

# Peel Mining Limited (ASX:PEX)

SPECULATIVE BUY

VALUATION: N/A

SHARE PRICE: A\$0.38

## COMPANY DATA

ASX Code	PEX
Market Cap (fully diluted, A\$m)	\$42.1
Shares on Issue (m)	110.6
Options on Issue (m)	0.2
52 Week Hi Lo (A\$)	\$0.064-\$0.525
Cash at Bank (30 Jun 2012, A\$m)	\$0.6

## JORC RESOURCES

Project	Mt	g/t	ozs Au
<b>Apollo</b>			
Inferred	17.2	0.9	505,000
<b>Total</b>	<b>17.2</b>	<b>0.9</b>	<b>505,000</b>

Project	Mt	%WO <sub>3</sub>	t WO <sub>3</sub>
<b>Attunga</b>			
Inferred	1.29	0.61	9,400
<b>Total</b>	<b>1.29</b>	<b>0.61</b>	<b>9,400</b>

## SHARE PRICE PERFORMANCE



## BOARD OF DIRECTORS

Simon Hadfield	Non-Executive Chairman
Rob Tyson	Managing Director
Graham Hardie	Non-Executive Director
Craig McGown	Non-Executive Director

## MAJOR SHAREHOLDERS

Hampton Hill Mining NL	16.7%
Graham Hardie	13.9%
Rob Tyson	6.3%

**Peel Mining is a precious-base metals exploration company primarily focused on 'Cobar-style' mineralisation in NSW, Australia.**

## RECOMMENDATION

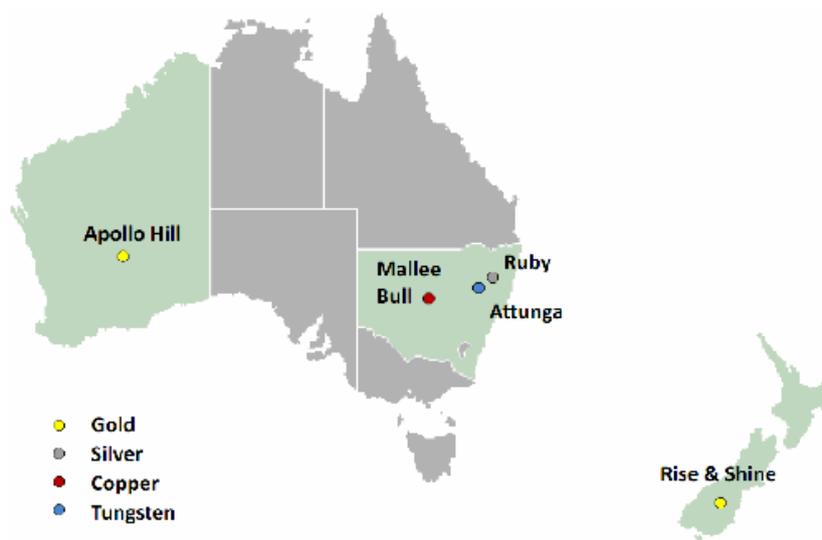
While small resources have been identified at some of the company's other projects, exploration at its flagship Mallee Bull Joint Venture and surrounding areas are still at a relatively early stage. However, results to date are very impressive, and although there are no guarantees that further exploration will advance the project to the resource and development stage, we rate Peel a SPECULATIVE BUY.

