling at Attunga had returned high grade tungsten intercepts including 27m at 0.54% WO₃ and 0.06% Mo from 19m (including 2m at 3.38% WO₃ and 0.27% Mo) from 22m in RC drillhole AP1-026, and 2m at 0.59% WO₃ and 0.03% Mo from 58m in RC drillhole AP1-027.

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

In late 2012, Peel commenced a review of the Attunga Tungsten Deposit with a view to advancing the project.

Attunga Copper Mine

The Attunga Copper Mine, located about 800m north of the Attunga Tungsten Deposit was discovered in 1902 and worked over various periods up until World War 2. Total recorded production was about 1,600t ore grading ~6% copper, ~8 g/t gold and ~150 g/t silver. Other significant metals present include bismuth, and molybdenum.

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

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

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

No further work was completed at the Attunga Copper Mine in 2012.

Kensington gold prospect

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

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

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

Review of operations

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

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

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

No work was completed during 2012.

Yerranderie

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

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

No work was completed in 2012.

Morawa

In 2012, Peel was granted a single exploration licence covering a small greenstone belt located about 20km north of Morawa. The area is considered to have potential to host VMS-style base-precious metals. Exploration planning commenced during 2012.

Schedule of tenements

New South Wales				
Project	Number	Holder	Peel Interest	Expiry
Attunga	EL6883	Peel Mining Ltd	100%	21/09/2013
Attunga	EL6884	Peel Mining Ltd	100%	21/09/2013
Attunga Garnet	EL7633	Peel Mining Ltd	100%	1/11/2012
Mayday	ML1361	Peel Mining Ltd	100%	16/01/2016
Gilgunnia	EL7461	Peel Mining Ltd	100%	4/03/2012
Yerranderie	EL7356	Peel Mining Ltd	100%	24/06/2013
Ruby Silver	EL7711	Peel Mining Ltd	100%	22/02/2011
Ruby Silver East	EL7856	Peel Mining Ltd	100%	1/11/2013
Gilgunnia South	EL7519	OZ Exploration Pty Ltd	100%	3/5/2012(renewal/transfer pending)
Euabalong	ELA4493	Peel Mining Ltd	100%	application pending
Tara	ELA4562	Peel Mining Ltd	100%	application pending
Wyree	ELA4574	Peel Mining Ltd	100%	application pending
Manuka	ELA4575	Peel Mining Ltd	100%	application pending
Mirrabooka	ELA4576	Peel Mining Ltd	100%	application pending

Western Australia				
Project	Number	Holder	Peel Interest	Expiry
Apollo Hill	E39/1198	Peel Mining Ltd	100%	30/03/2014
Apollo Hill	P31/1797	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4586	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4587	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4588	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4589	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4590	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4591	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4592	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4677	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4678	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4679	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	P39/4789	Peel Mining Ltd	100%	30/03/2013
Apollo Hill	E31/0800	Peel Mining Ltd	100%	25/06/2013
Apollo Hill	E39/1236	Peel Mining Ltd	100%	8/06/2013
Apollo Hill	E31/0685	Peel Mining Ltd	100%	3/01/2013
Bob's Bore	E39/1644	Peel Mining Ltd	100%	19/12/2016
27 Well	E40/0296	Peel Mining Ltd	100%	1/06/2013
Bulyairdie	E40/0303	Peel Mining Ltd	100%	6/03/2017
Isis	M39/0296	Peel Mining Ltd	100%	29/09/2014
Karrakarook	E70/4252	Peel Mining Ltd	100%	5/01/2017

New Zealand				
Project	Number	Holder	Peel Interest	Expiry
Rise and Shine	EP53111	Peel Mining Ltd	100%	19/10/2016
Mt Moka	EP53088	Peel Mining Ltd	100%	19/10/2016



Rob Tyson
Managing Director

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

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") comprising Peel Mining Limited and the entities it controlled at the end of, or during the financial year ended 30 June 2012.

Directors

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

S Hadfield

R Tyson

G Hardie

C McGown

Directors' interests in shares and options

Directors' interests in shares and options as at 30 June 2012 are set out in the table below.

<i>Director</i>	<i>Shares Directly and Indirectly Held</i>	<i>Options</i>
Graham Hardie	15,029,095	-
Robert Tyson	7,000,000	-
Simon Hadfield	4,812,564	-
Craig McGown	1,875,000	-

Principal activities

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

Results

The loss of the Group for the financial year after providing for income tax amounted to \$ 527,337 (2011: \$460,684).

Dividends

No dividends were paid or proposed during the year.

Review of operations

A review of the operations of the Group during the financial year and the results of those operations are contained in pages 3 to 20 in this report.

Corporate structure

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

Significant changes in the state of affairs

Contributed equity increased during the financial year by \$2,704,800 through the issue of:

- (i) 21,964,368 ordinary shares at \$0.12 each for cash. The cash received from the increase in contributed equity was used principally to continue the company's exploration programs.
- (ii) 750,000 ordinary shares at \$0.12 each as consideration for the acquisition of a mining lease.

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

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

Matters subsequent to the end of the financial period

Employee Options Issue

600,000 unlisted employee options were issued on 11 July 2012 in accordance with Peel Mining Limited's employee share option plan. The options were issued with an exercise price of 8 cents with 300,000 options vesting immediately and 300,000 vesting on 11 July 2013. The options will lapse on 31 July 2014.

