

## DECEMBER 2012 QUARTERLY REPORT

31 January 2012

### Peel Mining Limited

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### About Peel Mining Limited:

- The Company's six projects cover >2,000 km<sup>2</sup> of highly prospective tenure in NSW, WA and NZ.
- Mallee Bull is an exciting, free-carried copper-polymetallic discovery.
- New 100%-owned Cobar tenure offers highly-prospective greenfields exploration potential.
- Apollo Hill hosts a major, protruding, shear-hosted, gold mineralised system that remains open down dip and along strike.
- Ruby Silver project contains several historic high-grade silver mines.
- Attunga Tungsten Deposit is a high grade tungsten deposit.
- Rise and Shine project exhibits strong similarities to the multi-million ounce Macraes gold mine.
- 117 million shares on issue for \$48m Market Capitalisation at 30 January 2012.

### Highlights for December quarter 2012

- Phase 2 exploration at Mallee Bull completed with very strong drill results returned including:

- MBDD002 – 41m @ 3.56% CuEq\* from 363m and 31m @ 3.45% CuEq\* from 415m;

- MBDD003 – 10m @ 2.47% CuEq\* from 367m, 12m @ 2.18% CuEq\* from 386m, 14m @ 2.85% CuEq\* from 409m and 22m @ 4.18% CuEq\* from 444m;

- MBDD004 – 42m @ 1.99% CuEq\* from 356m;

- MBDD006 – 7m @ 2.79% CuEq\* from 396m, 13m @ 2.4% CuEq\* from 405m and 31m @ 1.9% CuEq\* from 444m;

- MBDD008 – 35m @ 3.42% Pb, 1.51% Zn, 0.65% Cu, 54 g/t Ag, 1.16 g/t Au from 374m and 8m @ 1.45% CuEq\* from 461m and 21m @ 2.27% CuEq\* from 479m; and

- MBDD009 – 69m @ 4.01% CuEq\* from 533m.

- DHEM of MBDD009 returns strongest response to date, indicating possible northerly plunge.

- CBH Resources elects to proceed to Stage 2 of farm-in; \$2.5m of expenditure to commence shortly.

- Drilling at Mundoe returns encouraging results over 600m strike including:

- MURC003 – 6m @ 42 g/t Ag and 1.24% Cu from 112m; and

- MURC005 – 3m @ 180 g/t Ag and 2.07% Cu from 129m.

- Acorn Capital takes placement for \$1.9m.

### Plans for March quarter 2012

- Phase 3 Mallee Bull exploration to commence shortly.
- Exploration of new tenure to commence.

## Exploration

**Gilgunnia Project:** Copper, Silver, Gold, Lead, Zinc; Western NSW (PEX 100%, CBH earning up to 50%).

Targets: Cobar-style polymetallic mineralisation; Volcanogenic Massive Sulphide mineralisation.

### Exploration

During the quarter, drilling and exploration continued at the Mallee Bull copper-polymetallic discovery, 100km south of Cobar in NSW. As previously announced, Mallee Bull is subject to an \$8.3m farm-in agreement with CBH Resources Ltd.

During the quarter and following completion of Stage 1 of the Mallee Bull farm-in agreement, CBH has elected to proceed with Stage 2 of the agreement. Stage 1 saw CBH pay Peel \$1 million and spend \$1.5 million on exploration to earn an initial interest of 15%. Stage 2 of the farm-in agreement will see CBH spend a further \$2.5 million on exploration to earn an additional 15%. Stage 3 of the farm-in agreement (assuming CBH elects to continue) will see CBH spend a further \$3.33 million on exploration for an additional 20%, taking CBH's total interest in Mallee Bull to 50%. Peel remains operator throughout the farm-in process.

### Phase 2 diamond drilling results

Phase 2 drilling at Mallee Bull was completed during the quarter, comprising 4,822m of diamond drilling targeting down-dip/plunge mineralisation, was completed with highly encouraging results returned. The following is summary of the drilling results:

MBDD001, drilled at the southern extent of Mallee Bull, returned 5m at 0.85% Cu, 9 g/t Ag, 0.62 g/t Au and 248 g/t Co from 431m and 3m at 1.07% Cu, 30 g/t Ag, 2.09 g/t Au, and 49 g/t Co from 447m.

MBDD002 (80m north of MBDD001) intersected a broad zone of mineralisation with a cumulative intercept of **72m at 3.51% CuEq\* (2.11% Cu, 41 g/t Ag, 1.13 g/t Au, 384 g/t Co)** comprising two discrete zones of mineralisation – a massive sulphide zone of 41m at 1.71% Cu, 33 g/t Ag, 1.84 g/t Au, 616 g/t Co from 363m and a stringer/breccia sulphide zone of 31m at 2.65% Cu, 51 g/t Ag, 0.18 g/t Au, 78 g/t Co from 415m.

MBDD003 (140m north of MBDD001) returned a cumulative intercept of **58m at 3.15% CuEq\* (2.36% Cu, 44 g/t Ag, 0.30 g/t Au, 97 g/t Co)** comprising four zones of mineralisation – 10m at 1.12% Cu, 47 g/t Ag, 0.95 g/t Au, 377 g/t Co from 367m; 12m at 1.58% Cu, 39 g/t Ag, 0.14 g/t Au, 39 g/t Co from 386m; 14m at 1.92% Cu, 56 g/t Ag, 0.30 g/t Au, 37 g/t Co from 409m; and 22m at 3.62% Cu, 38 g/t Ag, 0.09 g/t Au, 40 g/t Co from 444m.

