Exploring forgotten mineral fields

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Peel Exploration Limited
ASX code: PEX
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
Web: www.peelex.com.au

Contact:

Rob Tyson
Executive Director
rtyson@peelex.com.au

About Peel Exploration Limited

- The company has six 100%-owned tenements covering approximately 800km^2 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 December quarter 2008

- Initial metallurgical and mineralogical studies on Attunga Tungsten Deposit completed with encouraging results/findings.
- Simple gravity concentration process (spirals) returned recovery of approx 80% WO_3 at grind size fraction of +75 to -125 micron.
- Magnetic qualities of gangue minerals provides additional simple concentration method.
- Relatively simple process route identified.
- In-house Conceptual Study on Attunga Tungsten Deposit continuing.
- Attunga site visit and report by Greg Corbett (Corbett Geological Services) aiding geological interpretation of Attunga area.

Plans for March quarter 2009

- Completion of in-house Conceptual Study on Attunga Tungsten Deposit.
- Additional infill drilling at Attunga Tungsten Deposit and Kensington.
- Field visits to Attunga, Dungowan, Waverley, and Armidale.

Exploration

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; and skarn style tungsten-molybdenum mineralisation.

During and subsequent to the quarter activity undertaken at the Attunga Project included:

- Metallurgical testwork on Attunga Tungsten Deposit mineralisation;
- Mineralogy studies on Attunga Tungsten Deposit mineralisation;
- Continuation of in-house Conceptual Study;
- Rock chip sampling at Prospects 2, 2b, 6 and Mt Patterson;
- Packaging of Kensington prospect data for potential farm-out negotiations; and
- GIS data capture and desktop studies.

Attunga Tungsten Deposit (also known as Attunga Scheelite Deposit, Attunga Prospect 1)

The Attunga Tungsten Deposit was discovered in the late 1960s and has had minimal exploration completed since its discovery. 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_3 and 0.05% Mo for 9,400t contained WO_3 equivalent using 0.2% WO_3 equivalent cutoff.

Metallurgical testwork and mineralogy studies

In August 2008, Peel engaged NAGROM, metallurgical consultants, to complete Phase 1 metallurgical testwork. Subsequent to the December quarter's end Phase 1 testwork results were nearing completion. Peel is encouraged by the results returned to date with indications of a potentially simple process flowsheet. The key outcomes from the work done to date include:

- Grind size fraction of +75 to -125 micron yielded 80% recovery of WO_3 to 16% of original circuit mass via conventional gravity (spirals) primary concentration. This outcome supports findings that the scheelite grain size at Attunga is predominantly greater than 0.1 mm (100 micron).

- Magnetic properties of gangue material provide an additional simple primary concentration route. The grind size fraction +75 to -125 micron gravity (spirals) concentrates were successfully upgraded via magnetic rollers to a 47% WO_3 grade concentrate with 79% overall recovery of WO_3.

- Initial flotation testwork on tails and fines (-75 micron) material yielded encouraging upgrade and recovery of WO_3 content. Flotation testwork including cleaner work/ore dressing is ongoing at time of reporting.

At this time the process flow sheet envisaged involves staged crushing and grinding, conventional gravity concentration (spirals), drying of gravity concentrates, removal of magnetic gangue material via magnetic circuit, and flotation of fine (-75 micron) spiral tails. Secondary processing/mineral dressing is anticipated to involve further flotation work. See the attached simplified process flowsheet in Figure 1.

