
PEEL MINING LIMITED
ABN 42 119 343 734



HALF-YEAR CONSOLIDATED FINANCIAL REPORT

31 DECEMBER 2019

PEEL MINING LIMITED

ABN 42 119 343 734

Corporate Directory

Directors

Robert Tyson	Managing Director
James Simpson	Executive Director
Simon Hadfield	Chairman
Graham Hardie	Non-executive Director

Company Secretary

Ryan Woodhouse

Registered Office

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Share Registry

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Auditors

PricewaterhouseCoopers
Level 15, Brookfield Place 125 St Georges
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Home Exchange

Australian Securities Exchange ('ASX')
Code: PEX

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DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Peel Mining Limited ("the Company") and the entities it controlled ("the Group") at the end of the half-year ended 31 December 2019.

Directors

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

Robert Tyson	Managing Director
James Simpson	Executive Director (as of 9 September 2019)
Simon Hadfield	Chairman
Graham Hardie	Non-executive Director

Company Secretary

Ryan Woodhouse

Results

The loss of the Group for the half-year ended 31 December 2019 amounted to \$1,817,847 (2018: \$1,852,191).

Review of Operations

The principal continuing activity of the Group is the acquisition of mineral tenements, mineral exploration and investment. During the half-year Peel Mining Limited continued to explore its tenements in New South Wales.

EXPLORATION

Wagga Tank-Southern Nights Project: Copper, Silver, Gold, Lead, Zinc; Western NSW (PEX 100%).

Targets: Cobar-style polymetallic mineralisation; Volcanogenic Massive Sulphide mineralisation.

The Wagga Tank-Southern Nights project is located on the western edge of the Cobar Superbasin, ~130 km south of Cobar, and is host to the namesake polymetallic Cobar-style or VHMS-type deposit with multiple significant historic drill intercepts. Mineralisation is interpreted to occur as sub-vertical elongated shoots/lenses within zones of brecciation and hydrothermal alteration.

At the start of the financial year, the Company released its maiden JORC 2012 Indicated & Inferred Mineral Resource Estimate ("MRE") at Wagga Tank/Southern Nights. The Mineral Resource of **3.8Mt @ 5.5% Zn, 2.1% Pb, 75 g/t Ag, 0.27% Cu and 0.31 g/t Au for 206,000t contained Zn, 78,000t contained Pb, 9.1Moz contained Ag, 10,000t contained Cu and 38,000 oz contained Au, or 9.2% ZnEq for 348,000t contained ZnEq**, was estimated using a 3.5% ZnEq cut-off. Approximately 30% of the resource tonnage and 46% of the contained metal tonnage is classified at an Indicated level with the respective balances being classified at an Inferred level. The MRE (Competent Persons Statement and Mineral Resources Table 1) for the Wagga Tank and Southern Nights deposits were reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code (2012)).

Following the release of the MRE, drilling commenced back at Wagga Tank-Southern Nights with two multi-purpose (RC/diamond) drill rigs completing a program of work comprising of ~10,000m drilling. The program was designed to look for extensions to the current MRE and infill Wagga Tank, the Corridor Zone (located between Wagga Tank and Southern Nights) and Southern Nights. A total of 36 drillholes, for 11,341m, were completed during the half year. Assays for all drillholes have now been reported.

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The program commenced at the Corridor Zone, which is an approximately 800m long area separating Wagga Tank and Southern Nights deposits. It was first drilled in April 2018 with WTRCDD123 returning significant Copper-Gold-Silver mineralisation. Drilling saw WTRCDD141 extended and two wedges (WTRCDD141W1 & WTRCDD141W2) drilled. Significant drill intercepts were returned of **13.1m @ 11.1% Zn, 5.7% Pb, 52 g/t Ag, 0.51 g/t Au** from 553.9m in WTRCDD141 and; **9m @ 7.6% Zn, 4.7% Pb, 0.1% Cu, 153 g/t Ag, 0.46 g/t Au** from 501m; **17m @ 1.3% Cu, 25 g/t Ag, 0.14 g/t Au, 0.1% Zn, 0.1% Pb** from 510m and **47m @ 6.31% Zn, 2.79% Pb, 0.05% Cu, 24 g/t Ag and 0.28 g/t Au** from 573m in WTRCDD141W1. These intercepts provide further support that the Wagga Tank and Southern Nights deposits are possibly interconnected, and like other significant Volcanogenic Massive Sulphide deposits, mineralisation is likely to cluster and stack in multiple lenses.