MBDD004 (40m north of MBDD001) returned a thick zone of massive and stringer sulphide mineralisation comprising **42m at 1.99% CuEq\* (1.01% Cu, 23 g/t Ag, 0.91 g/t Au, 250 g/t Co) from 356m.**

MBDD005 (40m north of MDD001) was designed to test down dip of MBDD004 however, swung substantially off-section to the south. Several moderate zones of mineralisation were returned comprising – 5m at 1.75% Cu, 31 g/t Ag, 0.21 g/t Au, 110 g/t Co from 414m and 5m at 1.44% Cu, 68 g/t Ag, 0.34 g/t Au, 46 g/t Co from 421m.

MBDD006 (100m north of MBDD001) returned a cumulative intercept of **51m at 2.19% CuEq\* (1.45% Cu, 26 g/t Ag, 0.54 g/t Au, 162 g/t Co)** comprising three zones of mineralisation – 7m at 1.09% Cu, 29 g/t Ag, 1.74 g/t Au, 520 g/t Co from 396m; 13m at 1.91% Cu, 31 g/t Ag, 0.12 g/t Au, 44 g/t Co from 405m; and 31m at 1.90% 1.61% Cu, 13 g/t Ag, 0.17 g/t Au, 52 g/t Co from 444m.

MBDD007 (60m north of MBDD001) designed for downhole EM geophysics and as a platform for wedge drilling intersected strong alteration from ~580m below surface with moderate mineralisation returned – 4 m at 26 g/t Ag, 0.11 g/t Au, 0.98% Pb, 1.58% Zn from 584m; 4m at 75 g/t Ag, 0.91 g/t Au, 1.82% Pb from 617m; and 4m at 1.55% Cu, 10 g/t Ag, 0.14 g/t Au, 132 g/t Co from 647m.

MBDD008 (140m north of MBDD001), designed to test down dip from MBDD003, intersected 35m of semi-massive-to-massive pyrite-pyrrhotite-galena-sphalerite-chalcopryrite sulphide mineralisation from 374m followed by several zones of variable pyrrhotite-chalcopryrite stringer/breccia mineralisation from 442m. Significant assays returned included **35m at 3.42% Pb, 1.51% Zn, 0.65% Cu, 54 g/t Ag, 1.16 g/t Au, 318 g/t Co from 374m**; 8m at 1.23% Cu, 12 g/t Ag, 0.09 g/t Au) from 461m; 21m at 1.48% Cu, 24 g/t Ag, 0.25 g/t Au) from 479m; and 4m at 3.93 g/t Au from 504m.

MBDD009 (80m north of MBDD002) was designed to test a very strong conductor centred at ~500m below surface as defined by downhole EM. MBDD009 intersected a broad zone of variable stringer/breccia chalcopryrite-pyrrhotite sulphide mineralisation from 533m that assayed **69m at 4.01% CuEq\* (3.48% Cu, 34 g/t Ag, 0.14 g/t Au) from 533m** including a high grade zone of 18m @ 10.69% Cu Eq\* (9.35% Cu, 83 g/t Ag, 0.43 g/t Au) from 542m. This intercept is the most significant to date and, coupled with the results from other Phase 2 drilling, indicates that mineralisation at Mallee Bull is possibly increasing in width and tenor at deeper levels.

The true width of mineralisation intersected in Phase 2 drilling is estimated to be about 55-65% of the downhole intervals, except for MBDD007 and MBDD009 where the true-width is estimated to be about 40-45% of the downhole intervals.

Drilling completed to date indicates that high-grade copper-dominant polymetallic sulphide mineralisation at Mallee Bull has a strike length of >100m, comes to within 150m of surface, and now extends to at least 600m below surface and is open in multiple directions including at depth.

The styles of mineralisation present at Mallee Bull are similar to those found elsewhere in the Cobar district including at the world-class CSA mine, one of Australia's highest grade copper mines. Cobar-style deposits are typically short in strike length but long in the vertical plane.

## Geophysics

During the quarter, DHEM surveying of MBDD009 identified a series of anomalies: one off-hole anomaly centred at ~350m and three on-hole anomalies located between 495m and 580m. At ~565m, an EM response returned a time constant of 92ms. This is the highest time constant observed at Mallee Bull to date, and extraordinarily high for the Cobar region and NSW. Modelling of this response shows the centre of the conductive mass to be located ~50m further to the north, and at about 570m downhole. This result further supports the concept of a northerly plunge with respect to mineralisation at Mallee Bull.

DHEM conductor modeling continues to show strong correlation with 3D TMI (magnetic) inversion modeling which shows the magnetic anomaly associated with the Mallee Bull prospect as a northerly plunging, horn-like feature extending out of the core of the very large Butcher's Dog magnetic anomaly 1km north.

## Current and forward work programme

MBDD009 represented the final drillhole of Phase 2 exploration and a full data review has now been completed. Surface geochemical surveys continued over the Christmas/New Year period. Subsequent to the quarter's end, "early-warning" metallurgical testwork and an IP geophysical survey commenced.

Phase 3 drilling at Mallee Bull was due to commence in early February.

