

**Peel Exploration Limited**

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**About Peel Exploration Limited:**

- The Company has five 100%-owned tenements covering approximately 450 km<sup>2</sup> predominantly in the New England Fold Belt region of northern New South Wales.
- These projects comprise the Attunga, Dungowan, Armidale, Mt Tennyson East and Yerranderie tenements and are host to numerous historic mines and workings.
- The Attunga project is host to the Attunga Tungsten Deposit, Attunga Copper Mine and Kensington prospects.
- Peel's core asset – the Attunga Tungsten Deposit – is a high grade tungsten deposit located near excellent infrastructure.
- The Company is conducting exploration in a logical and systematic manner with a focus on maximising the return for each dollar spent.

**Highlights for September quarter 2009**

- **Conditional acquisition of May Day gold-base metal deposit.**
- **May Day due diligence site visit including open pit mapping and geochemical sampling.**
- **Attunga Tungsten Deposit Conceptual Study completion.**
- **Ongoing regional geological mapping and surface geochemistry programme at Attunga.**
- **Yerranderie site visit including mapping and geochemical sampling.**
- **Heritage and environmental studies underway at Yerranderie.**
- **Resampling and assaying at Mt Tennyson East.**

**Plans for December quarter 2009**

- **Completion of May Day due diligence.**
- **Infill drilling planning at Attunga Tungsten Deposit.**
- **Bulk sampling of Yerranderie tailings.**
- **Metallurgical testwork on Yerranderie tailings.**

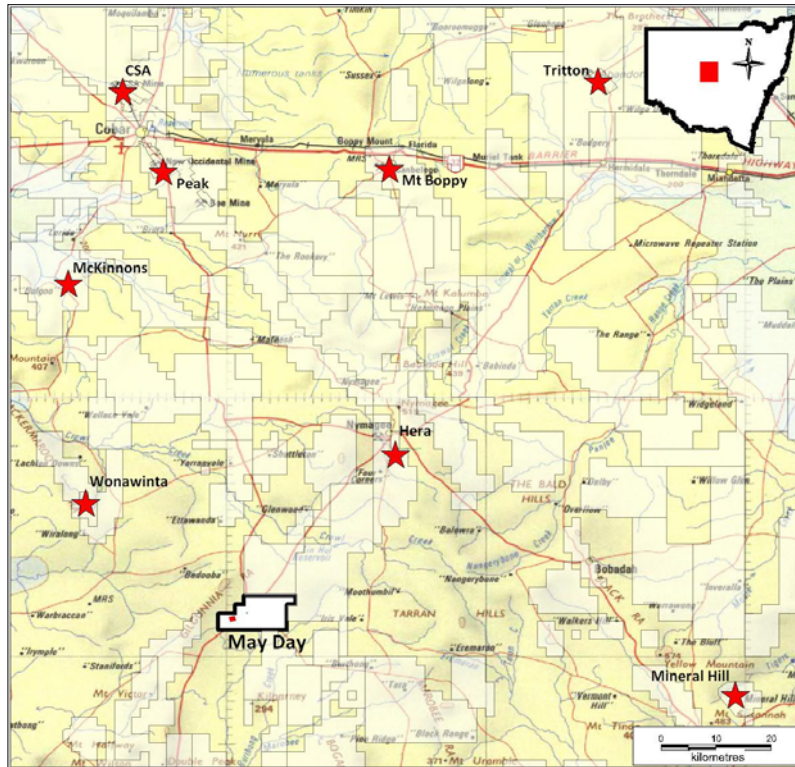
## Exploration

### **May Day Project: Gold, Lead, Zinc, Silver, Copper; W NSW (PEX acquiring 100%).**

Tenements: ML1361 (May Day), ELA3776 (Gilgunnia)

Targets: Volcanogenic Massive Sulphide mineralisation;

During the quarter, Peel announced it had reached 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 also lodged an exploration licence application (ELA3776) covering approximately 84 km<sup>2</sup>, encompassing the May Day deposit.



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. No drilling directly targeting the May Day Deposit has been completed since 1989.

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 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 only completed on the massive sulphide zones and not completed on large sections of disseminated and stringer mineralisation. 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 40m (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\*
- 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\*

It should be noted that apart from MDC54, which was assayed for precious and base metals, that the drillholes listed above were only assayed for gold. Drill logs indicate the potential for significant base metal mineralisation also. See “Additional drilling data information” shown at the end of May Day summary.