Infill drilling at Southern Nights Central Zone and Wagga Tank continued to yield high grade zinc-lead-silver-gold-copper massive sulphide intercepts. The drill program at Southern Nights was designed to seek resource extensions in the north, south and down dip directions, whilst infilling the deeper zone of mineralisation (>~250m below surface) to increase resource confidence in this area. Whilst at Wagga Tank the program was designed to test for north-south and up-dip extensions to the existing resource, whilst also infilling the current resource area to improve the confidence. Results from drilling in the half year included:

Southern Nights

- 13.75m @ 14.27% Zn, 8.13% Pb, 208 g/t Ag, 1.04% Cu, 0.42 g/t Au from 353.1m in WTRCDD222
- 15.75m @ 17.04% Zn, 4.77% Pb, 106 g/t Ag, 0.69% Cu, 1 g/t Au from 222.25m in WTRCDD227
- 10.8m @ 13.1% Zn, 5.22% Pb, 91 g/t Ag, 0.12% Cu, 0.33 g/t Au from 273.5m in WTRCDD235
- 13m @ 8.65% Zn, 1.5% Pb, 28 g/t Ag, 0.4% Cu, 28 g/t Ag from 278m in WTRCDD240

Wagga Tank

- 9m @ 1.70% Cu, 0.39 g/t Au from 134m WTRCDD214
- 9m @ 1.58% Cu, 0.75 g/t Au, 26 g/t Ag from 140m & 4m @ 8.08% Zn, 4.47% Pb, 0.24% Cu, 110g/t Ag, 0.85g/t Au from 240m
- 8.6m @ 2.72% Cu, 3.73 g/t Au, 15 g/t Ag, 0.26% Zn, 0.37% Pb from 202.4m and 13.85m @ 6.59% Zn, 5.08% Pb, 57 g/t Ag, 0.33 g/t Au, 0.33% Cu from 240.65m in WTRCDD218
- 17.4m @ 7.41% Zn, 3.2% Pb, 184 g/t Ag, 1.54% Cu, 2.85 g/t Au from 249.5m in WTRCDD218
- 6.2m @ 2.25% Cu, 0.86 g/t Au, 47 g/t Ag, 10.87% Zn, 4.99% Pb from 250.5m WTRCDD225

Drilling at the southern extent of the resource model at Southern Nights (~500m south of the high-grade Southern Nights Central Zone) intersected strong mineralisation. Drillholes WTRCDD229 and WTRCDD238 returned mineralisation akin to that seen in the Southern Nights Central Zone. Assays returned for both holes confirmed a new zone of high-grade mineralisation. Significantly, WTRCDD238, located ~35m south of WTRCDD238, included some of the highest-grade gold mineralisation intersected at Southern Nights to date. This mineralisation remains completely open to the south.

WTRCDD229

- 44m @ 7.39% Zn, 2.95% Pb, 76 g/t Ag, 0.43 g/t Au, 0.1% Cu from 233m; including
 - 5.95m @ 35.5% Zn, 16.9% Pb, 447 g/t Ag, 0.97 g/t Au 0.37% Cu from 233.88m.
- 7.77m @ 1.24% Cu, 0.92 g/t Au, 4 g/t Ag from 300.8m

WTRCDD238

- 35m @ 6.3% Zn, 2.59% Pb, 105 g/t Ag, 1.87 g/t Au, 0.24% Cu from 232m; including
 - 5.9m @ 7.6 g/t Au, 17.13% Zn, 8.34% Pb, 376 g/t Ag, 0.26% Cu from 232.8m; and
 - 7m @ 13.3% Zn, 4.4% Pb, 97 g/t Ag, 0.89 g/t Au, 0.1% Cu from 251m
- 6m @ 1.34% Cu, 0.83 g/t Au, 6 g/t Ag from 311m

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In late December, a review of results indicated adequate drilling had now been completed to commence Mineral Resource Estimation work. An upgraded resource is anticipated in the first quarter of 2020. This resource will form the basis for further concept study work to progress the project towards development.