**Table 1 – Phase 2 Significant Drill Assay Results**

Hole ID	Northing	Easting	Azi	Dip	Final Depth (m)	From (m)	To (m)	Width (m)	Cu (%)	Ag (g/t)	Au (g/t)	Co (g/t)	CuEq (%)	Pb (%)	Zn (%)
MBDD001	6413290	415162	090	-81	489.9	431	436	5	0.85	9	0.62	248	1.47	0.09	0.05
						447	450	3	1.07	30	2.09	49	2.86	0.46	0.37
MBDD002	6413370	415167	090	-77	468.8	363	404	41	1.71	33	1.84	616	3.56	0.15	0.06
including						381	383	2	2.31	38	2.09	605	4.38	0.15	0.08
and						391	404	13	3.11	52	1.59	829	5.11	0.18	0.08
						415	446	31	2.65	51	0.18	78	3.45	0.74	0.52
including						418	430	12	4.06	64	0.21	92	5.05	0.97	0.65
and						433	439	6	3.35	100	0.38	79	4.90	1.41	0.93
MBDD003	6413430	415172	090	-76	507.8	367	377	10	1.12	47	0.95	377	2.47	1.51	1.11
						386	398	12	1.58	39	0.14	38	2.18	0.77	0.50
						409	423	14	1.92	56	0.30	37	2.85	0.10	0.04
						444	466	22	3.62	38	0.09	40	4.18	0.40	0.04
including						453	464	11	5.40	55	0.11	39	6.19	0.49	0.06
MBDD004	6413330	415160	090	-76	453.9	356	398	42	1.01	23	0.91	250	1.99	0.20	0.10
including						384	398	14	2.53	30	0.38	265	3.26	0.16	0.08
MBDD005	6413330	415158	090	-81	474.8	414	419	5	1.75	31	0.21	110	2.33	0.10	0.10
						421	426	5	1.44	68	0.34	46	2.56	0.11	0.42
MBDD006	6413394	415165	090	-83	486.9	396	403	7	1.09	29	1.74	520	2.79	0.19	0.10
						405	418	13	1.91	31	0.12	44	2.40	0.25	0.15
						444	475	31	1.61	13	0.17	52	1.90	0.08	0.03
MBDD007	6413350	415162	090	-90	771.8	584	588	4	0.03	26	0.11	12	N.A.	0.98	1.58
						617	621	4	0.07	75	0.91	24	N.A.	1.82	0.02
						647	651	4	1.55	10	0.14	132	1.82	0.07	0.03
MBDD008	6413430	415170	090	-83	525.8	374	409	35	0.65	54	1.16	318	N.A.	3.42	1.51
including						394	409	15	0.78	73	0.74	289	N.A.	7.27	3.01
						461	469	8	1.23	12	0.09	34	1.45	0.18	0.05
						479	500	21	1.48	24	0.25	39	2.27	0.01	0.05
						504	508	4	0.07	2	3.93	26	N.A.	0.02	0.01
MBDD009	6413370	415163	090	-87	642.8	457	463	6	0.06	70	0.13	18	N.A.	1.56	3.10
						499	503	4	0.19	21	0.67	121	N.A.	0.46	0.19
						533	602	69	3.48	34	0.14	28	4.01	0.23	0.05
including						542	560	18	9.35	83	0.43	37	10.69	0.30	0.07
including						547	551	4	17.99	143	0.39	38	20.08	0.23	0.10

