



Exploring forgotten mineral fields

SEPTEMBER 2007 QUARTERLY REPORT

31 October 2007

Peel Exploration Limited

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About Peel Exploration Limited

- The company has six 100%-owned projects covering approximately 950km² in the New England Fold Belt region of northern New South Wales.
- These projects comprise the Attunga, Dungowan, Barry, Waverley, and Armidale tenements and are host to numerous historic mines and workings.
- The project areas are under-explored with only minimal modern exploration reported.
- Peel believes its projects offer excellent potential for the discovery of economic precious, base and exotic metals mineralisation.
- The Company plans to conduct exploration in a logical and systematic manner with a focus on maximising the return for each dollar spent.

Highlights for the quarter

- The Attunga project (EL6883 & EL6884) granted on 21st September 2007.
- Landholder access negotiations at Attunga commenced.
- Independent review of Attunga-Kensington prospectivity.
- Field exploration activities at Dungowan
- and Attunga undertaken.
- Non-renounceable rights issue completed.
- Subsequent to the quarter, high-grade tungsten-moly mineralisation identified in initial examination of historic Attunga Scheelite Deposit drillcore.

Plans for December quarter 2007

- Airborne geophysical surveys of Dungowan, Barry and Waverley areas scheduled for November.
- Additional exploration and sampling of historic Attunga Scheelite Deposit drilling.
- Initial exploration and sampling of historic Kensington gold and tungsten prospect drillcore.
- Field exploration activities at Attunga, Dungowan, Barry and Waverley.
- Drillhole target planning for early 2008 programme.