Mallee Bull Project: Copper, Silver, Gold, Lead, Zinc; Western NSW (PEX 50% and Manager, CBH 50%).

Targets: Cobar-style polymetallic mineralisation; Volcanogenic Massive Sulphide mineralisation.

During the half, work continued on compiling and lodging all necessary documentation required to obtain regulatory approval for the establishment of an exploration decline. Supporting documents for the Review of Environmental Factors (REF) which included, the Rehabilitation Cost Estimation Calculation, the Rehabilitation Management Plan and the Water Management Plan were prepared during the half. These along with the Notification of High-Risk Activity application, once complete, will be submitted to the regulator for approval.

However, in July 2019, CBH Resources announced the pending closure of its Endeavor Mine, which is located ~40km northwest of Cobar, indicating that the mine could be on care and maintenance by the end of 2019. CBH have since initiated a sale process for the Endeavor Mine. The exploration decline planning completed at Mallee Bull, included processing a bulk sample of the Silver Ray lens at Endeavor and utilising the mine infrastructure as a possible processing option for a Dig and Truck operation.

Given this, the Company is currently in discussion with CBH Resources/Toho Zinc to further develop the Mallee Bull Project. The discussions include:

- Re-evaluating the third-party treatment option at Endeavor.
- Undertaking a resource infill drilling programme from surface at Mallee Bull, necessary to upgrade the classification of the Mineral Resource Estimate, in anticipation of feasibility studies.

These discussions are ongoing at the time of this report.

Cobar Superbasin Project: Copper, Silver, Gold, Lead, Zinc; Western NSW (PEX 100%).

Targets: Cobar-style polymetallic mineralisation; Volcanogenic Massive Sulphide mineralisation.

The Cobar Superbasin Project is subject to a Memorandum of Agreement with Japan Oil, Gas, and Metals National Corporation (JOGMEC). Details of the JOGMEC MoA can be found in Peel's ASX Announcement released on 30 September 2014. Exploration in the half focused around the Wirlong prospect, which represents a very large hydrothermal system containing significant high-grade copper mineralisation. Drilling during the half year at the prospect comprised of six reverse circulation (RC) holes for a total of 1928m at Wirlong South and a diamond tail at Wirlong Central. All RC holes saw Zinc-Lead-Silver-Copper-Gold mineralisation, however it was determined to be sub-economic.

The diamond tail WLRCD025 was drilled to test a DHEM plate modelled from WLRCD057. Multiple zones of copper dominant mineralisation were intersected including **4m @ 1.35% Cu, 0.05% Zn, 0.02% Pb, 5 g/t Ag, 0.07 g/t Au** from 289m, **4m @ 1.25% Cu, 0.05% Zn, 0.01% Pb, 4 g/t Ag** from 391m, and most notably **3m @ 7.63% Cu, 0.17% Zn, 0.11% Pb, 19 g/t Ag, 0.08 g/t Au** from 428m.

A program of three diamond drillholes at Wirlong central commenced in December to test the continuation of high-grade lenses and to test a revised geological/structural model. The revised structural model indicates high-grade zones to be trending in an NW-SE direction, which is 45 degrees angle from what had previously been modelled. The first diamond drillhole WLDD003 was completed in the half

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however assays were still pending at the time of reporting. The remaining two holes were completed post the half year end with results expected in due course.

Significant Corporate changes

Mr James Simpson started his role as the Executive Director of Mining of the Company on 9 September 2019. Upon approval of shareholders at the AGM on 28 November 2019, he was issued 2,000,000 options exercisable at \$0.31 of which 1,000,000 vested on 28 November 2019 and 1,000,000 will vest 12 months after the date the options were granted.