Figure 1 – Cross Section 6413370N

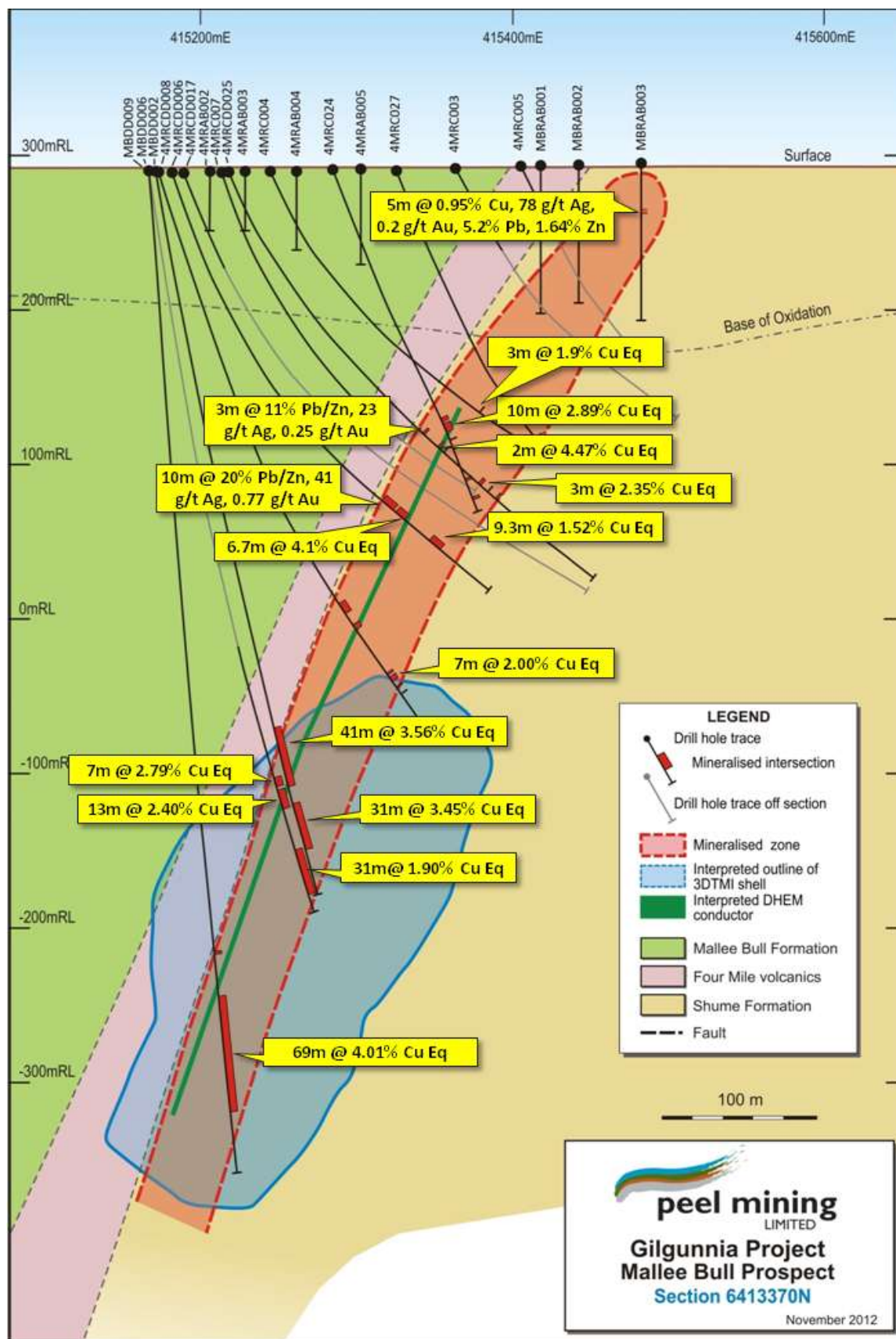




Figure 2 – Long Section

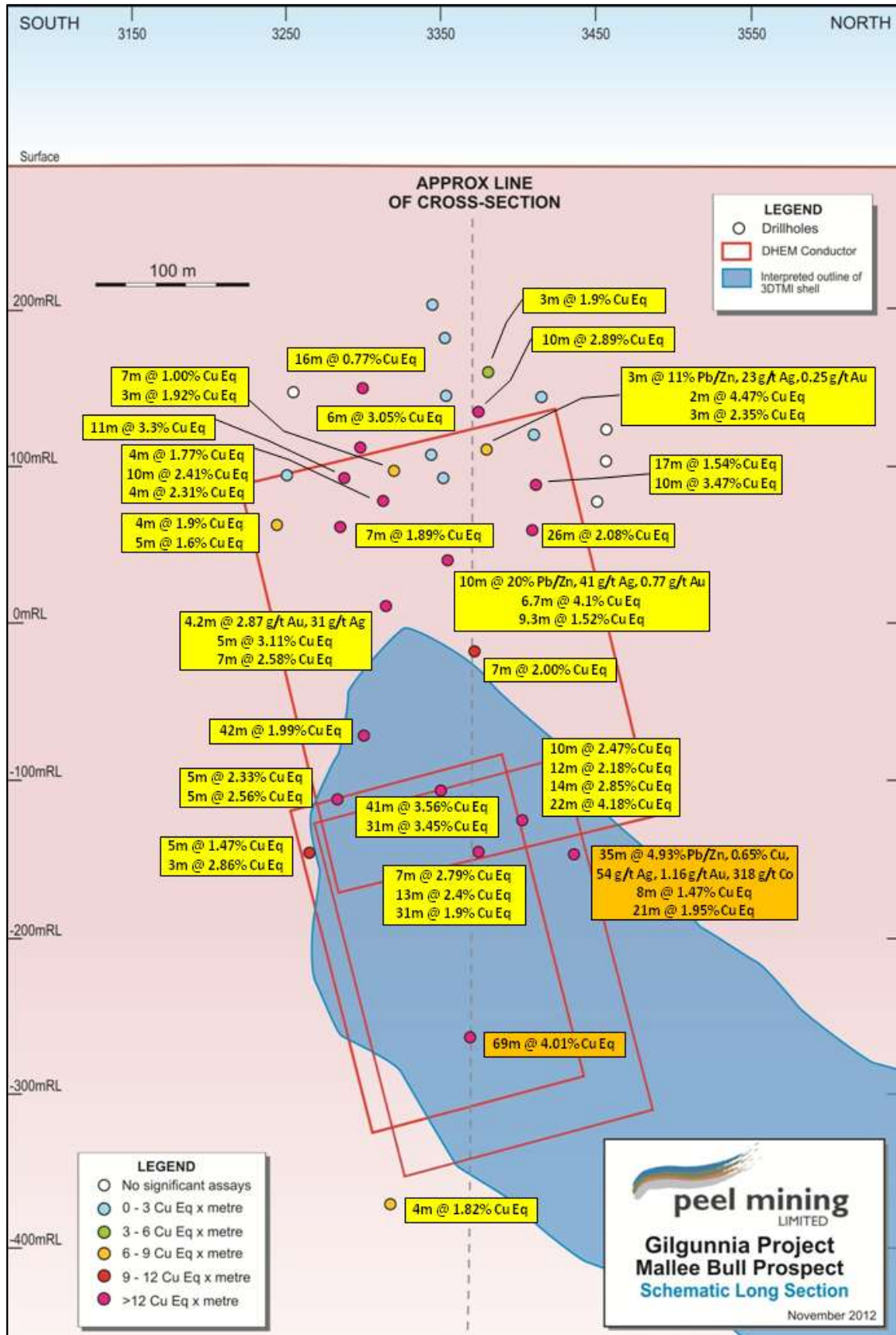
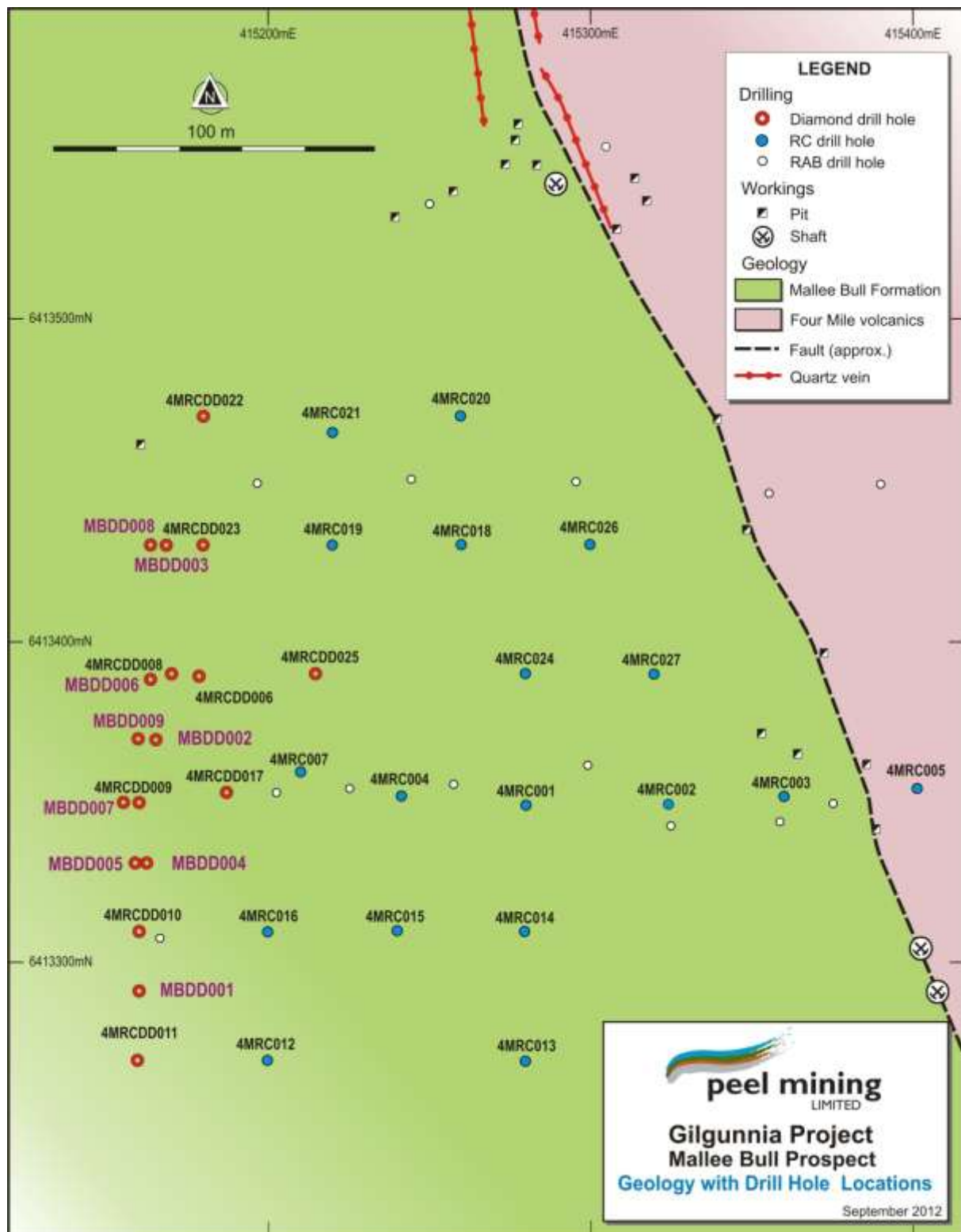