### 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

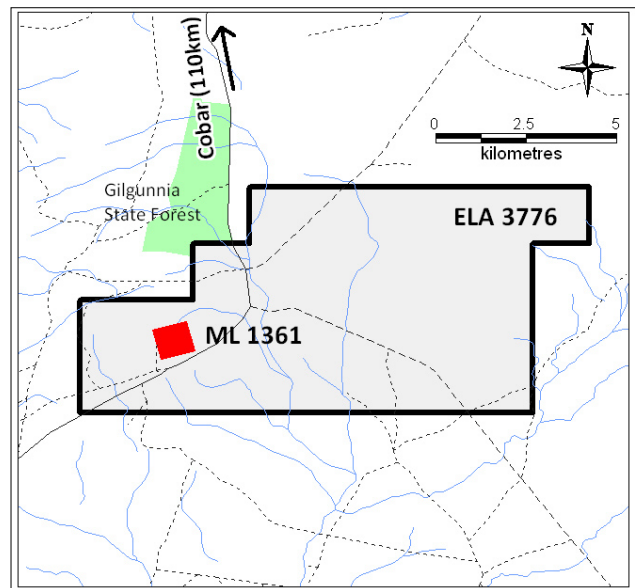
Cobar style mineralisation typically has much longer dimensions in the vertical plane rather than along strike. May Day appears to fit well with this analogue, with a relatively short strike length (approximately 140m) and known depth extent to 250m below surface. Limited deeper drilling has been completed 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 km<sup>2</sup> 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 an attractive 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.

## Due Diligence Site Visit

Subsequent to the quarters' end, a site visit to May Day was completed as part of due diligence. Geological mapping of the open pit was undertaken along with geochemical sampling. Geological mapping confirmed that May Day mineralisation is structurally controlled and that precious-base metal mineralisation is present within the open pit.

## 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.

**Attunga Project: Gold, Tungsten, Molybdenum, Copper; NE NSW (PEX 100%).**

**Tenements:** EL6883 (Mt Patterson), EL6884 (Attunga).

**Targets:** Intrusive-Related Gold System style gold-tungsten mineralisation; skarn style tungsten-molybdenum mineralisation and skarn-style precious/base metals mineralisation.

### **Attunga Tungsten Deposit**

The Attunga Tungsten Deposit was discovered in the late 1960s and has undergone minimal modern exploration. In April 2008, Peel announced the completion of an independent inferred resource estimate for the Attunga Tungsten Deposit with results including 1.29 Mt grading 0.61% WO<sub>3</sub> and 0.05% Mo for 9,400t contained WO<sub>3</sub> equivalent using 0.2% WO<sub>3</sub> equivalent cutoff.

#### Conceptual Study

Peel completed an in-house Conceptual Study into development options for the Attunga Tungsten Deposit with results indicating that a small, low capital expenditure operation could potentially yield positive returns.

#### Other Work

During the quarter, Peel continued with ongoing regional geological mapping and surface geochemistry at Attunga. This work is being completed to aid future exploration efforts and to upgrade base data.

Also during the quarter, Peel commenced infill drillhole planning at the Attunga Tungsten Deposit. This drilling will be used to update the current resource model for Attunga.

### **Attunga Copper Mine Prospect**

The Attunga Copper Mine, discovered in 1902 and worked over various periods up until World War 2, had been held under an historic prospecting licence by another company. In February 2009 the licence expired and the area subsequently reverted back to Peel's tenure. The mineralisation at the Attunga Copper Mine occurs in a garnet skarn similar to that at the Attunga Tungsten Deposit indicating that the deposits are genetically-related.

In May 2009, Peel reported the discovery of significant gold-copper mineralisation with a intercept of 76m at 1.02 g/t gold, 0.87% copper, 0.09% molybdenum, 0.06% bismuth, and 22 g/t silver from 136m including 27m at 1.60 g/t gold, 1.66% copper, 0.18% molybdenum, 0.1% bismuth, and 39 g/t silver from 136m returned from drillhole ACM-004.

During the quarter, a review of the May 2009 drilling completed at Attunga Copper Mine confirmed the mineralisation to be open at depth and along strike. Peel plans to complete follow-up drilling when next drilling at the Attunga Tungsten Deposit.

### **Kensington Gold-Tungsten Prospect**

The Kensington Gold-Tungsten Prospect located about 5km north-northwest of the Attunga Tungsten Deposit, represents a high-priority target within the Attunga Project area. Gold and tungsten mineralisation at Kensington is fault-related, and occurs as sheeted and stockwork veining. Drilling

completed by Peel and previous tenement holders has identified widespread, low grade gold and tungsten mineralisation open in several directions.

