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Manager Announcements
Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge St
Sydney, NSW 2000

Peel Exercises Option Over Apollo Hill Gold Project

Peel Exploration Limited (ASX: **PEX**) is pleased to announce that it has exercised an exclusive option agreement with Hampton Hill Mining NL (ASX:**HMM**) 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 Apollo Hill gold project, located about 50 kilometres southeast of Leonora, comprises 16 mineral licenses covering about 140 square kilometres and is focused on the advanced Apollo Hill gold deposit, an extensively mineralised gold system.

The terms of the sale agreement will see:

- Peel issue 11 million fully paid ordinary shares to Hampton Hill Mining NL in consideration for the entire issued capital of Apollo Mining Pty Ltd;
- Hampton Hill Mining NL granted a 5% gross overriding royalty on Apollo Hill gold production exceeding 1 million ounces.

Apollo Hill exhibits the hallmarks of a major mineralised system, showing extensive and intense hydrothermal alteration and deformation. Two significant gold deposits, Apollo Hill and the Ra deposit (formerly known as the Camp zone), have been identified to date and remain open in several directions. Peel believes that excellent potential exists for the delineation of additional mineralisation.

Background and Geology

Fimiston Mining discovered Apollo Hill in December 1986, during a drill program aimed at finding the source of abundant eluvial gold at the base of a prominent hill in the area. Active drilling since then has outlined extensive gold mineralisation and alteration over a one kilometre strike length, which is up to 250m wide and dips 45-60 degrees to the east. Multiple gold mineralisation events are interpreted to have occurred at Apollo Hill during a complex deformational history. Gold mineralisation is accompanied by quartz veins and carbonate-pyrite alteration associated with a mafic-felsic contact.

The Apollo Hill gold project straddles a major shear zone, known as the Apollo shear zone, which is a component of the Keith Kilkenny Fault system. This shear zone is largely concealed beneath transported overburden, often associated with the Lake Raeside drainage system, and previous surface geochemical sampling and shallow RAB drilling has consequently been of limited effectiveness. Deeper drilling by previous explorers has largely focused on the only locality where this

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shear zone is exposed at surface, Apollo Hill itself, and also on a nearby parallel trend termed the Western trend (Ra deposit).

Peel activity

During the option period, Peel undertook various due diligence work programs on Apollo Hill. Peel also gained pre-approval from Shareholders to complete the acquisition of Apollo Hill.

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 resource estimation work during the option period, 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; however Peel anticipates having finalised the estimation by late November/early December.

For further information, please contact Rob Tyson on 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 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.

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