## KEY POINTS

- The company's main focus is on 'Cobar style' mineralisation in NSW. Other projects are Apollo Hill (gold, 500,000 ounce low grade resource) in WA, Rise & Shine Gold Project (Central Otago, New Zealand), Attunga Tungsten Project (Tamworth, NSW, with a small inferred resource) and the Ruby Silver Project (Armidale, NSW, narrow vein deposits).
- The company's flagship deposit is Mallee Bull, located 100km south of Cobar, which demonstrates many geological similarities to the 'Cobar-style' deposits. The deposit is polymetallic, shear hosted and leached near surface. The strike length is relatively short (~120m), with widths of 5-20m and vertical continuity in excess of 400m.
- CBH Resources can earn a 50% interest in EL7461 & ML1361 (May Day-Gilgunnia Project, which includes Mallee Bull) by spending up to \$8.33m over three stages and a 36 month time frame. PEX is the operator. Approximately half of Stage 1 expenditure has been completed.
- Some of the better results from Mallee Bull include copper values of between 1.2% Cu and 3.1% Cu (plus silver and gold) over widths ranging from 5m to 11m. One hole intersected economic lead/zinc mineralisation. Phase 2 drilling (4,500m diamond drilling) is targeting down dip extensions. One of the initial holes (MBDD002) intersected massive pyrite-pyrrhotite-chalcopyrite (copper mineralisation) over 40.6m (from 363.7m) and 28m of stringer/matrix sulphides of pyrite-pyrrhotite-chalcopyrite-galena-sphalerite (copper-lead -zinc) from 418m.
- Recently reported results for the massive sulphide zone are 1.71% Cu, 33g/t Ag, 1.84g/t Au and 616g/t Co (3.56% Cu Eq) which included two higher grade zones of 2m at 4.38% Cu Eq and 13m at 5.11% Cu Eq. The sulphide stringer zone assayed 2.65% Cu, 51 g/t Ag, 0.18g/t Au and 78 g/t Co (3.45% Cu Eq) including two higher grade zones of 12m at 5.05% Cu Eq and 6m at 4.90% Cu Eq. All five holes drilled to date have intersected sulphide mineralisation.
- The company prides itself on operating a lean yet highly efficient exploration effort. Administration costs are kept to ~\$150,000 per quarter. Total exploration costs for FY12 were \$2.864m (CBH is funding Mallee Bull) and administration costs were \$0.572m.

## LOCATION

The company's six projects cover approximately 1,800 km<sup>2</sup> of prospective ground in New South Wales, Western Australia and New Zealand.



## GILGUNNIA PROJECT

The Gilgunnia Project (ML 1361 & EL 7461), located about 100km south of Cobar in central NSW, contains the historic May Day gold-base metal deposit and the exciting Mallee Bull copper-polymetallic discovery.

### Mallee Bull

Mallee Bull represents a 'Cobar-style', structurally-controlled copper-rich mineralised system. CBH Resources (now a wholly-owned subsidiary of Toho Zinc Co Ltd) can earn up to 50% interest via staged \$8.33m expenditure.

- Stage 1 sees CBH earning 15% through a \$1M payment to Peel as contribution to past expenditure and \$1.5M of exploration expenditure over a 12 month period.
- Stage 2 of the farm-in provides CBH earning an additional 15% in the project by contributing a further \$2.5M to exploration expenditure within a 12 month period.
- Stage 3 sees CBH earning an additional 20% by contributing a further \$3.33 million within a 12 month period. CBH may elect to form a joint venture at the end of any stage and the parties can then elect to contribute on a pro-rata basis or be diluted according to an industry standard dilution formula.

Drilling to date indicates that high-grade, copper-dominant polymetallic mineralisation at Mallee Bull has a minimum strike length of 120m. Mineralisation begins at ~30m below surface and extends to at least ~400m below surface, with significant potential for depth extension. 'Cobar-style' deposits typically have limited strike extent but substantial vertical extent.

Some of the more significant results from drilling completed earlier this year are:

- 6.65m at 3.1% Cu, 34g/t Ag and 0.93g/t Au from 267.4m;
- 10m at 1.7% Cu, 46g/t Ag and 0.27g/t Au from 248m;
- 10m at 2.22% Cu, 33g/t Ag and 0.44g/t Au from 174m;
- 10m at 2.66% Cu, 44g/t Ag and 0.51g/t Au from 237m;
- 11m at 2.71% Cu, 36g/t Ag and 0.26g/t Au from 233m;
- 7m at 2.32% Cu, 14g/t Ag and 0.15g/t Au from 336m; and

- 10m at 9.0% Pb, 11.0% Zn, 41g/t Ag and 0.77g/t Au from 253m.

Drill intercepts are believed to be close to true widths.

In July/August 2012, Peel embarked on a ~4,500m diamond drilling programme to test down-dip/plunge mineralisation at depths greater than 100m down-dip from the nearest previous drilling. Five drill holes have been completed to date and all have intersected significant sulphide mineralisation.

Assay results returned from diamond drill hole MBDD002 confirmed the presence of several broad zones of high-grade, copper-polymetallic mineralisation. A strong massive sulphide mineralised zone comprising pyrite-pyrrhotite-chalcopyrite was intersected from 363m down hole. The zone was initially dominated by pyrite-pyrrhotite, progressively grading into strong chalcopyrite (copper) mineralisation with strong accessory gold, silver and cobalt values. Results of the massive sulphide drilling are:

- 41m at 1.71% Cu, 33g/t Ag, 1.84g/t Au and 616g/t Co (3.56% CuEq) from 363m, including:
  - 2m at 2.31% Cu, 38g/t Ag, 2.09g/t Au and 605g/t Co (4.38% CuEq); and
  - 13m at 3.11% Cu, 52g/t Ag, 1.59g/t Au and 828g/t Co (5.11% CuEq).