A Research and Development (R&D) Tax Incentive Scheme refund for \$1,523,383, for the 30 June 2018 tax year was receipted from the ATO in July 2019. Peel accounts for funds received from the ATO under the R&D Tax Incentive Scheme as an offset to the Exploration and Evaluation asset, where the initial expenses to which it relates were capitalised.

Contributed equity increased during the financial year by \$202,850 through the issue of:

- (i) 500,000 new ordinary shares issued at \$0.223 cents on the exercise of Graham Hardie's options.
- (ii) 450,000 new ordinary shares issued on the exercise of employee share options raising \$91,350.

Further information on Peel's activities during the half year financial period can be found in the quarterly activity reports.

Shares under options

Shares under option granted to key management personnel at the time of this report were as follows:

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
15 August 2017	900,000 Employee & Contractor Options 15 August 2017 (50%) 15 August 2018 (50%)	15 August 2020	26.0 cents	11.0 cents
30 November 2017	2,000,000 Director Options 30 November 2017 (67%) 30 November 2018 (33%)	30 November 2020	78.3 cents	33.0 cents
7 December 2018	2,000,000 Director Options 7 December 2018 (75%) 7 December 2019 (25%)	7 December 2021	64.1 cents	27.0 cents
7 December 2018	1,562,500 Employee Options 7 December 2018 (50%) 7 December 2019 (50%)	7 December 2021	57.0 cents	28.0 cents
28 November 2019	2,000,000 Director Options 28 November 2019	29 November 2022	32.0 cents	12.9 cents
28 November 2019	2,000,000 Executive Director Options under the ESOP 28 November 2019 (50%) 28 November 2020 (50%)	9 September 2022	31.0 cents	12.6 cents

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

Events occurring after reporting period

The Company had no events occurring after the reporting period to disclose.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

Signed in accordance with a resolution of the directors and on behalf of the Board by:

A handwritten signature in black ink, appearing to read 'R. Tyson', with a horizontal flourish extending to the right.

R. Tyson

Managing Director
Perth, Western Australia
27 February 2020

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Competent Persons Statements & Mineral Resources

The information in this report that relates to Exploration Results is based on information compiled by Mr Rob Tyson who is a fulltime employee of the company. Mr Tyson is a member of the Australasian Institute of Mining and Metallurgy. Mr Tyson has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) 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 information in the form and context in which it appears. Exploration results are based on standard industry practices, including sampling, assay methods, and appropriate quality assurance quality control (QAQC) measures.

Wagga Tank Southern Nights Deposits

Mineral Resource Estimate for the Southern Nights Deposit							
Resource Classification	Tonnes	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)	Au (g/t)	ZnEq (%)
Indicated	1,126,000	8.8	3.5	107	0.28	0.44	14.3
Inferred	2,106,000	4.5	1.5	69	0.14	0.13	7.2
Total Resource	3,232,000	6.0	2.2	83	0.19	0.24	9.7
Mineral Resource Estimate for the Wagga Tank Deposit							
Resource Classification	Tonnes (t)	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)	Au (g/t)	ZnEq (%)
Inferred	532,000	2.4	1.2	31	0.74	0.77	6.6
Total Resource	532,000	2.4	1.2	31	0.74	0.77	6.6
Mineral Resource Estimate for the Southern Nights and Wagga Tank Deposit							
Resource Classification	Tonnes	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)	Au (g/t)	ZnEq (%)
Indicated	1,126,000	8.8	3.5	107	0.28	0.44	14.3
Inferred	2,638,000	4.0	1.4	62	0.26	0.26	7.1
Total Resource	3,764,000	5.5	2.1	75	0.27	0.31	9.2

Table 1

Note: Tonnages and grades are rounded. Discrepancies in totals may exist due to rounding. 1 - Zinc equivalent (ZnEq) has been calculated using assumptions regarding metal sale prices (see ASX release dated 12th July 2019 titled "Robust maiden resource confirms outstanding mining and growth potential at Southern Nights-Wagga Tank". It is Peel Mining's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.