Stage 1 of Mallee Bull Farm-in Agreement with CBH Resources commences

Peel Mining Limited has commenced Stage 1 of their farm-in agreement with CBH Resources Limited after conditions precedent were met. The conditions precedent were that Foreign Investment Review Board approval for the farm in agreement was obtained and that CBH Resources Limited made a payment of \$1,000,000 to Peel Mining Limited as reimbursement of expenditure made on the Mallee Bull Project. At the date of this report drilling as part of exploration activities had commenced and Peel Mining Limited had received \$750,000 in cash calls from CBH to fund these activities.

Directors' report

The Group has a contingent liability for the year ended 30 June 2012 due to Oz Minerals Investments Pty Ltd for the purchase of a tenement. The liability is for 2,500,000 shares at a deemed price of 10 cents per share upon transfer of the tenement.

Likely developments and expected results

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

Information on directors

Simon Hadfield – *Non-Executive Chairman*

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

Mr Hadfield holds 4,812,564 shares in Peel Mining Limited and no options to acquire further shares.

Robert Maclaine Tyson B.App Sc(Geol).GradDip Applied Finance(SIA)– *Managing Director*

Mr Tyson is a geologist with more than 20 years resources industry experience having worked in exploration and mining-related roles for companies including Cyprus Exploration Pty Ltd, Queensland Metals Corporation NL, Murchison Zinc Pty Ltd, Normandy Mining Ltd and Equigold NL. Mr Tyson has more than five years of senior management experience. Mr Tyson holds 7,000,000 shares in Peel Mining Limited and no options to acquire further shares.

Graham Hardie FCA– *Non-Executive Director*

Mr Hardie is the principal of Hardie Finance Corporation, a private Perth-based property development company, and is also the principal of Entertainment Enterprises, a private Perth-based hospitality company. He is a Fellow of the Institute of Chartered Accountants and a former partner in a leading Chartered Accounting firm. He has extensive commercial and financial experience and has held board positions on a number of public companies in the mining, media, transport and retail industries. Mr Hardie holds 15,029,095 shares in Peel Mining Limited and no options to acquire further shares.

Craig McGown FCA – *Non-Executive Director*

Mr McGown is an Investment Banker with over 35 years experience consulting to companies in Australia and internationally, particularly in the natural resource sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Securities Institute of Australia. Mr McGown is the former Chairman of DJ Carmichael Pty Limited. He is currently a director of the corporate advisory business New Holland Capital Pty Limited and a Non-Executive Director of Bass Metals Ltd and Non-Executive Chairman of Pioneer Resources Limited. Mr McGown holds 1,875,000 shares in Peel Mining Limited and no options to acquire further shares.

Company Secretaries

Mr D Hocking ACA (UK)

Appointed to the position of company secretary in March 2007. Mr Hocking is a qualified Chartered Accountant from the United Kingdom. He has more than 20 years commercial experience in Australia producing management and financial reports for medium sized businesses in a range of industries including publishing, franchising, rural merchandising, financial services and the offshore oil industry. Mr Hocking also brings previous experience as a company Secretary in a public company.

Mr R Woodhouse CA

Newly appointed to the position of joint company secretary in June 2012, Mr Woodhouse is a Member of the Institute of Chartered Accountants and has more than 5 years of accounting, governance and commercial experience within the mining and energy industries.

Meetings of Directors

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

<i>Director</i>	<i>Number held whilst in office</i>	<i>Number attended</i>
R Tyson	9	9
S Hadfield	9	9
C McGown	9	9
G Hardie	9	9

Remuneration report (audited)

The remuneration report is set out under the following headings:

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

Directors' report

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

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

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

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

Board and senior management

Fees and payments to the Directors and other key management personnel reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are determined by the Board and reviewed annually.

Company policy in relation to issuing options and remunerating executives is that directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive directors has been fixed at a maximum of \$200,000 per annum to be apportioned among the non-executive Directors in such a manner as they determine (refer below). Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

Remuneration is not linked to past group performance but rather towards generating future shareholder wealth through share price performance. Peel Mining Limited listed on 11 May 2007 at 20c per share and the share price at 30 June 2012 was 7.8c (2011: 9.4c). The shares recorded high and low points of 19c and 7.8c during the year, and were trading at 37c on 17 September 2012. The company has recorded a loss each financial year to date as it carries out exploration activities on its tenements. No dividends have been paid.

b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each of the Directors of Peel Mining Limited and those senior executives of the Company who received the highest emoluments during the year ended 30 June 2012 are set out in the following table.

Table 1: Director and senior executive remuneration

	<i>Short-Term Employment Benefits</i>			<i>Post Employment</i>	<i>Long-Term Benefits</i>	<i>Share Based Payment</i>		
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Superannuation</i>	<i>Long-service leave</i>	<i>Options</i>	<i>Total</i>	<i>% Performance Related</i>
2012	\$	\$	\$	\$	\$	\$	\$	
Directors								
RM Tyson	135,000			12,150			147,150	0%
S Hadfield	50,000			4,500			54,500	0%
C McGown	50,000			4,500			54,500	0%
G Hardie	50,000			4,500			54,500	0%
Other executives								
D Hocking	80,400			7,236			87,636	0%
R Woodhouse*	16,443			1,480			17,923	0%
Total	381,843			34,366			416,209	

* Ryan Woodhouse was appointed on the 30th April 2012.