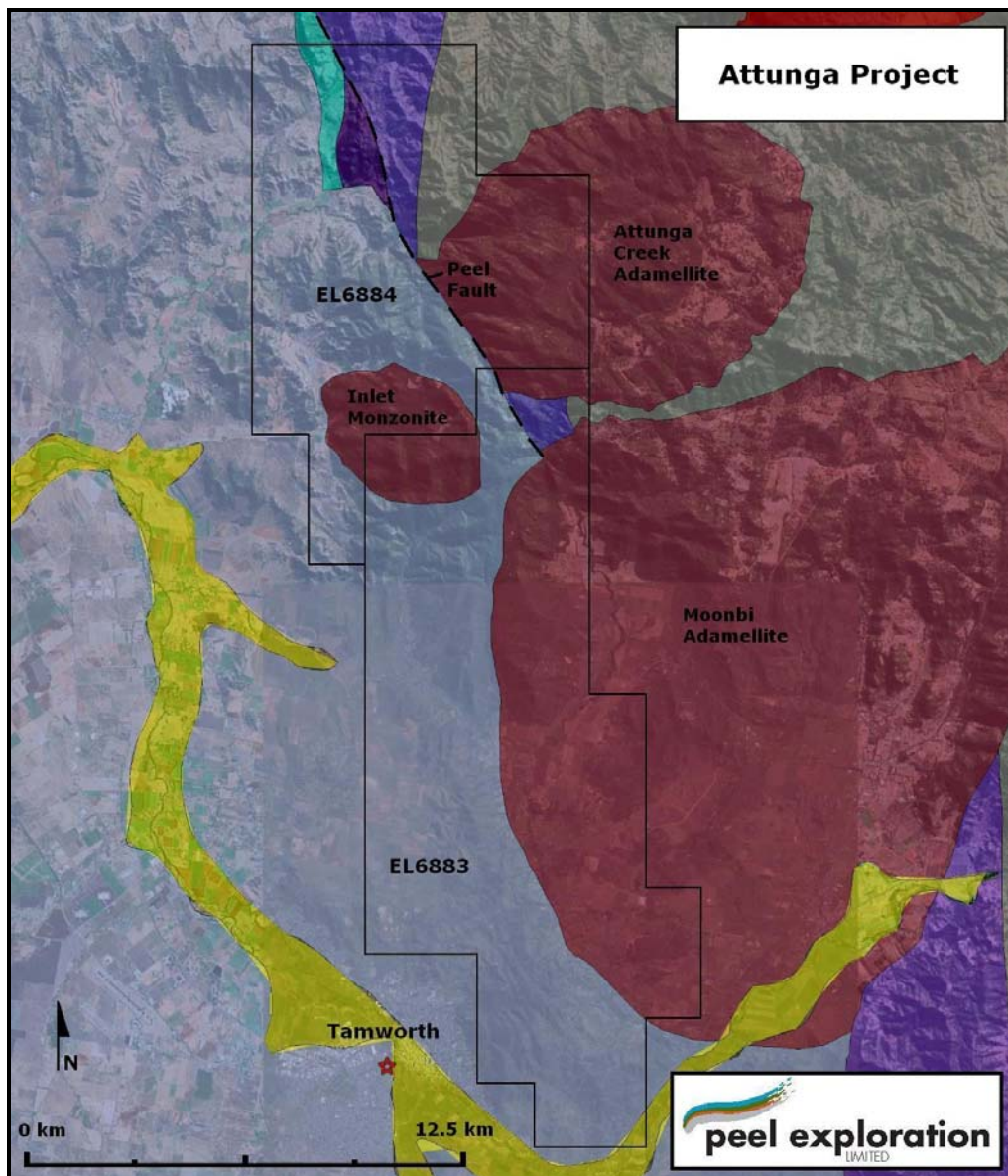
Corporate

During the September quarter Peel Exploration completed a Non-renounceable Rights Issue of 15,000,000 Options exercisable at 20 cents each on or before 30 November 2010. The Rights Issue closed oversubscribed raising \$150,000 before costs.

Exploration

Attunga Project

On 21st September, Peel Exploration was granted exploration licences covering the historic Attunga-Kensington gold-tungsten-molybdenum mineral fields. EL6883 and EL6884 - referred to as the Attunga Project - are centred about 20km north of Tamworth and cover a combined area of about 250km².





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As previously reported, the Attunga Project contains numerous historic mines, prospects and workings and initial investigations utilising historic exploration reports coupled with modern datasets indicate that the Attunga-Kensington mineralising structure bears the hallmarks of an Intrusive-Related Gold System (IRGS).

During the quarter, Peel Exploration commissioned an independent expert review by Dr Tim Baker (former lecturer in Economic Geology at James Cook University) which supported the Company's opinion with regard to the geological model relevant to the Attunga region. In his report Dr Baker stated that an intrusion-related gold model is readily applicable, and that prospects in the region contain metal signatures common to IRGS. He also noted that the wide variety of mineralisation styles present at Attunga is a common feature of intrusion centred systems.

Other exploration activity undertaken at Attunga during the quarter included:

- key landholder negotiations,
- GIS data capture and initial desktop studies,
- initial ore deposit modelling of the Attunga Scheelite Deposit (aka Prospect 1) tungsten-molybdenum skarn deposit,
- re-logging and re-sampling of Attunga Scheelite Deposit ATT-23 diamond drillcore,
- location and retrieval of missing diamond drillcore from the Kensington gold-tungsten prospect, and
- first-pass rock chip sampling (25 samples) to test the validity of previously defined geochemical anomalies.

Attunga Scheelite Deposit

Subsequent to the quarter's end, Peel Exploration announced that re-logging and sampling of historic diamond drillhole 23 (ATT-23) from the Attunga Scheelite Deposit encountered high-grade tungsten-molybdenum mineralisation that has not been previously identified. An interval of **2.44m at 3.41% W (4.3% WO₃) and 0.23% Mo** from 89.97m downhole was obtained. An additional interval of **1.09m at 0.27% W (0.34% WO₃) and 297ppm Mo** from 58.83m was also returned. In 1969 Geopeko Ltd reported that ATT-23 contained an intersection of 20.42m at 1.46% WO₃ from 181.97m which included 9.75m at 0.24% Mo from 185.32m, however no other mineralisation was identified within the drillhole then or since. Please see http://www.peelex.com.au/Upload/Pdf/PEX_MR_101007.pdf for further details.