The true width of mineralisation is estimated to be 60-65% of the down hole width i.e. around 25m.

A strong stringer/breccia sulphide zone comprising pyrite, pyrrhotite, chalcopyrite (copper), galena (lead) and sphalerite (zinc), with accessory gold and silver values, followed further down the hole. Results are:

- 31m (true width ~19m) at 2.65% Cu, 51g/t Ag, 0.18g/t Au and 78g/t Co (3.45% CuEq) from 415m, including:
  - 12m at 4.06% Cu, 64g/t Ag, 0.21g/t Au and 92g/t Co (5.05% CuEq); and
  - 6m at 3.35% Cu, 100g/t Ag, 0.38g/t Au and 79g/t Co (4.90% CuEq).

The location on plan, longitudinal section and cross section are shown in Figures 1, 2 and 3 respectively.

MBDD001, drilled at the southern end of Mallee Bull, intersected several zones of moderate stringer/breccia sulphides starting at about 430m down hole. MBDD003, drilled 140m north of MBDD001, returned a 13m zone of semi-massive sulphides from 367m downhole followed by several zones of moderate stringer/breccia mineralisation. MBDD004 (40m south of MBDD002) intersected a 30m massive sulphide zone from 357m followed by a 13m stringer/breccia zone. MBDD005, collared immediately behind MBDD004, intersected a 5m semi-massive sulphide zone at about 410m down hole, followed by several moderate stringer/breccia zones, although the hole is thought to have deviated and is unlikely to have tested the mineralisation immediately down dip of MBDD004. The true width of mineralisation intercepted in all five holes is estimated to be 60-65% of the down hole width. Assay results from the remaining holes are pending.

The location of the holes are also shown in Figures 1 and 2.