Figure 3 – Drillhole Location Plan



**Cobar Superbasin Project: Copper, Silver, Gold, Lead, Zinc; Western NSW (PEX 100%).**

Targets: Cobar-style polymetallic mineralisation; Volcanogenic Massive Sulphide mineralisation.

Subsequent to the quarter's end, Peel reported that a 9-hole for 1,753m RC drilling programme completed at the Mundoe copper-polymetallic prospect had returned encouraging results confirming it as a valid copper-polymetallic target. Mundoe is contained within EL7976, which covers 270 km<sup>2</sup> of

highly prospective stratigraphy within the Rast Trough region, the southern extension of the Cobar Superbasin. Mundoe is part of Peel's 100%-owned Cobar Superbasin Project and is located about 90 km west of Condoblin in NSW, or about 50 km south of Mallee Bull.

Encouraging results were returned over 600m strike and included: **19m @ 0.3 g/t Au from 88m, 24m at 15 g/t Ag, 0.29% Cu from 124m (incl. 5m at 42 g/t Ag and 0.68% Cu from 140m) in MURC002; 13m at 28 g/t Ag, 0.76% Cu from 106m (incl. 6m at 42 g/t Ag and 1.24% Cu from 112m) in MURC003; 19m at 0.33 g/t Au from 8m (incl. 5m at 0.86 g/t Au from 22m), 23m at 25 g/t Ag and 0.4% Cu from 129m (incl. 3m at 180 g/t Ag and 2.07% Cu from 129m) in MURC005; and 23m at 15 g/t Ag and 0.31% Cu from 153m (incl. 8m at 19 g/t Ag and 0.57% Cu from 163m) in MURC007.**

Results received confirm Mundoe as a valid copper-poymetallic target and indicate that the sediment-hosted mineralisation is most likely easterly dipping meaning that downhole widths are close to true widths. Further drilling is required to confirm the geometry and true width of mineralisation. Peel is highly encouraged by the results to date and further work is planned for 2013.

During the quarter, Peel continued to add to its strategic position within the Cobar Superbasin by pegging additional tenure. In total, Peel now has 13 licences covering in excess of 2,000 km<sup>2</sup>.