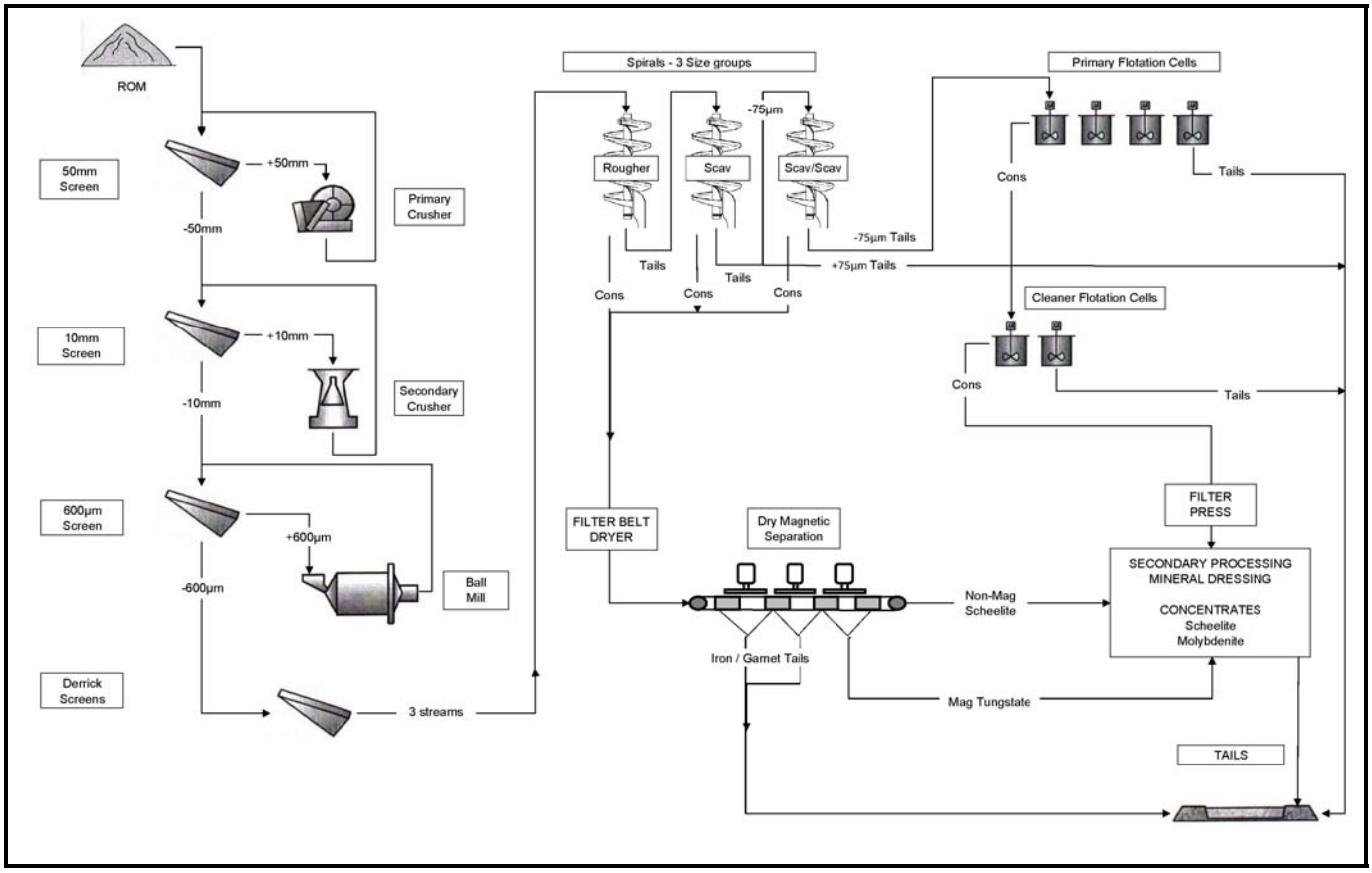

Figure 1: Simplified Process Flowsheet for Attunga Tungsten Deposit

Several mineralogy/petrology studies on various samples from RC drillhole ATP1-D completed during this and the previous quarter identified a relatively coarse (0.1 to 1 mm) scheelite and molybdenite grain size offering additional encouragement regarding a potentially simple process flowsheet. QEMSCAN analysis also completed during the quarter indicated that molybdenum occurs both as discrete molybdenite grains and as trace molybdenum within scheelite grains. Current flotation work underway is anticipated to give further quantitative breakdown on the modal occurence of the contained molybdenum.