The information in this report that relates to data and geological modelling included in Mineral Resource estimates is based on information reviewed by Mr Jason McNamara who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr McNamara is a full time employee of Peel Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Mr McNamara consents to the inclusion in the documents of the matters based on this information in the form and context in which it appears.

The information in this report that relates to grade estimation and Mineral Resource estimates is based on information reviewed by Mr Jason McNamara, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr McNamara is a full time employee of Peel Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Mr McNamara consents to the inclusion in the documents of the matters based

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Competent Persons Statements & Mineral Resources (cont.)

on this information in the form and context in which it appears. This report may include aspirational targets. These targets are based on management's expectations and beliefs concerning future events as of the time of the release of this document. Targets are necessarily subject to risks, uncertainties and other factors, some of which are outside the control of Peel Mining that could cause actual results to differ materially from such statements. Peel Mining makes no undertaking to subsequently update or revise the forward-looking statements made in this report to reflect events or circumstances after the date of this report.

Mallee Bull

Mineral Resource Estimate for the Mallee Bull Deposit							
Resource Classification	Kt	CuEq %	Cu %	Ag g/t	Au g/t	Pb %	Zn %
Indicated	1,340	2.15	0.91	30	0.4	0.96	1.23
Inferred	5,420	2.7	2	31	0.4	0.5	0.4
Total Resource	6,760	2.6	1.8	31	0.4	0.6	0.6

Table 2

The information referred to in this announcement in relation to the Mallee Bull Resource Estimate is based on information compiled by Jonathon Abbott, a Competent Person who is a Member of the Australian Institute of Geoscientists. At the time of calculating the Resource Estimate Mr Abbott was a full time employee of MPR Geological Consultants Pty Ltd and is an independent consultant to Peel Mining Ltd.

Mr Abbott has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code of Reporting of Mineral Resources and Ore Reserves'. Mr Abbott consented to the release of the matters based on his information in the form and context in which it appears.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half-year ended 31 December 2019

	Note	Consolidated Entity	
		31-Dec 2019 \$	31-Dec 2018 \$
Operator management fee		-	-
Interest income		40,105	17,852
Other income		7,530	8,193
Revenue and other income		47,635	26,045
Depreciation		(56,895)	(41,361)
Employee and directors' benefit expenses		(351,889)	(401,763)
Share based payment expense		(551,365)	(727,580)
Administration expenses		(598,640)	(512,127)
Loss attributable to associate	10	(306,693)	(195,405)
Loss before income tax expense		(1,817,847)	(1,852,191)
Income tax expense		-	-
Loss after tax from continuing operations		(1,817,847)	(1,852,191)
Total comprehensive loss for the period attributable to the members of Peel Mining Limited		(1,817,847)	(1,852,191)
		Cents	Cents
Basic loss per share		(0.75)	(0.92)
Diluted loss per share		(0.75)	(0.92)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

		Consolidated Entity	
	Note	31-Dec 2019 \$	30-Jun 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		3,139,992	6,950,662
Trade and other receivables		337,232	368,616
TOTAL CURRENT ASSETS		3,477,224	7,319,278
NON-CURRENT ASSETS			
Security deposits		541,866	521,866
Property		840,487	840,487
Plant & equipment		442,342	459,747
Investment in Saturn Metals Limited	10	3,014,103	3,320,796
Exploration assets	5	40,659,968	37,128,536
TOTAL NON-CURRENT ASSETS		45,498,766	42,271,432
TOTAL ASSETS		48,975,990	49,590,710
CURRENT LIABILITIES			
Trade and other payables		1,223,425	1,024,513
TOTAL CURRENT LIABILITIES		1,223,425	1,024,513
NON-CURRENT LIABILITIES			
Deferred Income	2	7,131,670	6,881,670
TOTAL NON-CURRENT LIABILITIES		7,131,670	6,881,670
TOTAL LIABILITIES		8,355,095	7,906,183
NET ASSETS		40,620,895	41,684,527
EQUITY			
Issued capital	4	48,977,246	48,774,396
Accumulated losses		(12,285,823)	(10,467,976)
Reserves		3,929,472	3,378,107
TOTAL EQUITY		40,620,895	41,684,527