**Table 2 – Phase 2 Significant Drill Assay Results**

Hole ID	Northing	Easting	Azi	Dip	Depth (m)	From (m)	To (m)	Width (m)	Cu (%)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)
MURC1	6361563	420900	265	-62	151	79	96	17	0.14	16	0.08	-	0.11
						109	111	2	-	69	0.25	0.55	0.23
						130	132	2	0.36	22	0.06	-	-
MURC2	6361565	420960	265	-62	202	54	56	2	-	-	1.27	-	-
						88	107	19	-	-	0.3	-	-
						124	148	24	0.29	15	-	-	-
including						<b>140</b>	<b>145</b>	<b>5</b>	<b>0.68</b>	<b>42</b>	<b>0.09</b>	-	-
MURC3	6361957	420760	265	-62	140	58	60	2	-	28	-	0.22	-
						106	119	13	0.73	28	-	-	-
including						<b>112</b>	<b>118</b>	<b>6</b>	<b>1.24</b>	<b>42</b>	-	-	-
MURC4	6361960	420800	270	-62	292	49	59	10	-	10	0.15	-	-
						79	80	1	-	63	0.18	0.77	1.27
						281	283	2	-	-	0.67	-	0.22
MURC5	6361763	420800	265	-65	274	8	27	19	-	-	0.33	-	-
including						<b>22</b>	<b>27</b>	<b>5</b>	-	-	<b>0.86</b>	<b>0.15</b>	-
						60	64	4	-	19	0.12	0.17	0.59
						78	80	2	0.29	22	-	-	-
						129	152	23	0.4	25	-	-	-
including						<b>129</b>	<b>132</b>	<b>3</b>	<b>2.07</b>	<b>180</b>	<b>0.25</b>	<b>0.1</b>	<b>0.1</b>
MURC6	6362242	420400	260	-65	196	-	-	-	-	-	-	-	-
MURC7	6361472	420960	265	-65	202	153	176	23	0.31	15	-	-	-
including						163	171	8	0.57	19	-	-	-
MURC8	6361467	420920	265	-65	148	111	112	1	-	63	0.39	0.13	0.22
MURC9	6362058	420720	265	-65	148	54	62	8	-	15	-	-	-
						101	103	2	-	20	0.12	-	-