Directors' report

	<i>Short-Term Employment Benefits</i>			<i>Post Employment</i>	<i>Long-Term Benefits</i>	<i>Share Based Payment</i>		
	<i>Cash salary and fees</i>	<i>Bonuses, other benefits</i>	<i>Consulting Fees</i>	<i>Superannuation</i>	<i>Long-service leave</i>	<i>Options</i>	<i>Total</i>	<i>% Performance Related</i>
2011	\$	\$	\$	\$	\$	\$	\$	
Directors								
RM Tyson	114,511	-	-	10,280	-	-	124,791	0%
S Hadfield	50,000	-	-	4,500	-	-	54,500	0%
C McGown	50,000	-	-	4,500	-	-	54,500	0%
G Hardie	50,000	-	-	4,500	-	-	54,500	0%
Other executives								
D Hocking	78,800	-	-	7,092	-	3,400	89,292	0%
Total	343,311	-	-	30,872	-	3,400	377,583	

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

c) Service agreements

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

R Tyson

There is no written contract for Mr Tyson, who received payments and benefits totalling \$147,150 (2011:\$124,791) in his role as managing director of the Company.

S Hadfield

There is no written contract for Mr Hadfield, who received payments and benefits totalling \$54,500 (2011:\$54,500) in his role as a director of the Company.

G Hardie

There is no written contract for Mr Hardie, who received payments and benefits totalling \$54,500 (2011:\$54,500) in his role as a director of the Company.

C McGown

There is no written contract for Mr McGown, who received payments and benefits totalling \$54,500 (2011:\$54,500) in his role as a director of the Company.

D Hocking

There is no written contract for Mr Hocking, who received payments and benefits totalling \$87,636 (2011:\$ 89,292) in his role as Company Secretary.

R Woodhouse

There is no written contract for Mr Woodhouse, who received payments and benefits totalling \$17,923 (2011:\$nil) in his role as Company Secretary.

d) Share-based compensation

Directors

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

Employees

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

Directors' report

Once vested the options are exercisable at \$0.08 up to and including 30 March 2013. Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the company provided as remuneration to each director and key management personnel of Peel Mining Limited are set out below. When exercisable, each option is convertible into one ordinary share of Peel Mining Limited. Further information on the options is set out in note 24 to the financial statements.

<i>Name</i>	<i>Number of options granted during year</i>		<i>Number of options vested during year</i>	
	2012	2011	2012	2011
Directors	-	-	-	-
Other key management personnel				
D Hocking	-	100,000	50,000	50,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables above. Fair values at grant date have been determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
18 March 2011	18 March 2011 (50%) 18 March 2012 (50%)	30 March 2013	8 cents	3 cents

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

e) Additional information

Details of remuneration: cash bonuses, options

No cash bonuses have been paid by the Company.

Share-based compensation: options

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

Use of remuneration consultants

During the year ended 30 June 2012, the Group did not employ the services of a remuneration consultant to review its existing remuneration policies and to provide recommendations in respect of both executive short-term and long-term incentive plan design.

Voting and comments made at the company's 2011 Annual General Meeting

Peel Mining Limited received more than 99% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Audited Remuneration Report

Shares under option

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

<i>Date options granted</i>	<i>Expiry date</i>	<i>Issue price of shares</i>	<i>Number under option</i>
18 March 2011 (employees)	30 March 2013	8 cents	200,000
16 July 2012 (employees)	31 July 2014	8 cents	600,000

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

Directors' report

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year on the exercise of options.

	<i>Issue price of Shares</i>		<i>Number of shares issued</i>	
	2012	2011	2012	2011
	cents	cents	Number	Number
11 October 2011	8	25	100,000	20,000

Indemnification and Insurance of Directors and Officers

During the financial year the Company paid a premium of \$7,894.54 (2011: \$5,103) to insure the directors and company secretary of the Group. The policy insures each person who is or was a director or company secretary of the Group against certain liabilities arising in the course of their duties. The directors have not disclosed the amount of the premiums paid as such disclosure is prohibited under the terms of the policy.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Environmental Regulation

Peel Mining Limited holds exploration licences and mining leases issued by the NSW Department of Primary Industry, the WA Department of Mining and the New Zealand Petroleum & Minerals Department. These licences specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the respective Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

Auditor's Independence Declaration

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

Auditor

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

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important. There were no non-audit services provided by the auditors or their related entities during the year.

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



Rob Tyson

Managing Director
Perth, Western Australia
28th September 2012

Consolidated statement of comprehensive income
For the year ended 30 June 2012

		Consolidated	
	Note	2012 \$	2011 \$
Revenue from continuing operations	3	68,673	66,038
Share-based remuneration to employees	13	-	(10,200)
Depreciation expense	8	(15,318)	(32,445)
Employee and directors' benefit expenses		(320,659)	(303,860)
Exploration expenditure written off	9	-	(6,358)
Administration expenses		(260,033)	(173,859)
Loss before income tax		(527,337)	(460,684)
Income tax expense	4	-	-
Loss from continuing operations		(527,337)	(460,684)
Other comprehensive income/loss		-	-
Total comprehensive loss for the year is attributable to the members of Peel Mining Limited		(527,337)	(460,684)
Loss for the year is attributable to the members of Peel Mining Limited		(527,337)	(460,684)
Basic and diluted loss per share (cents per share)	22	(0.005)	(0.007)