Rehabilitation work was undertaken during the quarter.

**Yerranderie: Silver, Lead, Gold; Central NSW (PEX 100%).**

**Tenement:** EL7356.

**Targets:** Silver-lead-gold mineralisation in surface waste and tailings dumps.

Substantial amounts of silver-lead-gold mineralisation remain present in surface waste and tailings dumps at Yerranderie. During the quarter, Peel commenced heritage and environmental studies at Yerranderie. Peel also received assay results from dump grab samples collected during a site visit conducted during the previous quarter. Results confirm that high grade silver-gold-lead levels remain present in tailings at Yerranderie (see results below).

**Table 1: Yerranderie Tailings grab samples**

Sample	Northing GDA	Easting GDA	Ag g/t	Au g/t	Pb %	Zn %
87901	6221458	242373	122	0.33	2.13	0.09
87902	6221458	242373	139	0.53	2.20	0.11
87903	6221479	242347	246	0.38	1.89	0.10
87904	6221479	242347	112	0.49	1.79	0.26
87905	6221446	242368	404	0.85	3.40	1.14
87906	6221446	242373	463	0.78	4.38	0.85
87907	6221404	242431	1450	1.52	4.15	0.08
87908	6221417	242428	859	2.49	5.34	0.18
87909	6221389	242431	1130	5.68	13.00	0.19
87910	6221120	242300	481	2.03	2.58	0.16

Notes:

1. Samples were grabbed from tailings dumps.
2. Samples were analysed at ALS Chemex utilising methods: Au-AA25 for Au; ME-ICP61 for multi-element; Ag-OG46 for >100 ppm Ag; Pb-OG62 for >1% Pb; and Zn-OG62 for >1% Zn.

**Mt Tennyson East: Molybdenum, Tungsten; Central NSW (PEX 100%).**

**Tenement:** EL7272.

**Targets:** Granite-hosted molybdenum and tin mineralisation.

During the quarter Peel completed the resampling and assaying of historic drillholes MTE-DDH1 and MTE-DDH3 with a total of 75 samples collected. These holes were drilled in 1982 by Australian and New Zealand Exploration Company as part of its investigation of the Mt Tennyson area. The reassay data confirmed previous results indicating prospective extensions to the known Mt Tennyson resource held by Moly Mines Ltd (see results below).

**Table 2: Mt Tennyson East resampling**

Hole No.	Northing GDA	Easting GDA	Azimuth (mag)	Dip	Depth	From	To	Interval	Mo	WO <sub>3</sub>	Comment
MTE-DDH1	6289105	761985	0	-90	60.9m	17m	24m	7m	0.19%	-	500ppm Mo cutoff
						22m	54m	32m	-	0.14%	500ppm W cutoff
MTE-DDH3	6289020	761827	0	-90	69.8m	38m	49m	11m	0.07%	-	Bulk intercept

Notes:

1. Samples were from quarter sawn diamond drill core.
2. Samples were analysed at ALS Chemex utilising methods: ME-ICP61 for multi-element (Mo & W).
3. WO<sub>3</sub> % was calculated using a 1.261 conversion factor.

**Dungowan Project: Copper, Zinc, Gold, Silver; NE NSW (PEX 100%).**

**Tenement:** EL6613.

**Targets:** Polymetallic VHMS mineralisation; syngenetic exhalative gold mineralisation; and epigenetic structurally-controlled gold mineralisation.

No fieldwork was undertaken during the quarter.

**Armidale Project: Silver, Gold, Antimony, Tungsten; NE NSW (PEX 100%).**

**Tenement:** EL6722.

**Targets:** Intrusive-related precious metals mineralisation.

No fieldwork was completed during the quarter.

**Relinquishments.**

Peel relinquished EL6614 (Barry) and EL6719 (Waverley) during the quarter.

**Corporate**

**Non-renounceable entitlement issue.**

During the quarter, Peel completed a non-renounceable rights issue offer of shares on a one-for-three basis at an issue price of 10 cents per share (as announced on 21 August 2009) with the closing date at 25 September 2009. A total of 3,293,400 shares for \$329,340 were subscribed for by eligible shareholders.

On behalf of the Board, I would like to thank all fellow shareholders for their continued support. Peel Exploration will seek to place the shortfall from the issue pursuant to details in the Prospectus dated 21 August 2009.

**For further information, please contact:**

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*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 Persons 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 their information in the form and context in which it appears.*