

**Peel Exploration Limited**

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**About Peel Exploration Limited:**

- The Company has six 100%-owned tenements/ELAs covering approximately 550 km<sup>2</sup> of highly prospective tenure in New South Wales.
- These projects comprise the Attunga, May Day, Dungowan, Armidale, Mt Tennyson East and Yerranderie tenements and are host to numerous historic mines and workings.
- Peel's core asset – the Attunga Tungsten Deposit – is a high grade tungsten deposit located near excellent infrastructure.
- Acquisition of May Day gold-lead-zinc VMS deposit on a granted mining lease near Cobar offers commodity and risk diversification with exciting exploration potential.

**Highlights for December quarter 2009**

- Acquisition of May Day gold-base metal deposit.
- May Day due diligence site visit including open pit mapping and geochemical sampling.
- Commencement of May Day historic data compilation and interpretation.
- May Day drilling planning.
- Ongoing regional geological mapping and surface geochemistry programme at Attunga.
- Yerranderie site visit including mapping and bulk sampling.
- Completion of rights issue shortfall placement.

**Plans for March quarter 2010**

- Completion of May Day historic data compilation and interpretation.
- Geophysical surveys (gravity and IP) at May Day.
- Drilling at May Day.
- Drilling planning at Attunga project.
- Attunga Tungsten Deposit garnet potential review.

## **Exploration**

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

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

Targets: Volcanogenic Massive Sulphide mineralisation;

During the quarter, Peel completed the acquisition of 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 has 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) 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.

### **Due Diligence Site Visit**

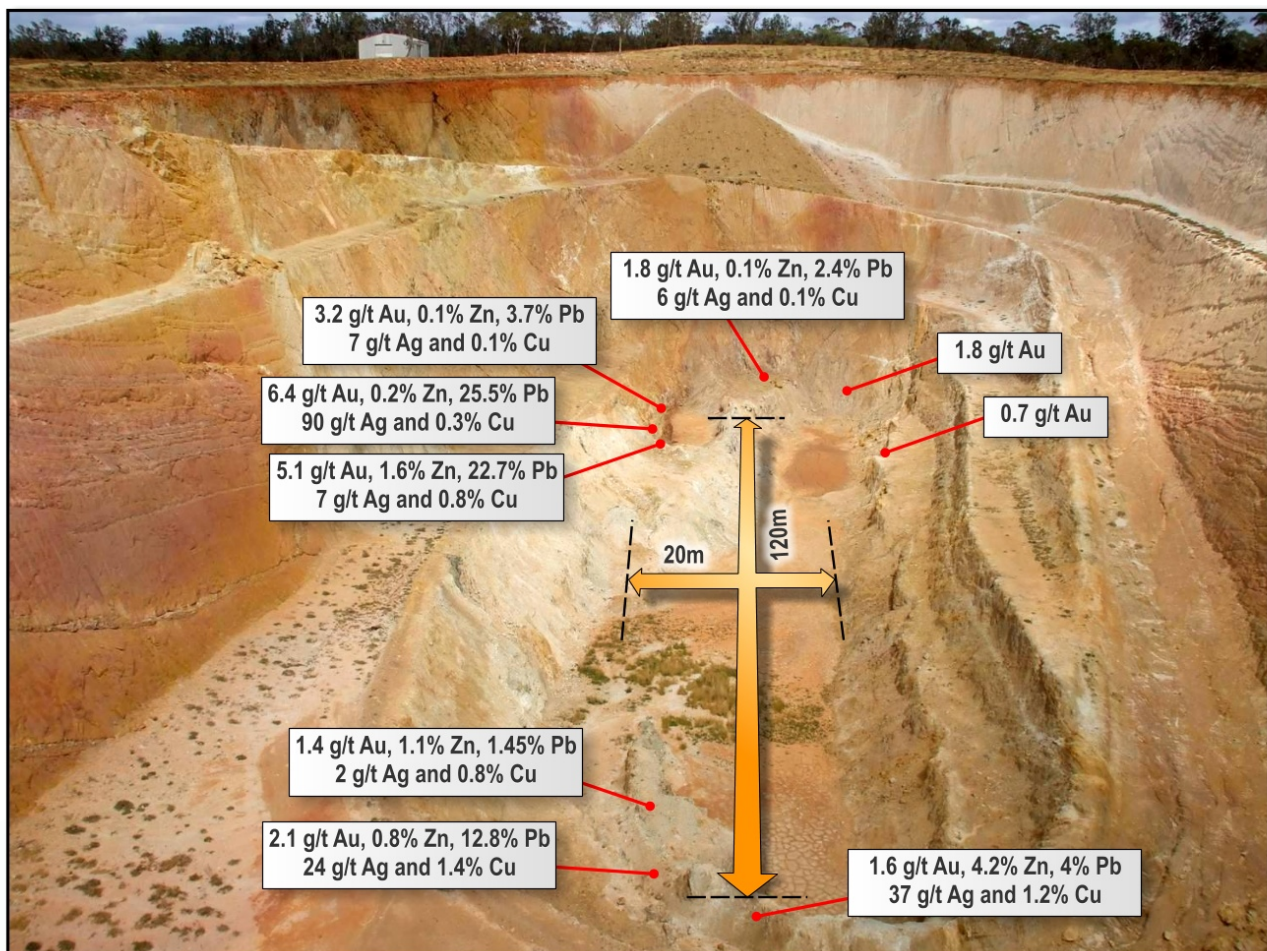
During the quarter, a site visit to May Day was completed as part of due diligence. Geological mapping and geochemical sampling of the open pit was undertaken. Geological mapping and geochemical sampling confirmed that May Day mineralisation is structurally controlled and that high grade precious-base metal mineralisation is present within the open pit. Results were:

Sample	Easting GDA	Northing GDA	Au g/t	Ag g/t	Pb %	Zn %	Cu %
47940	406774	6411788	2.1	24.3	12.80	0.82	1.39
47941	406782	6411797	0.44	5.1	0.30	0.43	0.15
47942	406779	6411791	1.62	37.3	3.96	4.21	1.17
47943	406785	6411797	0.22	2.1	0.16	0.11	0.97
47944	406707	6411769	0.22	1.6	0.68	0.27	0.26
47945	406704	6411769	5.14	6.5	22.70	1.58	0.79
47946	406696	6411772	6.36	89.9	25.50	0.16	0.25
47947	406694	6411772	0.16	8.7	1.65	0.17	0.16
47948	406686	6411766	3.47	7.2	5.33	0.31	0.15
47949	406683	6411769	3.76	35.7	4.23	0.24	0.58
47950	406683	6411766	3.16	6.5	3.71	0.13	0.13

47951	406662	6411778	0.43	2.6	0.23	0.06	0.04
47952	406670	6411775	0.3	1	0.20	0.03	0.05
47953	406668	6411775	1.79	5.6	2.37	0.07	0.13
47954	406670	6411769	0.22	1.2	0.21	0.05	0.04
47955	406673	6411762	0.3	0.6	0.13	0.09	0.07
47956	406675	6411763	0.06	<0.5	0.02	0.05	0.04
47957	406678	6411759	2.12	8.9	9.08	0.31	0.65
47958	406686	6411756	0.13	0.9	0.37	0.03	0.05
47959	406686	6411766	0.26	<0.5	0.07	0.01	0.02
47960	406694	6411766	0.04	<0.5	0.02	0.01	0.01
47961	406699	6411760	0.03	<0.5	0.01	0.36	0.01
47962	406768	6411789	1.44	2.4	1.40	1.08	0.82
47963	406675	6411790	0.31	2	0.06	0.12	0.03
47964	406675	6411787	0.68	1.6	0.12	0.11	0.04
47965	406670	6411781	0.66	1.1	0.14	0.10	0.05
47966	406667	6411781	1.75	2.1	0.14	0.05	0.03

Notes:

1. Samples were 1m channel sample composites.
2. Samples were analysed at ALS Chemex utilising methods: Au-AA25 for Au; ME-ICP61 for multi-element; Pb-OG62 for >1% Pb; Cu-OG62 for >1% Cu and Zn-OG62 for >1% Zn.



## **Other Work**

Also during the quarter, Peel commenced historic data compilation and interpretation. Subsequent to the quarter's end, Peel commenced a 14 km<sup>2</sup> gravity survey to supplement Peel's understanding of the geology of the area and in preparation of exploration planning. Peel also plans to complete an IP survey of the near mine environment.

## **Drill Planning**

During the quarter, Peel commenced drill planning at May Day. Peel plans to complete a first-round drilling programme at May Day during March 2010, subject to necessary regulatory approvals and drillrig availability.

**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.

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.

## **Garnet Review**

Subsequent to the quarter's end, Peel initiated a review of the garnet potential of the Attunga Tungsten Deposit. Petrology completed to date indicates that the Attunga Tungsten Deposit contains large quantities of garnet. Garnet is used extensively in the sand blasting industry and substantial amounts of garnet are imported into Australia. Peel's metallurgical testwork indicates that a clean garnet concentrate would be a natural by-product of any scheelite recovery operation. Peel plans to test the sandblasting qualities and marketability of Attunga's garnet.

## **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, located 1km north of the Attunga Tungsten Deposit, 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.



Peel plans to complete follow-up drilling when next drilling at the Attunga project which is likely to be in April 2010.

#### **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.

A shallow, large-tonnage, lower grade scheelite resource (non-JORC) has been reported at Kensington by a previous explorer. Peel plans to complete a programme of shallow drillholes to test the scheelite potential when next drilling at the Attunga project.

#### **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 completed an auger sampling programme at Yerranderie, with the material retrieved to be used for metallurgical testwork.

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

**Tenement:** EL7272.

**Targets:** Skarn-hosted molybdenum and tungsten mineralisation.

No fieldwork was undertaken during the quarter.

#### **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.

### **Corporate**

#### **Non-renounceable entitlement issue**

During the quarter, Peel announced the successful placement of the entire shortfall of 7,015,517 ordinary shares from its recent entitlements issue with Point Nominees Pty Ltd, the private



investment vehicle of Perth businessman Graham Hardie. The placement of the shortfall raised \$701,551.70 before costs.

#### **General Meeting of Shareholders**

During the quarter, Peel shareholders at a General Meeting called by Stirling Resources Limited rejected a bid by Stirling's Managing Director Michael Kiernan to overturn the Board of Peel by having existing directors Simon Hadfield and Craig McGown removed and replaced by himself and Stirling Chief Financial Officer Keith Vuleta.

**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.*