

**Peel Exploration Limited**

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**About Peel Exploration Limited:**

- The Company's four 100%-owned tenements cover approximately 350 km<sup>2</sup> of highly prospective tenure in New South Wales.
- These projects comprise the May Day, Attunga, Mt Tennyson East and Yerranderie tenements.
- Peel has also recently secured an option to acquire the advanced Apollo Hill gold project in Western Australia.
- Peel's core asset – the Attunga Tungsten Deposit – is a high grade tungsten deposit located near excellent infrastructure.
- May Day gold-lead-zinc VMS deposit on granted mining lease near Cobar offers exciting exploration potential.
- 44 million shares on issue.
- \$3.3 Market Cap at 27 October 2010.

**Highlights for September quarter 2010**

- **Apollo Hill gold project due diligence underway:**
  - Shareholder approval for Apollo Hill acquisition.
  - Aboriginal Heritage field survey completed.
  - Preliminary metallurgical testwork completed with excellent results returned.
  - Independent resource estimation underway – QA/QC validation being finalised.
- **New shallow gold mineralisation returned from Kensington including: 24.5m at 0.74 g/t Au from 1.5m in KRAB006\*; 12m at 0.61 g/t Au from 13m in KRAB014 and 14m at 1.78 g/t Au from 17m in KRAB019\*.**
- **May Day preliminary metallurgical testwork completed with excellent results returned.**
- **1 for 2 Rights Issue underway.**

**Plans for December quarter 2011**

- **Finalise Apollo Hill acquisition decision.**
- **Maiden Apollo Hill resource.**
- **Follow-up RAB drilling at Kensington.**
- **Drill planning at Attunga and May Day.**
- **Airborne VTEM survey at May Day.**

## **Exploration**

### **Apollo Hill Project: Gold; Northeastern Goldfields WA (HHM 100%, PEX option to acquire).**

During the previous quarter, Peel announced that it had entered into an option agreement with Hampton Hill Mining NL (ASX:HHM) to acquire the entire issued capital of Apollo Mining Pty Ltd, the 100%-owner of the Apollo Hill gold project in the North Eastern Goldfields of Western Australia. The key terms of the option agreement are listed in an announcement to the ASX dated 24 June 2010.

The Apollo Hill gold project, located about 50 kilometres southeast of Leonora, comprises 16 mineral leases covering about 140 square kilometres and is focused on the advanced Apollo Hill gold deposit, an extensively mineralised gold system. The Apollo Hill gold project exhibits the hallmarks of a major mineralised system, showing extensive and intense hydrothermal alteration and deformation. Two significant gold deposits, Apollo Hill and the Black (or Camp) deposit, have been identified to date and remain open in several directions.

### **Due diligence**

During the September quarter, Peel undertook various due diligence work programs on Apollo Hill. Peel also gained pre-approval from Shareholders to complete the acquisition of Apollo Hill subject to final board approval following the completion of due diligence.

### **Aboriginal Heritage and work program clearance survey**

As required under the terms of the Option and Sale agreement with Hampton Hill, during September Peel undertook an Aboriginal Heritage and work program clearance survey utilising the services of consulting anthropologist Daniel de Gand and Wongatha Aboriginal Heritage Consultants. While the final report for this survey is still awaited, the outcome was positive with large areas of the project area effectively cleared for future exploration access.

### **Metallurgy**

Peel undertook preliminary metallurgical testwork on two representative samples of Apollo Hill mineralisation to determine potential extraction characteristics. Key findings of this testwork were:

- Overall gold extraction was excellent for both samples, with 98.68% and 98.76% total gold extracted for Sample 1 (15-16m - AD002) and Sample 2 (154-155m – AD002), respectively.
- Leach kinetics were rapid for both samples, with a significant proportion of gold solubilised within the first two hours of cyanide contact.
- Both samples contained a significant amount of gravity recoverable gold, greater than 80%.
- Relatively low base metal levels limit the possibility of excess reagent consumption caused by base metal - cyanide complexation.
- Organic carbon levels below detectable limit, indicating very little chance of preg-robbing occurring during cyanidation.

### **Resource estimation**

Peel commenced JORC-compliant resource estimation work during the quarter, including QA/QC data validation, re-assaying and specific gravity testwork. This work will enable the completion of a

maiden resource for Apollo Hill. The results of this work are ongoing at the time of reporting; however Peel anticipates having finalised the estimation by late November.