The above Statement of Comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position as at 30 June 2012

		Consolidated	
		2012	2011
	Note	\$	\$
Current Assets			
Cash and cash equivalents	5	629,049	1,532,413
Trade and other receivables	6	30,883	74,045
Total Current Assets		659,932	1,606,458
Non-Current Assets			
Security deposits	7	162,056	115,000
Plant & equipment	8	86,855	17,860
Exploration assets	9	6,864,104	4,291,595
Total Non-Current Assets		7,113,015	4,424,455
Total Assets		7,772,947	6,030,913
Current Liabilities			
Trade and other payables	11	190,337	625,766
Total Current Liabilities		190,337	625,766
Total Liabilities		190,337	625,766
Net Assets		7,582,610	5,405,147
Equity			
Contributed equity	12	10,089,725	7,384,925
Accumulated losses	13	(3,086,837)	(2,559,500)
Option reserve	13	579,722	579,722
Total Equity		7,582,610	5,405,147

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2012

CONSOLIDATED	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2010	4,162,547	(2,098,816)	569,522	2,633,253
Loss for the year	-	(460,684)	-	(460,684)
Total comprehensive income/loss for the year	-	(460,684)	-	(460,684)
	4,162,547	(2,559,500)	569,522	2,172,569
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	3,342,598	-	-	3,342,598
Share issue expenses	(120,220)	-	-	(120,220)
Share based payments	-	-	10,200	10,200
Balance at 30 June 2011	7,384,925	(2,559,500)	579,722	5,405,147
Loss for the year	-	(527,337)	-	(527,337)
Total comprehensive income/loss for the year	-	(527,337)	-	(527,337)
	7,384,925	(3,086,837)	579,722	4,877,810
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Issue of share capital	2,733,724	-	-	2,733,724
Share issue expenses	(28,924)	-	-	(28,924)
Balance at 30 June 2012	10,089,725	(3,086,837)	579,722	7,582,610

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

Consolidated statement of cash flows

For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Note	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(519,416)	(490,849)
Interest received		68,673	66,038
Net cash outflow from operating activities	20	(450,743)	(424,811)
Cash flows from investing activities			
Payment for mineral exploration expenditure		(2,938,108)	(936,372)
Payment of security deposits		(105,000)	(10,000)
Refund of security deposits		60,000	20,000
Payments for purchase of plant and equipment		(84,312)	(4,272)
Net cash inflow/(outflow) from investing activities		(3,067,420)	(930,644)
Cash flows from financing activities			
Proceeds from issue of shares		2,643,724	2,297,598
Transaction costs of issue of shares		(28,924)	(120,220)
Net cash inflow from financing activities		2,614,800	2,177,378
Net decrease in cash and cash equivalents		(903,363)	821,923
Cash and cash equivalents at the start of year		1,532,412	710,490
Cash and cash equivalents at the end of year	5	629,049	1,532,413

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

Notes to the consolidated financial statements 30 June 2012

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for the consolidated entity which comprises Peel Mining Limited and the subsidiaries it controlled at the end of, or during the financial year ended 30 June 2012.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

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

Historical cost convention

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

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Peel Mining Limited (the parent entity) and Apollo Mining Pty Ltd and Peel Environmental Services Limited (the controlled entities) which Peel Mining Limited controlled during the year and at reporting date ("the Group"). A controlled entity is any entity that Peel Mining Limited has the power to control the financial and operational policies so as to obtain benefits from its activities.

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

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

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

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

Investments in subsidiaries are carried at cost in the parent entity.

(c) Revenue recognition

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

Interest income

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

(d) Income tax

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

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

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is

Notes to the consolidated financial statements 30 June 2012

realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss for the year.

(e) Impairment of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset.

No impairment losses (2011: \$nil) have been recognised for the year ending 30 June 2012.

(f) Cash and cash equivalents

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

(g) Trade and other receivables

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

(h) Other financial assets – security deposits

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

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

(i) Fair value estimation

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

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

(j) Plant and equipment

All assets acquired, including plant and equipment are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Depreciation on Plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives from the time the asset is held ready for use as follows:

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

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

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

(k) Exploration and evaluation expenditure

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

Notes to the consolidated financial statements 30 June 2012

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

The policy has resulted in exploration expenditure of \$nil (2011: \$6,358) being written off during the year.

(l) Trade and other payables

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

(m) Contributed equity

Ordinary shares are classified as equity.

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

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

(n) Earnings per share

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

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

(o) Goods and services tax

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

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

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

(p) Segment reporting

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

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments and AASB 2009 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013).

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

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

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

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

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

Notes to the consolidated financial statements 30 June 2012

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

AASB 11 Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). The group is continuing to assess its full impact.

AASB 12 Disclosure of Interest in Other Entities *(effective for the annual reporting periods commencing on or after 1 January 2013).*

AASB 12 introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

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

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

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

AASB 101, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The group will apply the amended standard from 1 July 2013. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income *(effective from 1 July 2012).*

AASB 2011-9 will align the presentation of items of other comprehensive income (OCI) with US GAAP. When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).