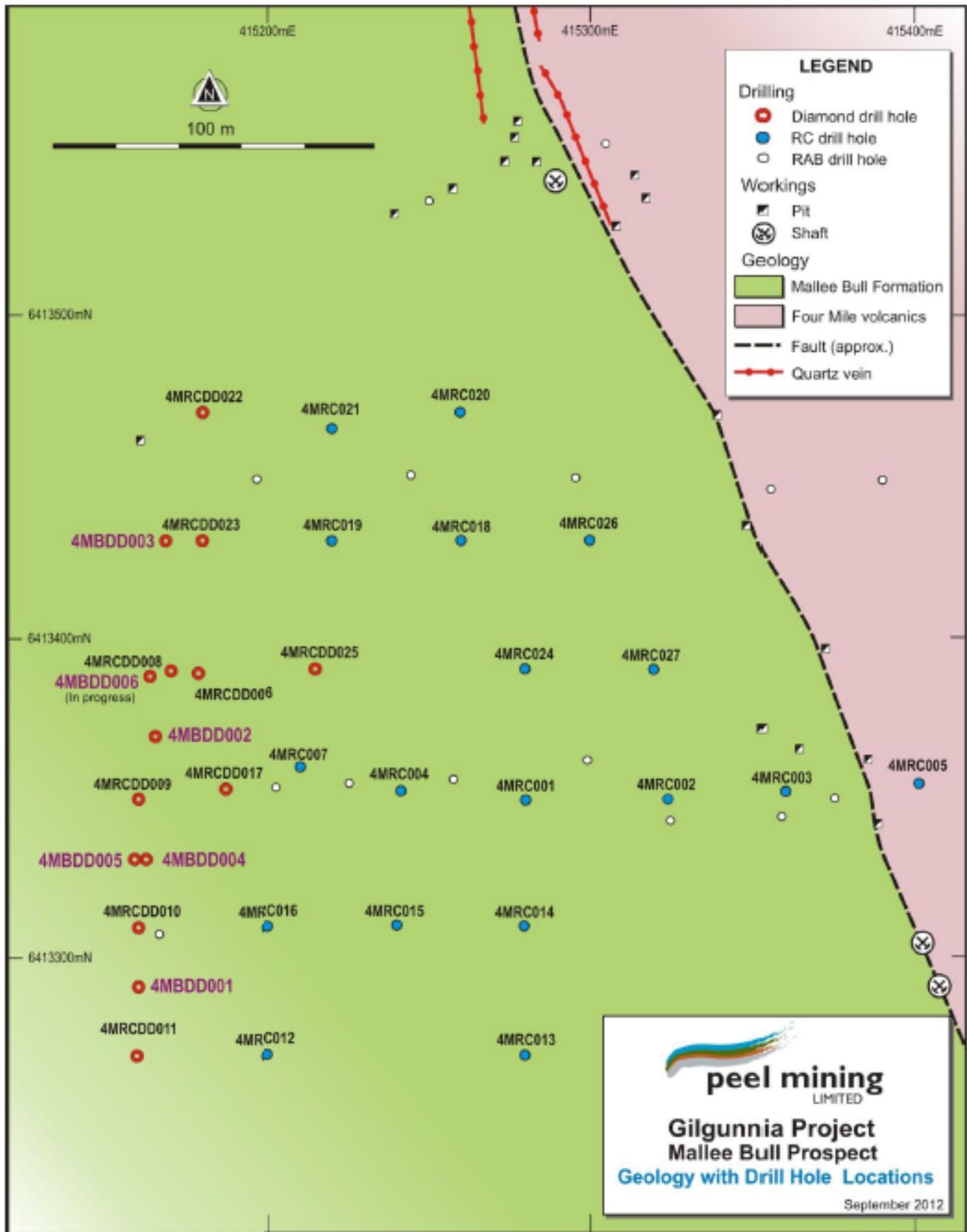


Figure 1: Drill Location and Geology Plan (Source: Peel Mining Limited)