In anticipation of a positive due diligence outcome, Peel lodged an exploration licence application (E40/296) over a 27 unit area immediately north of the Apollo Hill project area. Peel anticipates a final acquisition decision being made shortly.

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

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

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

### **Kensington/Kensington NW**

Subsequent to the quarter's end, Peel announced that recent shallow RAB drilling at Kensington had yielded encouraging new gold mineralisation. Better results from recent drilling at **Kensington** include the following intercepts:

- **24.5m at 0.74 g/t Au from 1.5m including 13m at 1.02 g/t Au from 13m\*** in KRAB006;
- **12m at 0.61 g/t Au from 13m** in KRAB014; and
- **14m at 1.78 g/t Au from 17m\* including 4m at 2.94 g/t Au from 21m** in KRAB019.

Gold mineralisation remained present at the end of the holes in drillholes KRAB006 and KRAB019. Peel designed the shallow RAB drilling programme at Kensington to target tungsten and gold mineralisation. Historic data indicated the presence of a large, shallow, low grade tungsten occurrence. While the drilling completed to date has returned only low order tungsten mineralisation, Peel is encouraged by the intersection of new shallow gold mineralisation.

The results from this RAB drilling provide further evidence of substantial gold mineralisation at Kensington and have highlighted the potential of the system to yield a shallow gold target. Previous drilling at Kensington included an RC programme by Peel in 2008 and a diamond drilling programme completed in 1987. Both of these programmes intercepted wide zones of low grade gold mineralisation including several areas of higher grade.

A follow-up RAB drill programme to better define possible shallow mineralised extensions at Kensington, as well as a limited RAB programme at the Kensington NW gold prospect some 2km to the northwest, has now been completed. Rock chip sampling at Kensington NW has previously returned anomalous gold values up to 1 g/t gold associated with an outcropping breccia system.

Gold mineralisation at Kensington occurs within a package of structurally deformed sediments and remains open to the northwest and southeast, and down dip.

**Table 1: Summary September 2010 Kensington RAB Drill Results**

Hole No.	Easting	Northing	Dip	Final Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Comment
KRAB001	300974	6582614	-90	27.5	-	-	-	-	N.S.A.
KRAB002	301055	6582560	-90	23.5	-	-	-	-	N.S.A.
KRAB003	301159	6582519	-90	22.0	-	-	-	-	N.S.A.

Hole No.	Easting	Northing	Dip	Final Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Comment
KRAB004	301237	6582468	-90	12.0	-	-	-	-	N.S.A.
KRAB005	301175	6582396	-90	14.5	-	-	-	-	N.S.A.
KRAB006	301122	6582382	-90	26.0	<b>1.5</b>	<b>26*</b>	<b>24.5</b>	<b>0.74</b>	Bulk intersection.
including					<b>13.0</b>	<b>26*</b>	<b>13</b>	<b>1.02</b>	>0.5 g/t Au cutoff.
KRAB007	301140	6582426	-90	30.0	1.5	17	15.5	0.33	Bulk intersection.
KRAB008	301172	6582423	-90	30.0	-	-	-	-	N.S.A.
KRAB009	300893	6582692	-90	31.5	1.5	13	11.5	0.36	Bulk intersection.
KRAB010	300792	6582706	-90	27.0	13	27*	14	0.24	Bulk intersection.
KRAB011	300724	6582757	-90	23.0	17	23*	6	0.17	Bulk intersection.
KRAB012	300571	6582714	-90	20.0	5	20*	15	0.18	Bulk intersection.
KRAB013	300449	6582678	-90	31.0	-	-	-	-	N.S.A.
KRAB014	300755	6582508	-90	31.0	13	25	12	0.61	Bulk intersection.
KRAB015	300707	6582529	-90	30.0	9	17	8	0.18	Bulk intersection.
KRAB016	300624	6582580	-90	27.0	9	27	18	0.29	Bulk intersection.
KRAB017	300533	6582624	-90	23.0	9	21	12	0.19	Bulk intersection.
KRAB018	300868	6582445	-90	31.0	-	-	-	-	N.S.A.
KRAB019	300848	6582574	-90	31.0	<b>17</b>	<b>31</b>	<b>14</b>	<b>1.78</b>	>1 g/t Au cutoff.
including					<b>21</b>	<b>25</b>	<b>4</b>	<b>2.94</b>	>2 g/t Au cutoff.
KRAB020	300745	6582619	-90	31.0	9	13	4	0.35	Bulk intersection.
and					21	29	8	0.25	Bulk intersection.
KRAB021	300657	6582669	-90	28.0	-	-	-	-	N.S.A.