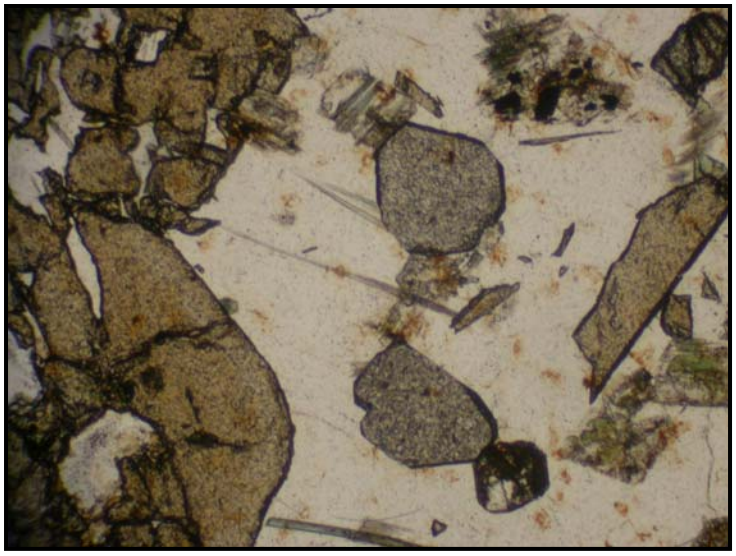

Figure 2: Pale brown garnet with large mass of interstitial quartz (clear) hosting three grains of scheelite (pale grey, high relief) and thin prisms of actinolite. Plane polarised transmitted light, field of view 2 mm across. (Courtesy Paul Ashley Petrographic and Geological Services).

Other work

Peel commenced an in-house Conceptual Study into development options for the Attunga Tungsten Deposit during the quarter.

Peel also undertook a programme of rockchip sampling, Niton XRF sampling and reconnaissance prospecting during the quarter. Prospects located/visited included Prospect 2 (approx. 200m west of Attunga Tungsten Deposit, Prospect 2b, Prospect 6 and Mt Patterson. Anomalous tungsten and molybdenum results were returned from Prospects 2 and 6, anomalous gold results returned from Mt Patterson and anomalous gold, silver, copper, lead and zinc from Prospect 2b. Prospect 2, defined by sub-cropping scheelite-bearing garnet-rich skarn, is considered a priority exploration target given its close proximity to 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. Previous explorers have reported substantial gold and tungsten mineralisation at Kensington, including the delineation of historic tungsten resources.

RC drilling completed by Peel in mid-2008 encountered widespread gold mineralisation confirming that Kensington represents a significant gold-tungsten system. Better results included 171m at 0.31 g/t gold from 3m in KENRC-8; 9m at 1.04 g/t gold from 15m in KENRC-9; and 13m at 1.07 g/t gold from 49m in KENRC-17.

Sheeted and stockwork quartz veins indicate that the Kensington prospect is possibly set marginal to a porphyry intrusion (intrusive–related gold system). Geologically, the area at Kensington is complex, and more regionally, similarities between the Inlet Monzonite and the Cadia Hill Monzonite have been observed.

During the quarter Peel commenced data packaging of the Kensington area and is seeking to attract a joint venture partner to the prospect.

Other

Also during the quarter Greg Corbett of Corbett Geological Services visited the Attunga project and completed a review of the area with a focus on prioritisation of exploration targets. Greg is a highly experienced consulting economic geologist and his input and knowledge is considered of great value.

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 completed during the quarter.

Peel's future workplan at Dungowan includes follow-up of geophysical targets.

Barry Project: Copper, Zinc, Gold, Silver; NE NSW (PEX 100%).
Tenement: EL6614.
Targets: Polymetallic VHMS mineralisation, intrusive-related precious/base metals mineralisation; and ultramafic-hosted nickel and PGEs.

No fieldwork was completed during the quarter.

Peel's future workplan at Barry includes the investigation of several other copper prospects (subject to access).

Waverley Project: Silver, Lead, Zinc, Gold; NE NSW (PEX 100%).
Tenement: EL6719.
Targets: Intrusive-related precious-base metals mineralisation.

No fieldwork was completed during the quarter.