AASB 119 – Employee Benefits *(effective for annual periods commencing on or after 1 January 2013)*

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

AASB 2012-5 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income *(effective periods commencing on or after from 1 January 2013).*

When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.

(r) Critical accounting estimates and judgements

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

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

Capitalisation of mining license

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

Share-based payment transactions

The group measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined using a Black-Scholes model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Impairment of capitalised exploration and evaluation expenditure

It is the group's policy to capitalise costs relating to exploration and evaluation activities. The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors, including whether the group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

Notes to the consolidated financial statements 30 June 2012

2. Financial Risk Management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk

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

Trade and other receivables

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

Exposure to credit risk

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

Carrying amounts	Note	Consolidated	
		2012	2011
		\$	\$
Cash and cash equivalents	5	659,932	1,532,413
Trade and other receivables	6	30,883	74,045

Impairment losses

None of Group's other receivables are past due. At 30 June 2012 the Group does not have any collective impairments on its other receivables.

Liquidity risk

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

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

	Consolidated		
	Carrying	Contractual	6mths
	Amount	Cash flows	Or less
30 June 2012	\$	\$	\$
Trade and other payables	190,337	190,337	190,337
30 June 2011			
Trade and other payables	625,766	625,766	625,766

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of managing market risk is to manage and control market risk exposures to within acceptable limits, while optimising returns. The Group does not have any risks associated with foreign exchange rates or equity prices.

Notes to the consolidated financial statements 30 June 2012

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the costs of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. The Group does not have any borrowings and is, therefore, not exposed to interest rate risk in this area. Cash and cash equivalents at variable rates exposes the group to cashflow interest rate risk. The Group is not exposed to fair value interest rate risk as all of its financial assets and liabilities are carried at amortised amount.

Profile

At the reporting date the interest rate profile of the consolidated entity's interest-bearing financial instruments was:

Variable rate instruments	Variable Average Interest Rate	Consolidated Carrying Amount	
		2012	2011
		\$	\$
Short term cash deposits	5.03%	629,049	1,532,413

Cash flow sensitivity analysis for variable rate instruments of the consolidated entity

At 30 June 2012 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post-tax loss would have been \$5,273 lower (2011: \$4,000).

Fair values

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

	Consolidated	
	2012	2011
	\$	\$
3. Revenue		
Interest received	68,673	66,038
Expenditure		
Loss before Income Taxes includes the following		
Specific expenses:		
Superannuation	22,216	25,049
Operating lease payments	36,000	36,000
4. Income tax		
Income tax expense		
Current tax	-	-
Deferred tax	-	-
Numerical reconciliation of income tax to prima facie tax payable:		
Loss from continuing operations before income tax	(527,337)	(460,684)
At the statutory income tax rate of 30% (2011: 30%)	(158,201)	(138,205)
Expenditure not allowed for income tax purposes:		
Non-deductible expenses	-	-
Tax loss not brought to account	158,201	138,205
Income tax benefit reported in the of statement comprehensive income	-	-

The Company has tax losses arising in Australia of \$ 6,210,875 (2011: \$3,596,235) available indefinitely for offset against future profits of the Company. No deferred tax asset has been recognised in respect of these losses at this point in time as the Company is still engaged in exploration activities. In the year to 30 June 2012 the Company also had an unrecognised deferred tax asset in respect of equity raising costs of \$86,627 (2011: \$77,950). The deferred tax liability arising from capitalised exploration costs and licence acquisitions have been recognised and offset by the deferred asset balances above.

	Consolidated	
	2012	2011
	\$	\$
5. Cash and Cash Equivalents		
Cash at bank and in hand	35,148	432,413
Term deposit with a financial institution	593,901	1,100,000
	629,049	1,532,413

Refer to Note 2 for the policy on financial risk management

6. Trade and other receivables

GST recoverable from taxation authority	28,088	74,045
Interest accrued on term deposits	2,795	-
	30,883	74,045

No receivables are past due or impaired

Notes to the consolidated financial statements 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
7. Receivables (Non-current)		
Security deposits on mining tenements	162,056	115,000
	162,056	115,000

No receivables are past due or impaired

8. Plant and equipment

Plant and equipment

At cost	197,862	113,549
Less accumulated depreciation	111,007	95,689
	86,855	17,860

Reconciliation

Carrying amount at beginning of year	17,860	46,033
Additions	84,313	4,272
Depreciation expense	(15,318)	(32,445)
Closing balance	86,855	17,860

9. Exploration assets

At cost	6,864,104	4,281,595
---------	-----------	-----------

Reconciliation

Opening balance	4,281,595	1,881,521
Acquisition of mining lease	90,000	1,045,000
Other exploration expenditure	2,492,509	1,361,432
Written off during year	-	(6,358)
Closing balance	6,864,104	4,281,595

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

10. Subsidiary companies

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

Name	Country of Incorporation	Class of Shares	Equity holding	
			2012	2011
			%	%
Peel Environmental Services Limited	Australia	Ordinary	100	100
Apollo Mining Pty Ltd	Australia	Ordinary	100	100

	Consolidated	
	2012	2011
	\$	\$
11. Trade and other payables		
Trade payables	190,337	625,766

12. Contributed equity

(a) Share capital

	Consolidated and Parent Entity			
	2012		2011	
	Number of Shares	\$	Number of shares	\$
Ordinary shares fully paid	110,571,683	10,089,725	87,757,315	7,384,925

(b) Movements in ordinary share capital

Opening balance, 1 July	87,757,315	7,384,925	43,985,917	4,162,547
Shares issued pursuant to placement			10,748,439	752,391
Shares issued pursuant to a 'Rights Issue'	21,964,368	2,635,724	22,002,959	1,540,207
Shares issued as consideration for the acquisition of a mining lease	750,000	90,000	11,000,000	1,045,000
Shares issued as result of exercise of options	100,000	8,000	20,000	5,000
Transaction costs on share issues		(28,924)	-	(120,220)
Closing balance, 30 June	110,571,683	10,089,725	87,757,315	7,384,925

Notes to the consolidated financial statements 30 June 2012

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to options issued during the year is set out in note 13.