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half-year ended 31 December 2019

	Attributable to equity holders of the company			
	Contributed	Accumulated	Other	Total
	Equity	Losses	Reserves	Equity
	\$	\$	\$	\$
At 1 July 2019	48,774,396	(10,467,976)	3,378,107	41,684,527
Total comprehensive loss for the half-year	-	(1,817,847)	-	(1,817,847)
<i>Transactions with equity holders in their capacity as equity holders</i>				
Exercise of options	202,850	-	-	202,850
Issue of options	-	-	551,365	551,365
At 31 December 2019	48,977,246	(12,285,823)	3,929,472	40,620,895
At 1 July 2018	30,266,457	(7,597,706)	2,472,772	25,141,523
Total comprehensive loss for the half-year	-	(1,852,191)	-	(1,852,191)
<i>Transactions with equity holders in their capacity as equity holders</i>				
Issue of share capital	12,336,119	-	-	12,336,119
Exercise of options	356,000	-	-	356,000
Issue of options	-	-	727,580	727,580
Share issue costs	(771,747)	-	-	(771,747)
At 31 December 2018	42,186,829	(9,449,897)	3,200,352	35,937,284

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year to 31 December 2019

	Consolidated Entity	
	31-Dec 2019 \$	31-Dec 2018 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,071,057)	(1,168,405)
Interest received	41,736	17,852
Net cash outflow from operating activities	<u>(1,029,321)</u>	<u>(1,150,553)</u>
Cash flows from investing activities		
Payments for exploration expenditure	(4,698,093)	(6,627,293)
Transfer to security deposits	(20,000)	(16,000)
Payments for purchase of property, plant and equipment	(39,489)	(126,854)
Research and Development Tax Incentive Scheme Refund	1,523,383	-
Proceeds as part of E&E asset farm-out	250,000	153,528
Net cash outflow from investing activities	<u>(2,984,199)</u>	<u>(6,616,619)</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	202,850	12,692,119
Share issue costs	-	(771,747)
Net cash inflow from financing activities	<u>202,850</u>	<u>11,920,372</u>
Net (decrease)/increase in cash and cash equivalents	(3,810,670)	4,153,200
Cash and cash equivalents at the start of the half-year	<u>6,950,662</u>	<u>2,291,570</u>
Cash and cash equivalents at the end of the half-year	<u>3,139,992</u>	<u>6,444,770</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation of Half-Year Financial Statements

These condensed consolidated financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statement. Accordingly, this interim financial statement is to be read in conjunction with the annual financial statement for the year ended 30 June 2019 and any public announcements made by Peel Mining Limited during the interim reporting period in accordance with continuous disclosure requirements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Company.

A number of new or amended standards became applicable for the current reporting period, and the group had to change its accounting policies as a result of adopting AASB 16 Leases.

The impact of the adoption of the leasing standard is disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 16 Leases – (Effective date 1 July 2019)

AASB 16 replaces AASB 117 Leases and for the lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, rights-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, while the lease liability is reduced by an allocation of each lease payment. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Company has adopted AASB 16 retrospectively from 1 July 2019. As at 30 June 2019, the Company did not recognise any lease assets or lease liabilities on the balance sheet. During the prior period, the Company classified the lease for its office space as an operating lease with payments recognised as an expense as incurred. As the contract term is less than 12 months, and considered short-term, the company elects to recognise the lease payments directly as an expense in profit or loss.

The Company has considered other significant contracts, such as those for drilling, and determined that there are no other contracts that meet the definition of a lease under the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

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2. CSP Farm-in by Japanese Oil, Gas & Metals National Corporation (JOGMEC)

Japan Oil Gas and Metals National Corporation ("JOGMEC") farm-in agreement

On 30 September 2014, JOGMEC and Peel executed a Memorandum of Agreement ("MoA") pursuant to which JOGMEC could earn up to a 50% interest in certain exploration tenements held by Peel. Under the terms of this agreement a wholly owned subsidiary of Peel incurred expenses in relation to the farm-in and JOGMEC contributed to these expenses by way of cash call. Based on the terms of the agreement, Peel will account for the MoA, as per its policy and the agreement with JOGMEC, except for the Management Fee of 10% on all expenditure which is accrued as cash calls are received. JOGMEC has now completed its earn in and in the interim, prior to the exercise of its options, both companies are contributing to the project on a 50/50 pro-rata basis.