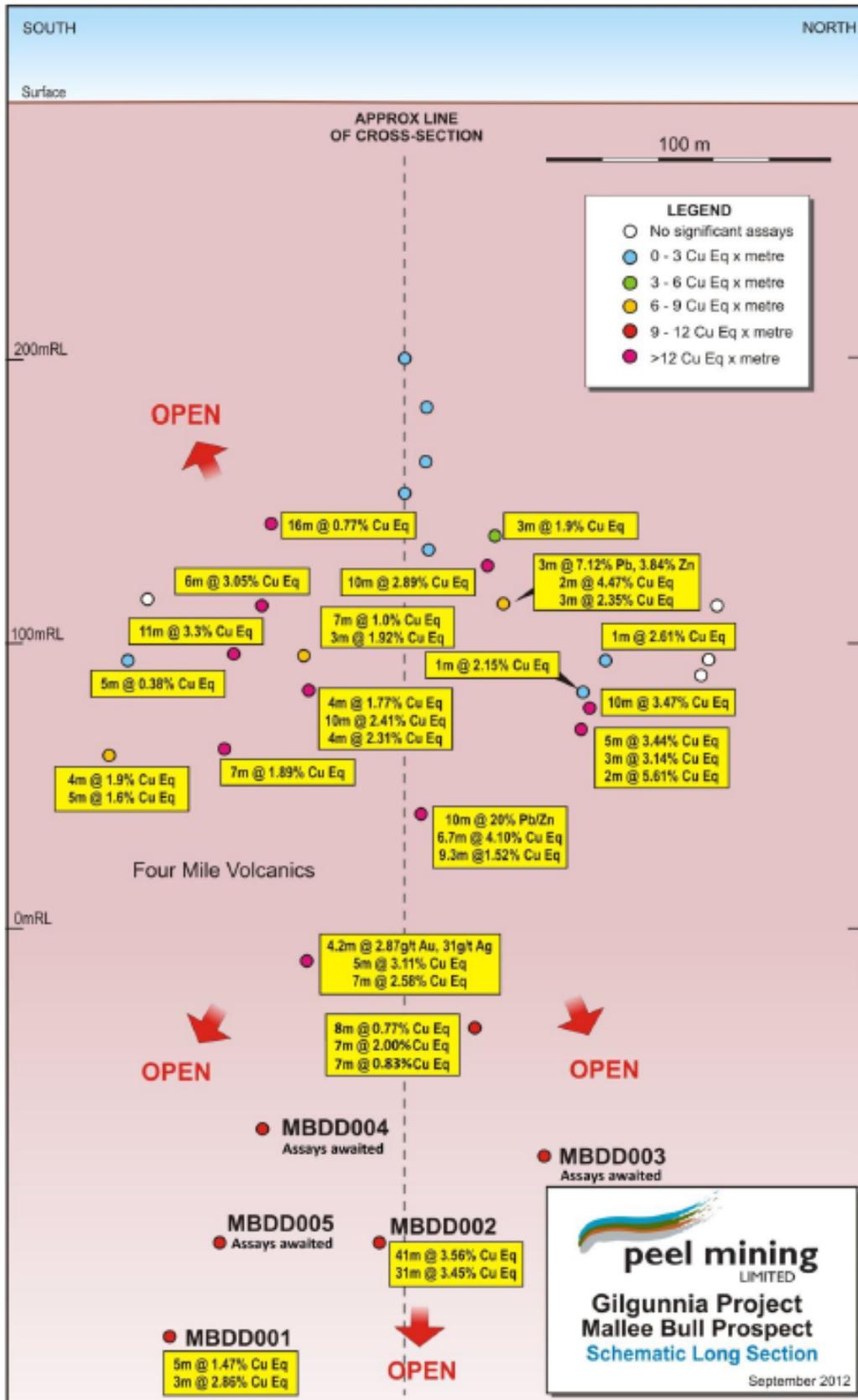


Figure 2: Longitudinal Section (Source: Peel Mining Limited)

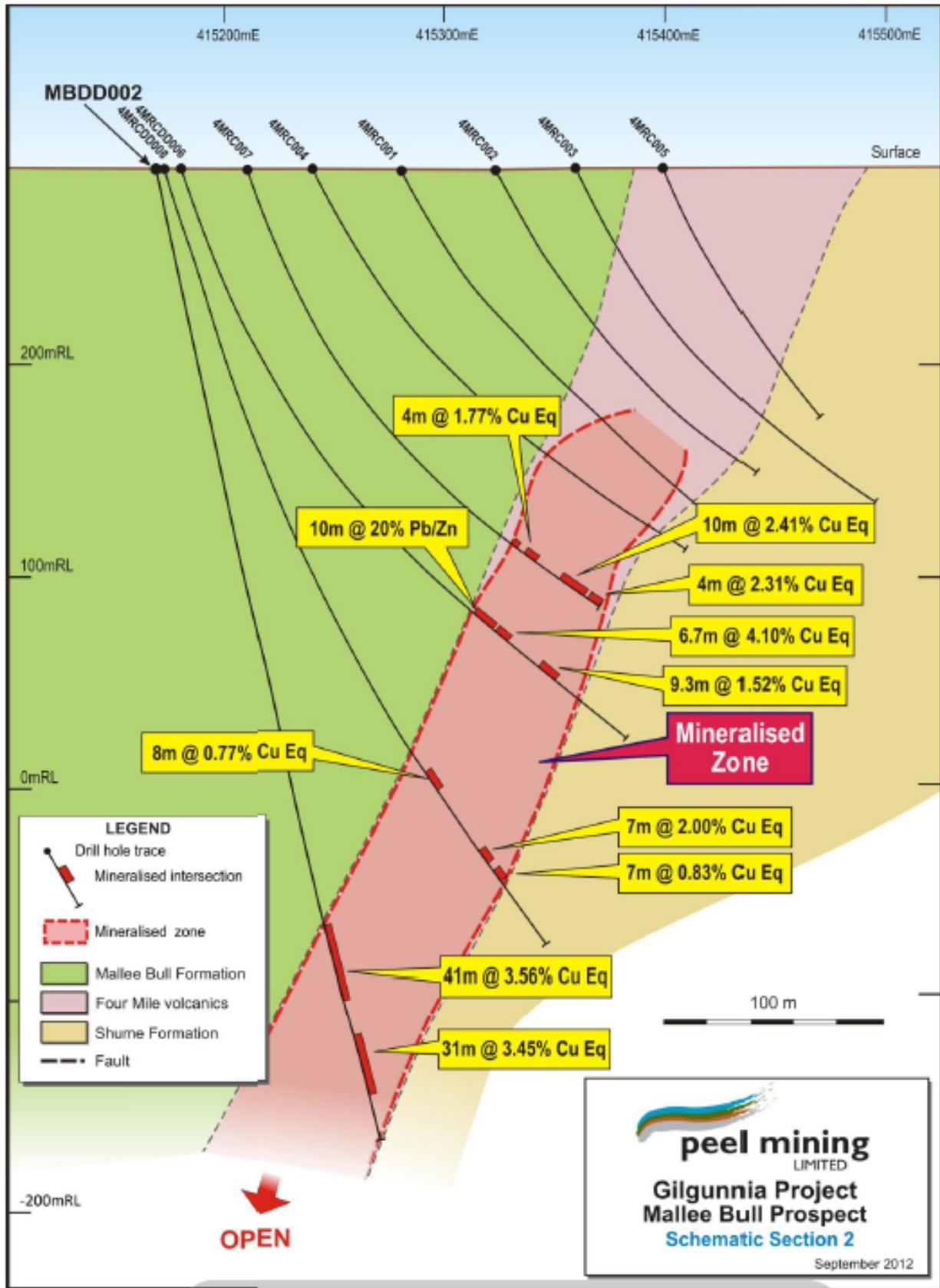


Figure 3: Cross Section (Source: Peel Mining Limited)