Peel's future workplan at Waverley includes follow-up of magnetic anomalies defined by the recent geophysical survey.

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.

Peel's future workplan at Armidale includes additional field investigation of Taits Gully silver prospect.

Boorolong ELA
Tenement: ELA3483.

During the quarter, Peel completed an investigation of historic drilling data including the logging and sampling of historic drill core. No significant molybdenum results were returned and the application has been withdrawn.

Mt Tennyson East ELA: Molybdenum, Tungsten; Central NSW (PEX 100%).
Tenement: ELA3594.
Targets: Granite-hosted molybdenum and tin mineralisation.

During the quarter, Peel completed an investigation of historic data including the logging of drill core. This work confirmed that substantial molybdenum and tungsten mineralisation is present at Mt Tennyson East. Peel anticipates the grant of this licence during the coming quarter.

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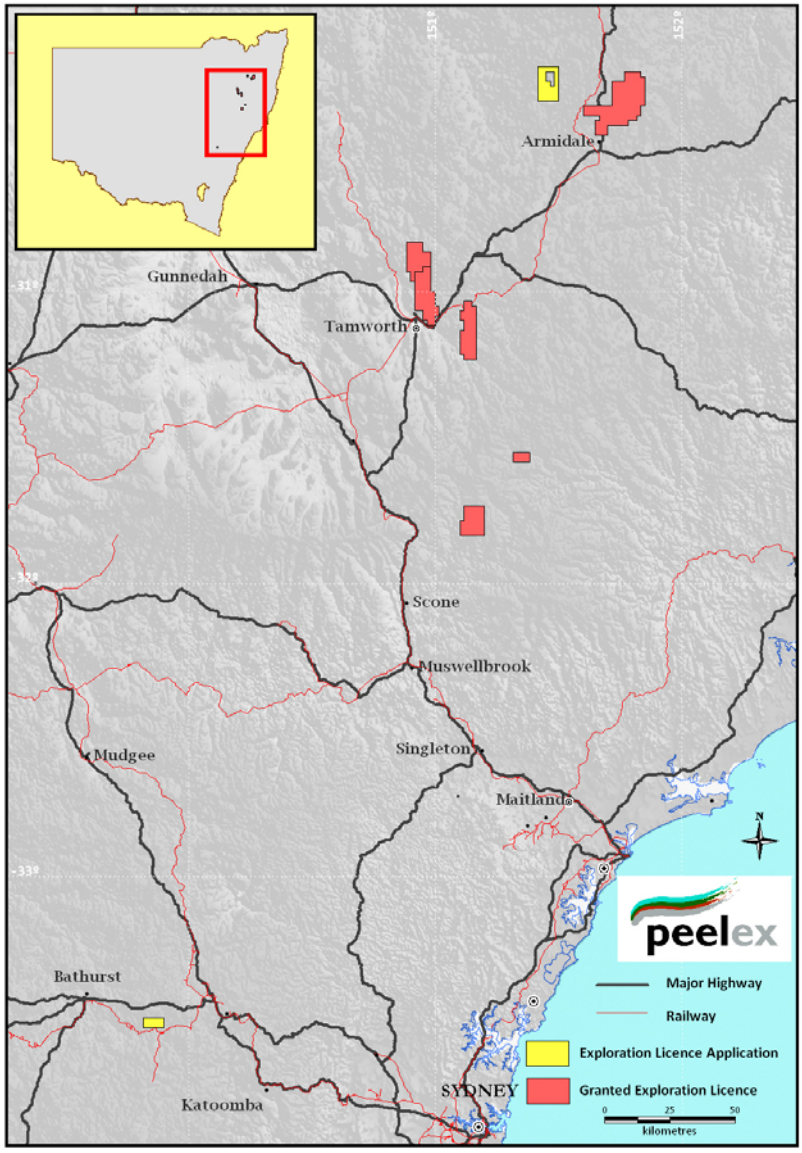
Peel Exploration Project Locations January 2008



For further information, please contact:

Rob Tyson
Executive Director – Peel Exploration
Tel: 08 9382 3955

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.