Figure 4 – Peel tenement location plan

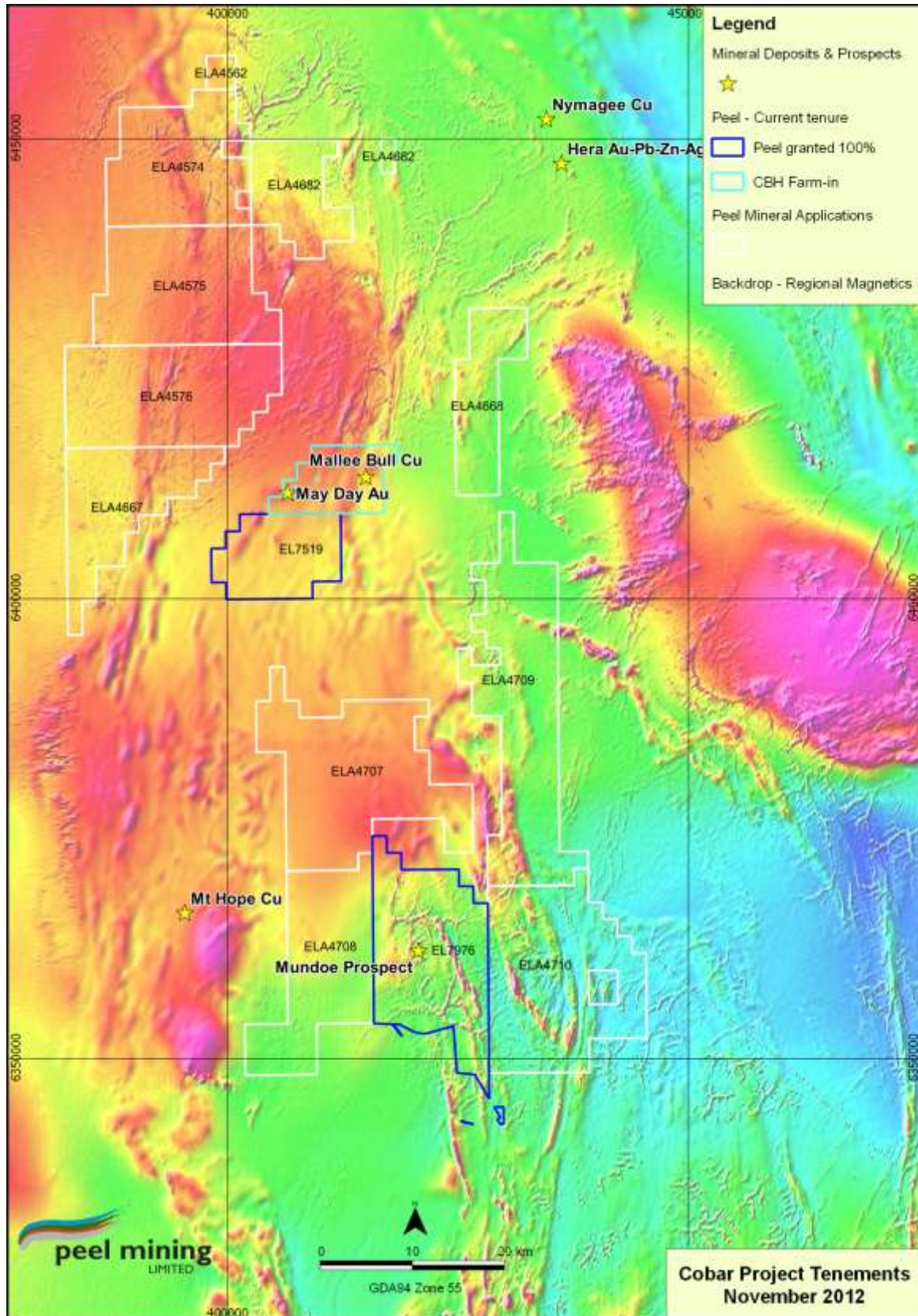


Figure 5 – Mundoe geochemical anomalism, IP chargeability and drillhole location

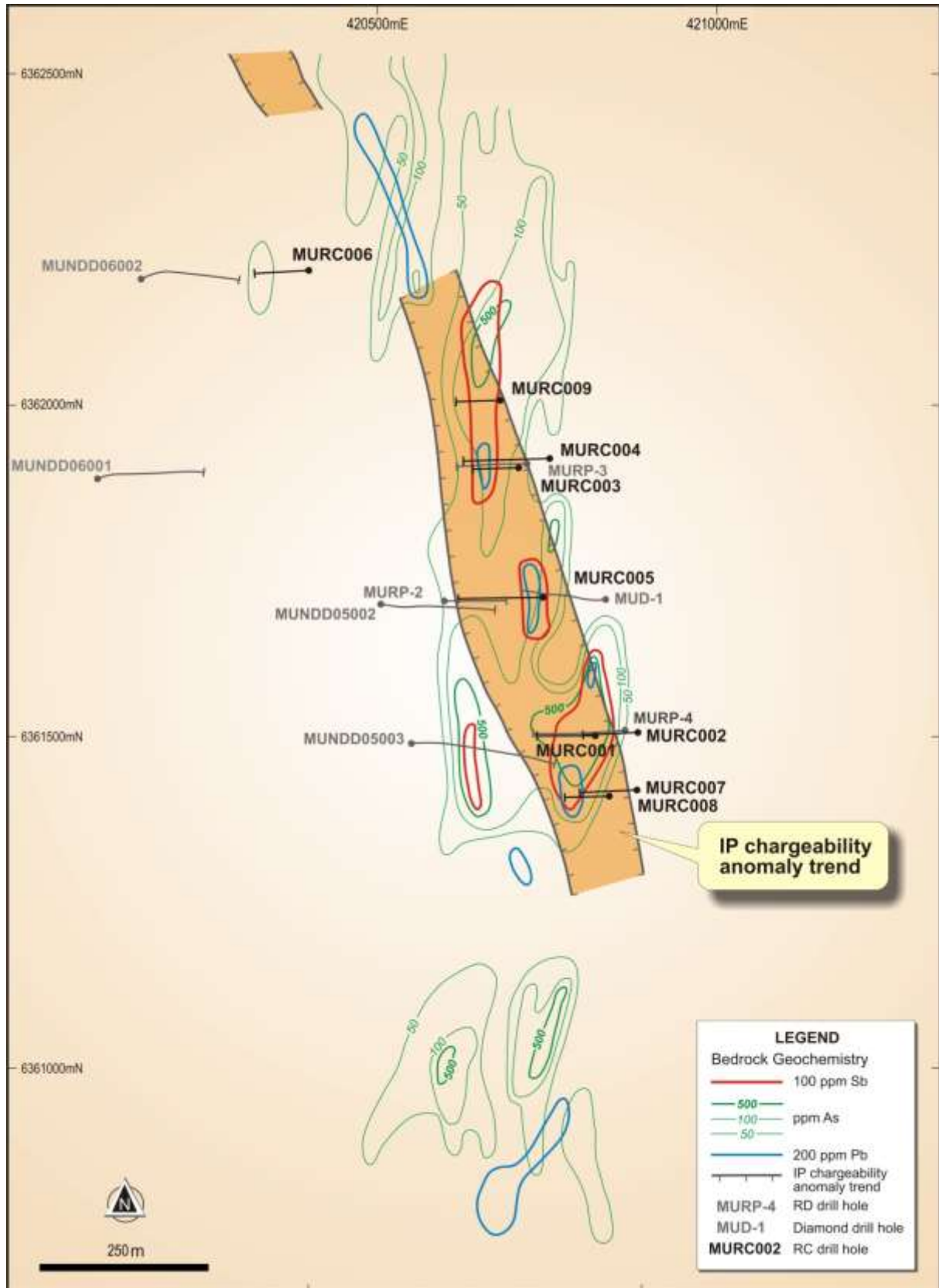
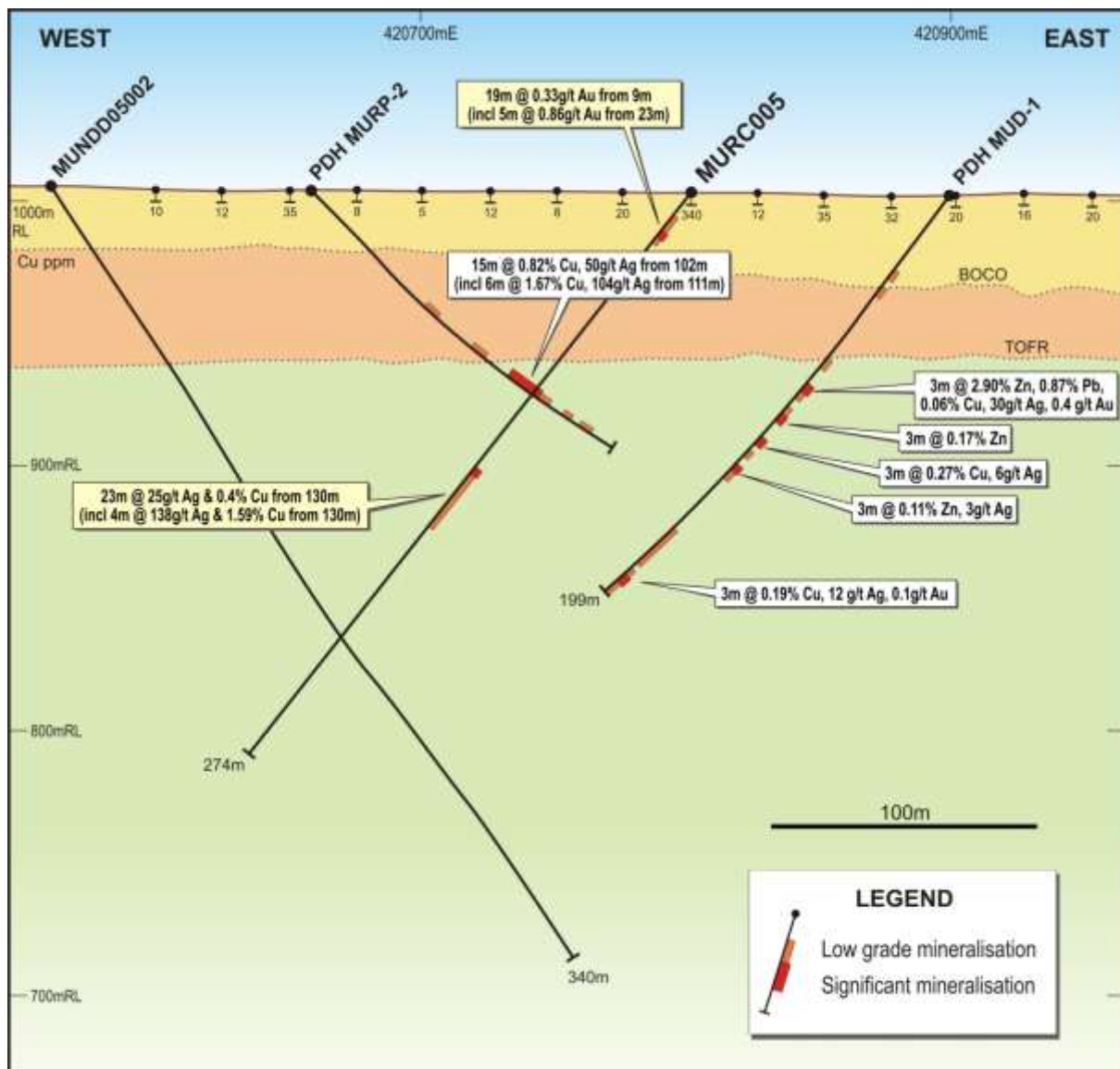