(e) Capital risk management

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

	Consolidated	
	2012	2011
	\$	\$
13. Reserves and accumulated losses		
<i>(i) Accumulated losses</i>		
Opening balance, 1 July	(2,559,500)	(2,098,816)
Loss for the year	(527,337)	(460,684)
Closing balance, 30 June	(3,086,837)	(2,559,500)
<i>(ii) Share-based payments reserve</i>		
Opening balance, 1 July	579,722	569,522
Option expenses (employee options)	-	10,200
Closing balance, 30 June	579,722	579,722

Nature and purpose of reserve

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

Share options and reserve movements

	Consolidated			
	2012		2011	
	Options	\$	Options	\$
Opening balance, 1 July	300,000	579,722	31,573,250	569,522
Expired during year	-	-	(31,573,250)	-
Issued to employees	(100,000)	-	300,000	10,200
Closing balance, 30 June	200,000	579,722	300,000	579,722
Exercisable at 8 cents each on or before 30 March 2013	200,000		300,000	

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

14. Remuneration of Auditors

	Consolidated	
	2012	2011
	\$	\$
Amounts paid or due and payable to the auditors		
BDO Audit (WA) Pty Ltd:		
Auditing or reviewing the financial report	31,691	28,564
Non-assurance services	12,161	-
	43,852	28,564

15. Commitments and Contingencies

The Group has a commitment for the year ended 30 June 2012 due to Oz Minerals Investments Pty Ltd for the purchase of a tenement. The group has also a contingent liability for royalties equivalent to \$1 per tonne of ore processed from the Mining Lease M39/296 tenement payable to the owners of the land. This liability is contingent on actual ore produced, for which there is currently no production. The group had no contingent assets or liabilities for 2011.

Notes to the consolidated financial statements 30 June 2012

16. Expenditure commitments

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

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

	Consolidated	
	2012	2011
	\$	\$
Within one year	278,793	194,800
Later than one year but not later than five years	444,960	94,200
Later than five years	69,000	-
	792,753	289,000

17. Segment information

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

	Consolidated	
	2012	2011
	\$	\$
Revenue from external sources	-	-
Reportable segment (loss)	(17,292)	(50,642)
Reconciliation of reportable segment (assets)		
Reportable segment assets	6,950,959	4,309,455
Unallocated Segment Assets	821,988	1,721,458
Cash and cash equivalents	629,049	1,532,413
Trade and other receivables	30,883	74,045
Other	162,056	115,000
Total Assets	7,772,947	6,030,913
Reconciliation of reportable segment (loss)		
Reportable segment (loss)	(17,292)	(50,642)
Other revenue	68,673	66,038
Unallocated: - Corporate expenses	(578,718)	(476,080)
Loss before tax	(527,337)	(460,684)

18. Related Parties

Transactions with related parties

During the year Peel Mining Limited and its subsidiaries (see note 10) had no transactions with related parties other than the transactions shown in note 23.

19. Events occurring after the Reporting date

Employee Options Issue

600,000 unlisted employee options were issued on 11 July 2012 in accordance with Peel Mining Limited's employee share option plan. The options were issued with an exercise price of 8 cents with 300,000 options vesting immediately and 300,000 vesting on 11 July 2013. The options will lapse on 31 July 2014.

Stage 1 of Mallee Bull Farm-in Agreement with CBH Resources commences

Peel Mining Limited has commenced Stage 1 of their farm-in agreement with CBH Resources Limited after conditions precedent were met. The conditions precedent were that Foreign Investment Review Board approval for the farm-in agreement was obtained and that CBH Resources Limited made payment of \$1,000,000 to Peel Mining Limited as reimbursement of expenditure made on the Mallee Bull Project. At the date of this report drilling as part of exploration activities had commenced and Peel Mining Limited had received \$750,000 in cash calls from CBH to fund these activities.