	31 December 2019	30 June 2019
	\$	\$
Funds from farm-out of asset to JOGMEC	7,131,670	6,881,670
Total Deferred Income	7,131,670	6,881,670

3. Segment Information

Management has determined that the Group has three reportable segments, being mineral exploration under its joint venture with CBH Resources Limited at its Mallee Bull prospect, mineral exploration under its farm-in agreement with JOGMEC and the other being all other mineral exploration within Australia. The Group is focused only on mineral exploration and the Board monitors the Group based on actual versus budgeted exploration expenditure incurred for these three areas. 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. Decisions regarding the Mallee Bull joint venture are also taken into account by the board, however exploration decisions are made by the Joint Venture committee, which is made up of members from both Peel Mining Limited and CBH Resources Limited. This is the same in regards to exploration undertaken as part of the CSP Farm-in agreement.

	31-Dec 2019 \$	31-Dec 2019 \$	31-Dec 2019 \$	31-Dec 2019 \$
	Peel Mining	Mallee Bull	CSP	Total
Reportable segment (loss)/profit	-	(1,856)	-	(1,856)
Segment assets	27,085,326	6,075,707	8,781,764	41,942,797

	31-Dec 2018 \$	31-Dec 2018 \$	31-Dec 2018 \$	31-Dec 2018 \$
	Peel Mining	Mallee Bull	CSP	Total
Reportable segment (loss)/profit	-	-	-	-
Segment assets	19,662,206	5,694,442	7,321,327	32,677,975

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	31-Dec 2019 Consolidated \$	31-Dec 2018 Consolidated \$
Reconciliation of reportable segment (loss)		
Reportable segment (loss)/profit	(1,856)	-
Interest and other income	47,635	26,045
Corporate expenses	(1,556,933)	(1,682,831)
Loss attributable to associate	(306,693)	(195,405)
Loss before tax	(1,817,847)	(1,852,191)
Reconciliation of reportable segment (assets)		
Reportable segment assets	41,942,797	32,677,975
Cash	3,139,992	6,444,770
Unallocated Assets	879,098	1,127,138
Investment in Saturn Limited	3,014,103	3,498,447
Total Liabilities	(8,355,095)	(7,811,046)
Net Assets	40,620,895	35,937,284

4. Contributed equity

<i>Movements in ordinary issued capital</i>	Number of Shares	\$
Balance at 1 July 2019	242,733,611	48,774,396
Shares issued under exercise of director or employee options	950,000	202,850
Balance at 31 December 2019	243,683,611	48,977,246

<i>Movements in ordinary issued capital</i>	Number of Shares	\$
Balance at 1 July 2018	184,035,969	30,266,457
Shares issued under placement	10,000,000	3,600,000
Shares issued under entitlement offer	24,266,996	8,736,119
Shares issued under exercise of employee options	1,700,000	356,000
Share issue costs	-	(771,747)
Balance at 31 December 2018	220,002,965	42,186,829

	31-Dec 2019 \$	30-Jun 2019 \$
5. Exploration expenditure		
At cost	40,659,968	37,128,536
<i>Reconciliations</i>		
Opening balance	37,128,536	24,585,053
Exploration expenditure	5,054,815	12,543,483
Research and development tax incentive scheme refund	(1,523,383)	-
Closing balance	40,659,968	37,128,536

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale of the associated tenements.

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6. Related Parties

Transactions with related parties

During the financial period the Group paid \$34,702 (2018: \$27,589) for head office rental and on charges to RIU Pty Ltd, and \$9,900 (2018: \$18,920) to RIU Conferences Pty Ltd, both companies controlled by Mr S Hadfield.