Notes:

\* denotes mineralisation present at end of hole.

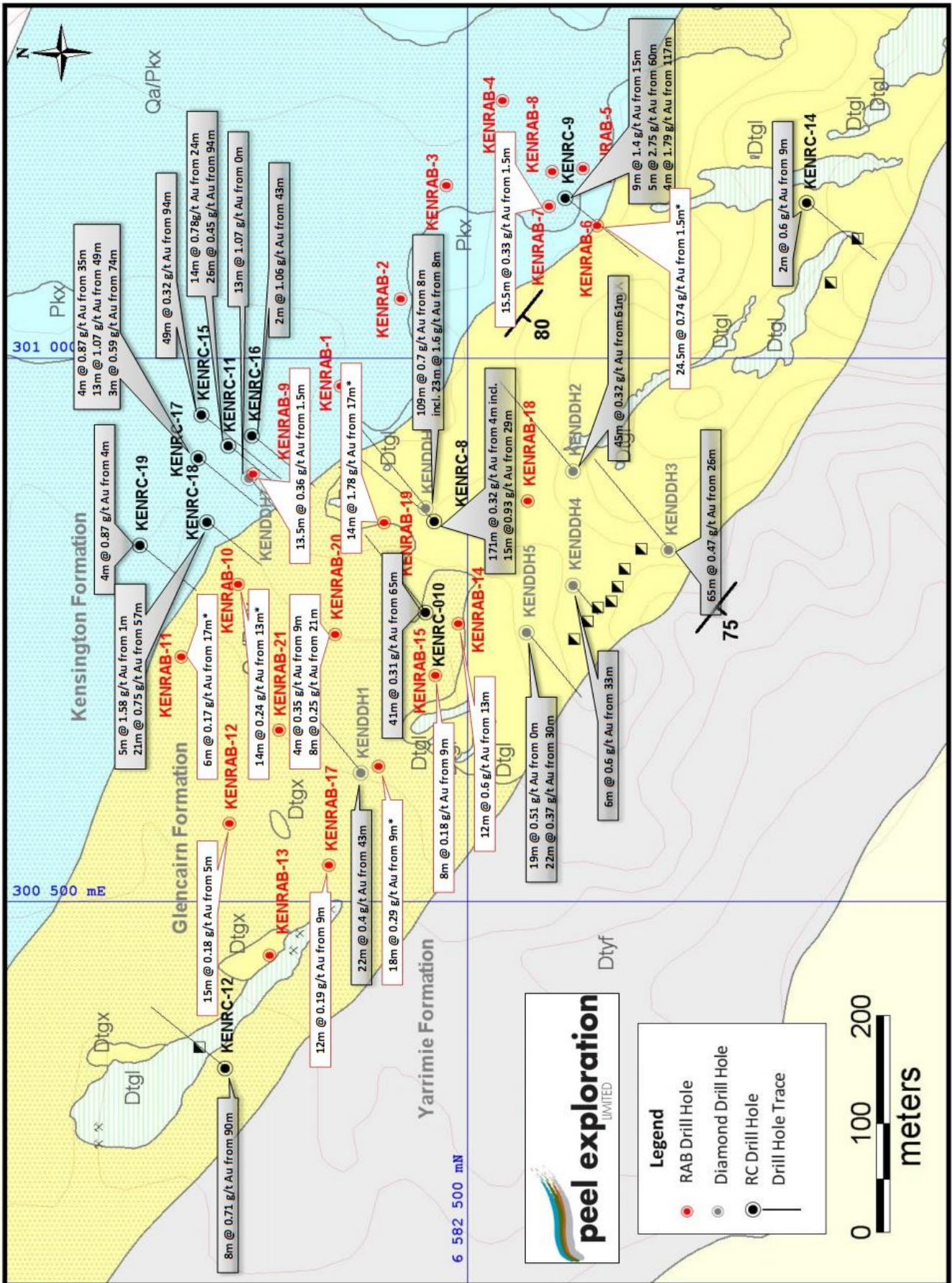
1. Drillholes were drilled using open hole RAB technique.
2. Collar locations were determined using a Garmin GPS 72 (GDA Zone 56).
3. Samples were speared from commonly 4m composite samples.
4. Samples were analysed by ALS Chemex (Orange) utilising method Au-AA25 (30g fire assay) for gold.
5. Bulk intersections had a 0.1 g/t Au lower cutoff grade applied.
6. No estimate of true width has been made.