Notes to the consolidated financial statements 30 June 2012

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

	Consolidated	
	2012	2011
	\$	\$
Loss after income tax	(527,337)	(460,684)
Change in operating assets and liabilities		
Increase/(decrease) in receivables	41,106	(27,106)
Decrease in payables	20,170	20,334
Share-based payments	-	10,200
Depreciation	15,318	32,445
Net cash outflow from operating activities	(450,743)	(424,811)

21. Non-cash investing and financing activities

Acquisition of a mining lease by issue of 11,000,000 ordinary shares at 9.5 cents each	-	1,045,000
750,000 ordinary shares at 12 cents each	90,000	-

22. Loss per share

Basic loss per share

	Consolidated	
	2012	2011
Loss from continuing operations attributable to the ordinary equity holders of the company	(0.005)	(0.007)

Reconciliation of loss used in calculation of loss per share

Loss used in calculating basic loss per share	(527,337)	(460,684)
---	-----------	-----------

Weighted average number of shares used as the denominator

	Consolidated	
	Number of Shares 2012	Number of Shares 2011
Weighted average number of shares used in calculating basic loss per share	101,132,746	68,587,085

Effect of dilutive securities

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

23. Key Management Personnel Disclosures

(a) Compensation of key management personnel

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	381,843	343,311
Post-employment benefits	34,366	30,872
Long-term benefits	-	-
Share-based payments	-	3,400
	416,209	377,583

(b) Shares issued on exercise of compensation options

There were no shares issued on the exercise of compensation options during the year by key management personnel.

(c) Option holdings of key management personnel

30 June 2012	Balance at the start of the year	Granted as compensation	Expired during year	Exercised	Balance at end of the year	Vested and exercisable	Unvested
Directors							
R Tyson	-	-	-	-	-	-	-
Executives							
D Hocking	100,000	-	-	-	100,000	100,000	-

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

Notes to the consolidated financial statements 30 June 2012

30 June 2011	Balance at the start of the year	Granted as compensation	Expired during year	Exercised	Balance at end of the year	Vested and exercisable	Unvested
Directors							
R Tyson	5,122,874	-	(5,122,874)	-	-	-	-
S Hadfield	4,722,873	-	(4,722,873)	-	-	-	-
C McGown	1,000,000	-	(1,000,000)	-	-	-	-
Executives							
D Hocking	200,000	100,000	(200,000)	-	100,000	50,000	50,000

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

(d) Share holdings of Directors – Shares in Peel Mining Limited (number)

30 June 2012	Balance at 1 July 2011	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2012
Directors				
G Hardie	12,023,276	-	3,005,819	15,029,095
R Tyson	5,000,000	-	2,000,000	7,000,000
S Hadfield	3,710,051	-	1,102,513	4,812,564
C McGown	1,500,000	-	375,000	1,875,000

Of the balance at 30 June 2012, the amounts held nominally in respect of each director are: R Tyson 4,500,000 and S Hadfield 1,250,000.

30 June 2011	Balance at 1 July 2010	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2011
Directors				
G Hardie	8,015,517	-	4,007,759	12,023,276
R Tyson	3,798,250	-	1,201,750	5,000,000
S Hadfield	2,995,765	-	714,286	3,710,051
C McGown	1,000,000	-	500,000	1,500,000

Of the balance at 30 June 2011, the amounts held nominally in respect of each director are: R Tyson 4,227,625 and S Hadfield 1,000,000.

(e) Other transactions with key management personnel

Simon Hadfield, is a director of Resource Information Unit Pty Ltd (RIU). RIU provides head office accommodation and secretarial services and charges the Company management fees on a monthly basis. Total fees charged to the Company by RIU for the year ended 30 June 2012 were \$36,000 (2011: \$36,000). During the year the Company placed advertisements to the value of \$5,100 (2011: \$1,700) in a publication owned and operated by RIU and participated in conferences, to the value of \$13,744 (2011: nil) organised by RIU Conferences Pty Limited, another company of which Mr Hadfield is a director. These amounts are included in loss for the year within administration expenses and on the statement of financial position within trade and other payables at year end.

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

Amounts recognised as expense	Consolidated	
	2012	2011
	\$	\$
Management fees	36,000	36,000
Advertisements	5,100	1,700
Conferences	13,744	-
	41,100	37,700

Notes to the consolidated financial statements 30 June 2012

24. Share-based Payments

(a) Share-based payment expenses

During the year the Company has granted options to employees through its Employee Share Option Plan.

Total expenses arising from share-based payment transactions recognised in the profit and loss during the year were as follows:

	Consolidated		Consolidated	
	2012 Number	2011 Number	2012 \$	2011 \$
Options granted to employees	-	300,000	-	10,200
	-	300,000	-	10,200

(b) Director options

Set out below are summaries of Directors options granted.

There were no share based payments currently outstanding or granted to directors during the year.

30 June 2011

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

(c) Employee option plan

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

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

When exercisable, each option is convertible into one ordinary share at an exercise price of 8 cents.

Set out below are summaries of options granted under the plan.

30 June 2012

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
18 Mar'11	30 Mar'13	\$0.08	300,000	-	100,000	-	200,000	200,000

30 June 2011

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
18 Mar'11	30 Mar'13	\$0.08	-	300,000	-	-	300,000	150,000
23 Jun'08	30 Nov'10	\$0.25	600,000	-	(20,000)	(580,000)	-	-

Notes to the consolidated financial statements 30 June 2012

(d) Acquisition of an Asset

During the 2012 year, the Group purchased a mining lease in Western Australia from Birimian Gold Limited for consideration 750,000 Peel Mining Limited shares, at a value of 9 cents per share.

In November 2010, Peel elected to exercise its option to acquire Apollo Hill project. The sale agreement saw Peel issue 11 million fully paid ordinary shares to HHM in consideration for Apollo Hill, at a value of 9.5 cents per share.