During the period 4 million share options were granted to Peel Mining Limited's directors. These were ratified at the company's AGM on 28 November 2019. Each option has an exercise price of 32.0 cents per share.

7. Share Based Payments

During the period the Company granted options to one of its directors through its Employee Share Option Plan with shareholder approval at its Annual General Meeting. Options were also issued to directors outside of this plan, solely with shareholder approval at its Annual General Meeting. Total expenses arising from share-based payment transactions recognised during the period were as follows.

	31-Dec 2019	31-Dec 2019
	Number	Value (\$)
Options granted to director under ESOP (pro-rated due to vesting conditions)	2,000,000	137,182
Options granted to executive directors	1,000,000	128,526
Options granted to non-executive directors	1,000,000	128,526
Expense attributed with vesting of options granted in prior period	-	157,130
Total	4,000,000	551,364

	31-Dec 2018	31-Dec 2018
	Number	Value (\$)
Options granted to employees (pro-rated due to vesting conditions)	1,600,000	238,725
Options granted to directors	2,000,000	412,213
Expense attributed with vesting of options granted in prior period	-	76,642
Total	3,600,000	727,580

Fair value of options granted

The fair value at grant date is independently determined using a 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 options granted to the director under the ESOP were expensed on a prorated basis as a result of the vesting condition attached to these options (50% of the options vest one year from grant date). The 2,000,000 options granted to the executive director and non-executive directors were expensed in full at 31 December 2019 as they vested immediately.

The model inputs for options granted during the half-year ended 31 December 2019 included:

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	Executive Director Options (under the ESOP)	Executive Director Options	Non-Executive Director Options
(a) Options are granted for no consideration and vest accordingly	50% vest immediately 50% vest in one year from grant date	100% vest immediately	100% vest immediately
(b) Exercise Price	31.0 cents	32.0 cents	32.0 cents
(c) Grant Date	28 November 2019	28 November 2019	28 November 2019
(d) Expiry Date	9 September 2022	29 November 2022	29 November 2022
(e) Share Price at Grant Date	27.0 cents	27.0 cents	27.0 cents
(f) Expected Price Volatility	80%	80%	80%
(g) Expected Dividend Yield	0.00%	0.00%	0.00%
(h) Risk-free interest rate	0.77%	0.77%	0.77%
Fair Value of Options at Grant Date	12.6 cents	12.9 cents	12.9 cents

8. Events occurring after the Reporting date

The Company had no events occurring after the reporting period to disclose.

9. Interests in other entities

Peel Mining Limited has a 50% interest in a joint arrangement called the Mallee Bull Joint Venture which was formed after CBH Resources Limited completed its 50% earn-in to the Mallee Bull Project on 27th March 2014. The joint venture agreement in relation to the Mallee Bull Joint Venture require unanimous consent from all parties for all relevant activities. The two joint venture parties own the assets of the joint venture as tenants in common and their interest in assets and liabilities are several, separate and distinct.

This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

10. Interests in associate

Peel Mining Limited equity accounts for its sole associate of the group, Saturn Metals Limited. The entity has share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business	% of ownership Interest		Nature of relationship	Method	Quoted fair value		Carrying amount	
		31 Dec 2019	30 Jun 2019			31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		%	%			\$	\$	\$	\$
Saturn Metals Ltd	Aus	27.33%	31.43%	Associate	Equity Method	6,000,000	6,000,000	3,014,103	3,320,796
Total equity accounted investment								3,014,103	3,320,796
Reconciliation to carrying amounts						31-Dec 2019	30-Jun 2019		
						\$	\$		
Opening balance						3,320,796	3,693,852		
Loss for the period at 27.33% (30 June 2019: 31.43%)						(306,693)	(373,056)		
Total						3,014,103	3,320,796		

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DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 17 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the period then ended; and
- (b) there are reasonable grounds to believe that Peel Mining Limited will be able to pay its debts as and when they become due and payable.

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



R. Tyson
Managing Director

Perth, Western Australia
27 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Peel Mining Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
27 February 2020



Independent auditor's review report to the members of Peel Mining Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Peel Mining Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2019, Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Peel Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
27 February 2020