### Attunga Copper Mine Prospect drilling recap

As reported in the previous quarter, between March and May, Peel completed a programme of six diamond drillholes for 944m of drilling at the Attunga Copper Mine prospect. This drilling was designed to test for up- and down-dip and along strike continuation of significant polymetallic mineralisation discovered in May 2009 (drillhole ACM004 intercepted 75m at 1.02 g/t Au, 0.87% Cu, 0.09% Mo, 0.06% Bi, and 22 g/t Ag from).

Final analysis confirmed a high grade molybdenum interval of 5.6m at 0.44% Mo, 0.70 g/t Au, 12 g/t Ag, 0.45% Cu, 1.9 g/t Re from 48m and a high-grade gold intercept of 1.4m at 22.70 g/t Au, 13 g/t Ag, 0.72% Cu from 55m in ACMD008.

The results from Attunga confirm the presence of significant molybdenum-gold-copper skarn mineralisation that remains open in several directions. Peel is planning to complete an IP survey as part of future exploration work.



### **Attunga Tungsten Deposit**

During the quarter, Peel commenced work programme planning at the Attunga Tungsten Deposit that will include the drilling of several shallow diamond drillholes for follow-up metallurgical testwork. Apart from producing a tungsten concentrate, this testwork will also target the production of a garnet concentrate which will be further investigated for potential commercial applications.

Peel notes that the price of the widely-traded tungsten product APT has surged to more than US\$27,000/tonne in recent months, to be trading at the highest levels in the last three years.

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

Tenements: ML1361 (May Day), EL7461 (Gilgunnia)

Targets: Volcanogenic Massive Sulphide mineralisation.

### **Drilling recap**

As reported in the previous quarter, Peel completed a programme of 10 RC drillholes for 1,877m at the May Day gold-base metal deposit. This drilling programme was primarily designed to test for down-dip extensions to known mineralisation.

Peel is encouraged by the results returned, which confirm down dip extensions containing several higher grade mineralised zones including a massive sulphide intercept. Mineralisation is shear-related, and occurs as a sub-vertical lense/shoot at or near the interbedded contact of a fine-grained sedimentary hangingwall and a porphyritic volcanic footwall. Mineralisation is associated with silica/talc alteration and includes disseminated through to massive sphalerite-galena-pyrite-pyrrhotite-chalcopyrite sulphide mineralisation.

Peel believes that May Day is analogous to other Cobar-style precious and base metal deposits with drilling results confirming its prospectivity. May Day possibly represents remobilised “leakage” from a deeper mineralised system defined by a large magnetic anomaly located immediately beneath the open pit, at greater than 400m below surface. Mineralisation intersected to date remains open at depth.

### **Metallurgy**

Peel undertook preliminary metallurgical testwork on a single sample of May Day mineralisation to determine potential extraction characteristics. Excellent results were returned with key findings of this testwork being:

- Encouraging grind characteristics were observed.
- Gravity gold extraction yielded 45% of gold reporting to 0.6% mass via wet table gravity concentration.
- Flotation extraction yielded 77% of gold, 88% of zinc, 52% of lead, and 46% of copper reporting to 13% mass.
- 24 hour cyanidation yielded 71% of gold reporting to 2% of mass.

### **Airborne VTEM survey**

A 120 line kilometre airborne VTEM survey is scheduled to be flown over the May Day and G5 magnetic anomaly areas in mid-November, subject to weather and other timing issues. The G5 magnetic anomaly is a discrete, relatively large, 20nT anomaly modelled as being approximately 140m below surface. G5 lies to the immediate north of the historic Four Mile Goldfield. VTEM has been shown to be an effective exploration tool in the Cobar district and has the ability to penetrate to up to 500m below surface.

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

**Tenement:** EL7356.

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

No fieldwork was undertaken during the quarter.

**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.

### **Relinquishments**

During the quarter, Peel lodged relinquishment notices for the Dungowan (EL6613) and Armidale (EL6722) project areas.

### **Corporate**

During the quarter, Peel held a General Meeting of Shareholders at which pre-approval for the Apollo Hill acquisition was received. A previous issue of shares to Imperial Corporation Ltd was also ratified.

In September, Peel announced a non-renounceable 1-for-2 rights issue to raise \$1,540,207 to continue the advancement of exploration and for working capital. Peel reminds Shareholders that the rights issue closes on 8 November, 2010.

**For further information, please contact Managing Director Rob Tyson on mobile 0420 234 020.**

*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.*