



ASX / MEDIA RELEASE

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ACQUISITION OF MAY DAY GOLD-BASE METAL DEPOSIT NEAR COBAR

Peel Exploration Ltd is pleased to announce it has expanded its NSW exploration portfolio, reaching conditional agreement to acquire a 100% interest in the May Day gold-base metal deposit, from Imperial Corporation Ltd (ASX:IMP).

The May Day gold-base metal deposit (comprising a 100 hectare mining lease - ML1361), is located approximately 100km south of the mining town of Cobar in central NSW. Peel recently lodged an exploration licence application (ELA3776) covering approximately 84 km², encompassing the May Day deposit.

Peel Exploration Managing Director Rob Tyson said the acquisition of the project and surrounding tenure was an exciting development for Peel.

"It offers a potentially rapid path to production and cashflow, benefiting from its situation on a granted mining lease located in one of Australia's major mining districts," he said.

"Available data suggests the presence of open, high grade gold-base metal mineralisation with minimal recent exploration, offering excellent exploration potential. The combination of precious and base metals exposure is a good fit for Peel, adding diversification to the Company's existing high-grade JORC-compliant tungsten resource at Attunga," Mr Tyson said.

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 lead to the development in 1996 of a small-scale mining operation comprising an open pit with a heap leach gold circuit. Minimal recent exploration has been completed.

Peel believes that the May Day deposit offers excellent potential to be rapidly advanced to development. Desktop studies indicate substantial gold-base metal mineralisation immediately below the historic open pit, with deeper drillhole intersections demonstrating depth continuance of high-grade gold-base metal mineralisation. Peel plans to complete a full dataset compilation, followed by an extensional drilling programme, in order to commence resource definition.

The May Day deposit exhibits similarities to the nearby Hera gold-base metal deposit (1.8 Mt at 6.7 g/t Au, 0.2% Cu, 2.5% Pb, 2.8% Zn, 14 g/t Ag) which YTC Resources Ltd (ASX:YTC) recently acquired for \$12 million. Peel considers the May Day deposit to potentially

Peel Exploration Limited ACN 119 343 734

Level 1, 79 Hay St, Subiaco, WA 6008. Ph: (08) 9382 3955. Fax (08) 9388 1025. E: info@peelex.com.au.

www.peelex.com.au

represent the upper levels of large-scale Cobar-style mineralisation such as CSA, Peak and Endeavor.

The terms of the sale agreement will see consideration of 2.75 million fully paid ordinary Peel shares and replacement of the environmental bond relating to ML1361 (\$43,000) in exchange for the full transfer of ML1361 to Peel. Conditions of the agreement include the completion of due diligence investigations and the renewal of ML1361.

May Day Deposit – ML1361

Available data suggests that the May Day deposit, a structurally controlled-volcanogenic massive sulphide (VMS) system, is a classic analogue for Cobar-style precious and base metal mineralisation. Drilling has shown that high-grade mineralisation is present to depths of at least 250m below surface and remains open.

Previous Exploration

Diamond core drilling in the 1970s identified high-grade volcanogenic massive sulphides (VMS). It should be noted that assaying for gold was not completed on large sections of disseminated and stringer mineralisation (only on massive sulphides intercepts). Better results included:

- MD-DDH1 – 5.2m at 3.1% Zn, 2.4% Pb, 0.5% Cu, 68 g/t Ag, 2.5 g/t Au from 109.79m.
- MD-DDH2 – 1.8m at 9.1% Zn, 3.1% Pb, 0.5% Cu, 49 g/t Ag, 3.4 g/t Au from 147.07m.
- MD-DDH3 – 4.8m at 11.5% Zn, 9.4% Pb, 0.8% Cu, 179 g/t Ag, 1.9 g/t Au from 138m.
- MD-DDH4 – 3m at 8.9% Zn, 4.9% Pb, 1.4% Cu, 235 g/t Ag, 6.2 g/t Au from 282m.
- MD-DDH6 – 0.5m at 14.5% Zn, 8.4% Pb, 0.6% Cu, 156 g/t Ag, 4 g/t Au from 160m.

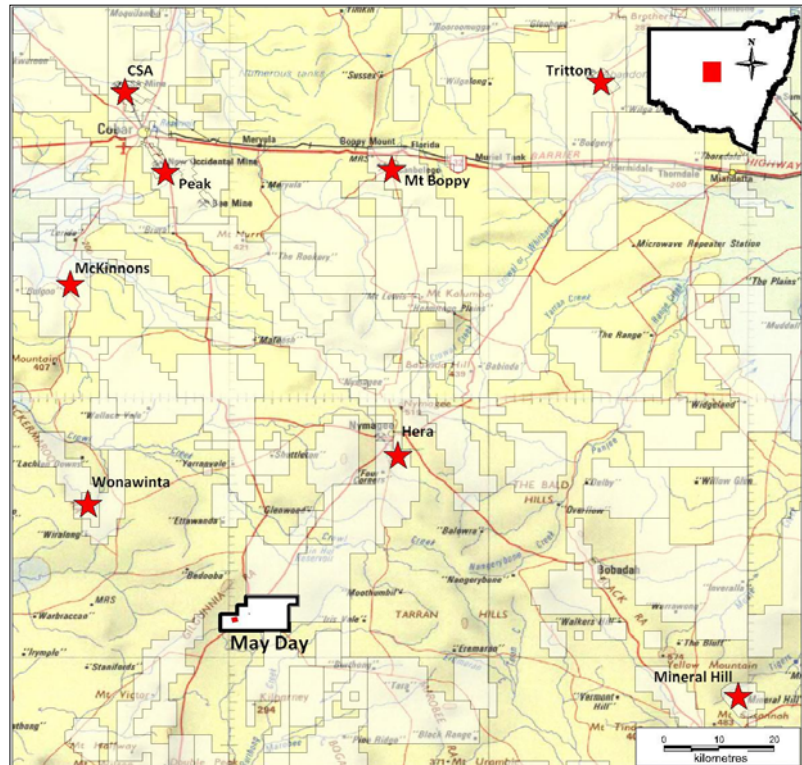
RC Drilling in the late 1980s and early 1990s focussed on the near-surface, oxidised portion of the May Day mineralised system, however deeper drillholes (maximum depth of 99m) yielded multiple noteworthy gold-base metal intercepts. Drillhole intercepts occurring between 50m (base of pit) and 100m below surface across 150m of strike length (below the open pit) included:

- MDH18 – 30m at 1.7 g/t Au from 54m
- MDH27 – 40m at 0.7 g/t Au from 56m*

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- MDH29 – 33m at 1.3 g/t Au from 66m*
- MDH30 – 36m at 1.9 g/t Au from 52m
- MDH31 – 29m at 2.1 g/t Au from 70m*
- MDH32 – 22m at 1.5 g/t Au from 74m*
- MDH33 – 24m at 1.3 g/t Au from 40m
- MDH37 – 16m at 1.6 g/t Au from 70m
- MDC54 – 25.9m at 1.7 g/t Au, 1.2% Zn, 0.5% Pb, 0.2% Cu, 33 g/t Ag from 61.4m*

See Appendix 1 for additional data regarding drilling.

Mining

In the mid-1990s, Imperial Mining NL (precursor to Imperial Corporation Ltd) acquired the May Day project and commenced small-scale mining operations with the aim of completing Research and Development on a new resin recovery system known as “Virtokele-in-pulp”. Records indicate that 81,000t at 3.35 g/t Au and a further 102,000t at 1.3 g/t Au were mined from the May Day open pit. Technical problems were encountered with the Vitrokele recovery system.

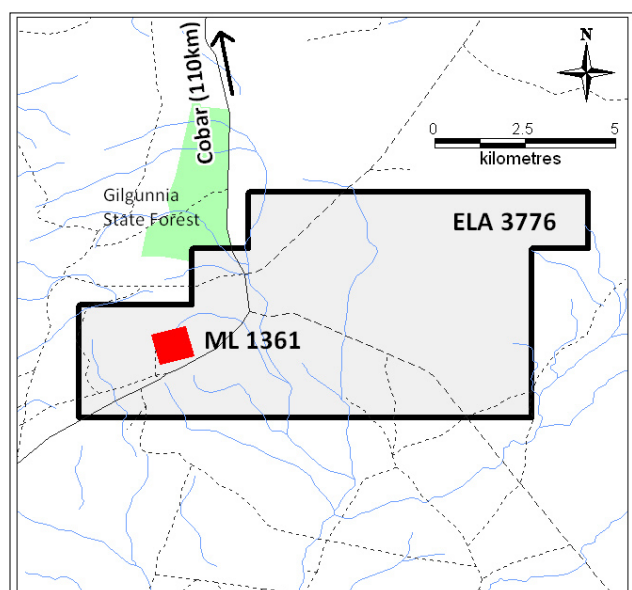
Mineralisation potential

Cobar style mineralisation typically has much longer dimensions in the vertical plane rather than along strike. May Day appears to fit well with this analogue, with a relatively short strike length (approximately 140m) and known depth extent to 250m below surface. Limited deeper drilling has been completed to date. Peel believes that current drill data supports potential for the definition of substantial gold-base metal mineralisation within 300-400m of surface.

Mining infrastructure in the region is well established and the opportunity may also exist for limited capital expenditure if an economic resource is recognised, with the possibility of trucking ore for toll treatment at nearby underutilised processing plants.

ELA3776

In early September 2009, Peel lodged ELA3776 covering 84 km² surrounding the May Day deposit. ELA3776 encompasses potential extensions to the May Day mineralised system, and also covers the historic Gilgunnia and Four-Mile goldfields.



The Gilgunnia goldfield has recorded production of about 5,000 ounces gold from narrow, high-grade gold in quartz veining. The Gilgunnia goldfield lies approximately 2.5 kms northeast of May Day, along strike. Limited exploration of the intervening covered zone has been completed and the area represents a high-priority exploration area.

Elsewhere within ELA3776 are several surface base metal geochemical anomalies (not previously tested for gold) that warrant further investigation, along with several surface gold geochemical anomalies. These areas represent follow-up targets.

For more information, please contact Rob Tyson on 0420 234 020.

Appendix 1 – Additional drilling data information

1. Exploration data for MD-DDH1-6 compiled from NSW DPI DIGS database reports: GS1973_142.R00023323-23324; GS1974_122.R00007830-7838; GS1974_146.R00022480; GS1975_240.R00022248. Assay and sampling techniques not described although samples derived from split diamond drillcore.

2. Exploration data for MDH18-37, and MDC54 compiled from NSW DIGS database reports: GS1987_235.R00009105-9108; GS1989_368.R00005055-5059; GS1996_184.R00001001; GS2002-745.R00032888.RC Drillholes MDH18-37 samples composited at 2m intervals, riffle split and analysed at ALS Laboratories by AAS with checks via Fire Assay. No multielement assays completed. Drillhole MDC54 sampled at 1m intervals, riffle split and analysed at ALS Laboratories for gold by AAS with checks via Fire Assay and for multielements via AAS.

3.* denotes mineralisation at end of hole.

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 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 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 his information in the form and context in which it appears.