Figure 6 – Section 6361760N



**Apollo Hill Project: Gold; Northeastern Goldfields WA (PEX 100%).**

**Targets:** Archaean gold deposits.

No fieldwork was undertaken during the quarter. Exploration planning commenced during the quarter with a programme of work expected to commence in the June quarter 2013.

**Rise & Shine: Gold; Central Otago New Zealand (PEX 100%)**

**Targets:** Orogenic gold mineralisation.

No fieldwork was undertaken during the quarter. Exploration planning continued during the quarter with a programme of work expected to commence in the June quarter 2013.

**Ruby Silver Project: Silver, Gold; Northeastern NSW (PEX 100%).**

**Targets:** Silver mineralisation associated with fracture-fill quartz-carbonate veining.

No fieldwork was undertaken during the quarter.

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

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

No fieldwork was undertaken during the quarter.

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

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

No fieldwork was undertaken during the quarter.

**Morawa: Copper, Gold; Central West WA (PEX 100%)**

**Targets:** Volcanogenic Massive Sulphide mineralisation.

No fieldwork was undertaken during the quarter.

**For further information, please contact Managing Director Rob Tyson on (08) 9382 3955.**

***Competent Persons Statements***

*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 style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person 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 his information in the form and context in which it appears.*

**Information regarding drilling/assaying data**

1. Drilling was completed as HQ or NQ diamond core or as RC face sampling hammer.
2. Sample recoveries were considered adequate for all samples.
3. Drillcore has been logged in detail based on lithology, mineralisation, and alteration.
4. Samples for analysis were collected by sawing core in half or by cone splitter sampling or by hand spearing.
5. Samples were submitted as 1m or 4m composite half-core intervals or as 1m, 2m, 3m or 4m composite chip samples.
6. Samples were analysed at ALS Chemex utilising methods: Au-AA25 for Au (fire assay); ME-ICP41, ME-ICP61 or ME MS61 for multi-element including Ag, Cu, Pb, Zn; Ag-OG46 for >100 g/t Ag; Cu-OG46 for >1% Cu; Pb-OG46 for >1% Pb; and Zn-OG46 for >1% Zn.
7. Mallee Bull diamond drillhole collars were surveyed by DGPS (GDA94) and downhole gyroscopic surveys were run continuously. Mundoe drillhole collars were surveyed by GPS (GDA94).

**\* Copper Equivalent Calculation Explanation:**

The copper equivalent (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result, nor metallurgical flowsheet considerations. The copper equivalent calculation is intended as an indicative value only. No metallurgical testwork has been completed to date however it is the Company's opinion that all the elements included in the copper equivalent calculation have a reasonable potential to be recovered.

Copper equivalent conversion factors and long-term price assumptions used follow:

Massive Sulphide Zone Copper Equivalent Formula (CuEq) = (Cu (ppm) x 0.0075 + Ag (ppm) x 0.96 + Au (ppm) x 50.00 + Co (ppm) x 0.025)/0.0075;

Stringer/Breccia Sulphide Zone Copper Equivalent Formula (CuEq) = (Cu (ppm) x 0.0075 + Ag (ppm) x 0.96 + Au (ppm) x 50.00)/0.0075;

Price Assumptions - Cu (US\$7,500/t), Ag (US\$30/oz), Au (US\$1,500/oz), Co (US\$25,000/t).

Pb and Zn have not been used in copper equivalent calculation.