25. Parent entity information

	Parent entity	
	2012	2011
	\$	\$
Statement of financial position		
Current assets	659,932	1,606,458
Total assets	7,777,947	5,011,020
Current liabilities	193,287	628,716
Total liabilities	193,287	628,716
Net assets	7,584,660	4,382,304
Equity		
Issued capital	10,089,725	7,384,925
Share option reserve	579,722	579,722
Accumulated losses	(3,084,787)	(3,582,343)
Total equity	7,584,660	4,382,304
Statement of comprehensive income		
Revenue	68,673	66,038
Loss for the year	(527,337)	(460,684)
Total comprehensive loss for the year	(527,337)	(460,684)

Commitments for the parent entity are the same as those for the consolidated entity and are set out in Note 16. The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at year end.

Directors' declaration

The Board of Directors of Peel Mining Limited declares that:

- (a) the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 30 June 2012 and performance for the financial year ended on that date of the company and consolidated entity.
- (b) the company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (c) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (d) the Board of Directors have been given the declaration by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

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



Rob Tyson

Managing Director
Perth, Western Australia
28th September 2012

28 September 2012

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

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF PEEL MINING LIMITED

As lead auditor of Peel Mining Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Peel Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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



Opinion

In our opinion:

- (a) the financial report of Peel Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Peel Mining Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 28th day of September 2012.

Corporate governance statement

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

Board of Directors

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

Board composition

The Board charter states that:

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

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

Directors' independence

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

Mr Craig McGown who is a non-executive director and holds 1,875,000 shares in the Company is an independent director under the ASX recommended principles in relation to the assessment of the independence of directors.

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

Performance assessment

The Board has adopted a formal process for an annual self-assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. A formal assessment was undertaken during the year, using a self-assessment checklist as the basis for evaluation of performance against the requirements of the Board charter.

Corporate reporting

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

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

Board Committees

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

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

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

Corporate governance statement

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

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

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

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

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

External Auditors

The performance of the external auditor is reviewed annually. BDO Audit (WA) Pty Ltd was appointed as the external auditors in 2006. It is both the Company's and BDO Audit (WA) Pty Ltd.'s policy to rotate audit engagement partners at least every five years and the review partner every five years.

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

Code of Conduct

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

Continuous Disclosure and Shareholder Communications

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

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

Share trading policy

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

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

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

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

Shareholder information

Information relating to shareholders at 18 September 2012

Distribution of shareholders

Range	No. of Holders	No. Ord Shares	%
1 - 1,000	12	2916	0
1,001 - 5,000	60	193422	0.17
5,001 - 10,000	108	965572	0.87
10,001 - 100,000	321	12944907	11.71
100,001 - 9,999,999,999	138	96464866	87.25
Total	639	110,571,683	100.0

Twenty largest shareholders

	No.Ord Shares	%
1. POINT NOMINEES PTY LTD <JACKSON SUPER FUND ACCOUNT>	15,322,890	13.86
2. HAMPTON HILL MINING NL	13,750,000	12.44
3. MR ROBERT MACLAINE TYSON	3,877,625	3.51
4. WYTHENSHAW PTY LTD	2,737,500	2.48
5. JOHN WARDMAN & ASSOCIATES PTY LTD <THE WARDMAN SUPER FUND A/C>	2,500,000	2.26
6. EMPIRE ENERGY GROUP LIMITED	2,470,000	2.23
7. MR SIMON HADFIELD + MRS FIONA HADFIELD <SALAMAR SUPER FUND A/C>	2,195,560	1.99
8. MR JONATHON TYSON + MR CHRIS TYSON + MR ROBERT TYSON <TYSON TITAN	2,000,000	1.81
9. WYTHENSHAW PTY LTD <MINJAR A/C>	2,000,000	1.81
10. IONIKOS PTY LTD <THE MCGOWN SUPER FUND A/C>	1,875,000	1.7
11. MR HUGH BROWN + MRS TANYA BROWN	1,555,887	1.41
12. H WALLACE-SMITH AND CO PTY LTD <HUGH WALLACE-SMITH S/F A/C>	1,500,000	1.36
13. P J ENTERPRISES PTY LIMITED <SUPER FUND A/C>	1,500,000	1.36
14. NALMOR PTY LTD JOHN CHAPPELL SUPER FUND A/C	1,450,000	1.31
15. SALAMAR PTY LTD	1,367,004	1.24
16. MR SIMON HADFIELD	1,250,000	1.13
17. MCGEE CONSTRUCTIONS PTY LTD <MCGORMAN SUPER FUND A/C>	1,200,000	1.09
18. MR JOHN DESMOND MARTIN	1,138,400	1.03
19. WALSEC PTY LTD <PIPER SUPER FUND A/C>	1,020,000	0.92
20. MR JASON MARK MOULTRIE	1,000,000	0.9
	61,709,866	55.84

Substantial shareholders

	No. Ord Shares	%
1 Point Nominees Pty Ltd (Jackson Super Fund)	15,322,890	13.86
2 Hampton Hill Mining NL	13,750,000	12.44
3 Robert MacLaine Tyson	7,000,000	6.33

At the prevailing market price of \$0.37 per share there were fifteen shareholders with less than a marketable parcel of \$500 at 19 September 2012.

At 19 September 2012 there were 639 holders of ordinary shares in the Company.

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

Shareholder information

Voting Rights

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

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

1. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
2. 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
3. on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited)"

Statement under ASX Listing Rule 4.10.19

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