Peel Exploration believes that strong potential exists for the identification of additional mineralisation at the Attunga Scheelite Deposit, and that previous drilling has not closed-off the deposit's geometry.

Also of particular note regarding mineralisation at the Attunga Scheelite Deposit is the recognition that substantial discrepancy in tungsten grade is evident dependent on the type of analysis methodology employed. It is Peel Exploration's opinion that standard "acid digest" methodology considerably under-reports high-grade tungsten values. In this respect, Peel Exploration has implemented an assaying protocol to ensure data reliability. The protocol will see all anomalous tungsten values (i.e. greater than 50ppm W) obtained via acid digest methodology, retested with "pressed pellet XRF" methodology. In turn, all high-grade tungsten values, i.e. greater than 1%, will be subject to "fusion XRF" methodology.



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Future exploration of the Attunga Scheelite Deposit is to include additional re-logging and sampling of historic drillcore and chips with the aim of generating a resource model by early 2008.

Kensington gold-tungsten deposit & Kensington NW prospect

During the quarter, Peel Exploration also identified the Kensington gold-tungsten deposit as a high-priority exploration target. The Kensington prospect, which contains numerous historic gold workings, is located approximately 5km north-northwest of the Attunga Scheelite Deposit.

Previous explorers have reported substantial gold and tungsten mineralisation present at Kensington, including the delineation of historic tungsten resources, however little work appears to have focused on the potential economics related to both metals at once.

During the quarter, Peel Exploration located and, subsequent to the quarter's end, retrieved some 800m of historic drillcore that has only been previously analysed for gold. At the date of this report, Kensington drillhole Ken-7 has since been re-logged and sampled to be analysed for a suite of elements including gold and tungsten. Ken-7 has previously been reported as containing 13m at 1.07 g/t gold from surface.

Future exploration at Kensington will include additional re-logging and sampling of historic drillcore.

Also during the quarter, a first-pass rock chip sampling survey (25 samples) was completed to test the validity of a previously defined geochemical anomaly at Kensington NW, located approximately 1,500m northwest of Kensington. Assay results received subsequent to the quarter's end are regarded as inconclusive. Five samples yielded gold grades greater than 0.1 g/t with a best result of 0.22 g/t gold. Encouragingly, all five results were returned from an extensively outcropping breccia unit. Follow-up work is planned.

Dungowan Project

During the September quarter, GIS compilation of historic exploration data was completed at Dungowan along with several field visits. Field activities at Dungowan included mapping and a reconnaissance geochemical survey utilising a NITON handheld XRF device across known base metal prospects – Mulla Creek, Trough Gully, Mt Pleasant and Dungwan. In addition, a series of samples were also submitted for analysis with ALS Chemex.

Essentially, the NITON survey confirmed anomalous base metal levels associated with the historic prospects. Peel Exploration plans to await the results of a high-resolution airborne geophysical survey (currently scheduled for November 2007) before completing additional field work.

Barry Project

No exploration activity was completed at Barry during the quarter while access negotiations with a key landholder continued.

Upcoming work at Barry will include a high-resolution airborne geophysical survey currently scheduled for November 2007.

Waverley Project



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No exploration activity was completed at Waverley during the quarter.

Upcoming work at Waverley will include GIS compilation of historic exploration data and the flying of a high-resolution airborne geophysical survey currently scheduled for November 2007.

Armidale Project

No exploration activity was completed at Armidale during the quarter.

Upcoming exploration activity will include GIS compilation of historic exploration data.

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The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Tyson and Mrs Sue Border, both of whom are Members of the Australasian Institute of Mining and Metallurgy. Mr Tyson and Mrs Border each have sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Tyson, and Mrs Border each consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.