## May Day

May Day, located 8 km west of Mallee Bull, was discovered in 1898 and was originally developed as an underground copper-lead-silver mine. Exploration in the 1970s identified high grade gold-base metal mineralisation to a depth of about 250m below surface while exploration in the 1980s defined a shallow gold resource, which eventually led to the development in 1996 of a small-scale mining operation comprising an open pit with a heap leach gold circuit.

In May 2010, Peel completed a programme of 10 RC drill holes for 1,877m of drilling at May Day. This drilling programme was primarily designed to test for down-dip extensions to known mineralisation.

Better drill results include the following intercepts:

- 16m at 1.78 g/t Au, 42 g/t Ag, 0.25% Cu, 0.95% Pb, 1.33% Zn from 159m in MDRC002;
- 24m at 0.96 g/t Au, 20 g/t Ag, 0.07% Cu, 0.70% Pb, 0.85% Zn from 120m in MDRC004;
- 27m at 2.12 g/t Au, 27 g/t Ag, 0.11% Cu, 0.43% Pb, 0.75% Zn from 120m in MDRC005;
- 3m at 1.33 g/t Au, 98 g/t Ag, 0.92% Cu, 7.29% Pb, 8.19% Zn from 140m in MDRC006, and;
- 10m at 2.15 g/t Au, 28 g/t Ag, 0.06% Cu, 0.34% Pb, 0.39% Zn from 213m in MDRC010.

Results returned are encouraging and confirm down dip extensions and that mineralisation is shear-related and occurs as a sub-vertical lens/shoot.

## COBAR SUPERBASIN PROJECT (PEX 100%)

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Peel has acquired a significant landholding in the Cobar Superbasin in western New South Wales. The company is targeting Cobar-style polymetallic mineralisation as well as Volcanogenic Massive Sulphide (VMS) mineralisation.

Of high importance amongst these tenements is ELA 4493, about 90km west of Condoblin and covering about 300km<sup>2</sup> of the Rast Trough, the southern extension of the Cobar Superbasin. The tenement is centred on the Mundoe prospect, which is defined by a 2km long multi-element geochemical anomaly, coincident geophysical anomalies and encouraging historic drill results. Peel has commenced exploration planning in anticipation of the granting of the Mundoe licence.

## APOLLO HILL PROJECT

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Apollo Hill is located approximately 50km southeast of Leonora, Western Australia. The project area covers 350km<sup>2</sup> and is 100% owned by Peel. The project comprises two deposits. Combined mineralised zones extend over a strike length of ~1.4km and have been intersected by drilling to a maximum depth of approximately 350m below surface. Using a 0.5g/t cut-off, the combined global resource estimate is 17.2Mt at 0.9g/t containing 505,000 ounces of gold. The resource model is based on 136 aircore, 214 reverse circulation (RC) and 59 diamond holes for a combined 26,760m of drilling. Maximum depth of the resource estimate is 180m below surface. Metallurgical test work on two samples recorded recoveries in excess of 98%, with gravity recoverable gold greater than 80%.

## RUBY SILVER PROJECT

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The Ruby silver project is a 60km<sup>2</sup> exploration licence covering the historic Ruby-Tulloch-Rockvale silver field. EL 7711 is located approximately 30km east of Armidale in north eastern New South Wales.

The Ruby silver mine has a lode up to 1.4m wide and was worked to a depth of ~120m between 1895 and 1905. Historic production is estimated at about 350,000 ounces silver at a recovered grade of ~620g/t. In the late 1960s, a nine-hole drill program was undertaken. Records of this work were poor (at least three drill holes intersected old workings) but it is known that the first hole intersected 5.08m at 216 ounces per ton (~6,700g/t Ag) from 90.5m.

Historic production from the other deposits was small, although recovered grades appeared to be exceptional.

## ATTUNGA PROJECT

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The Attunga project is located approximately 20km north of Tamworth. The licences cover a combined area of ~250km<sup>2</sup>. There are three areas of interest: the Attunga Tungsten deposit, the Attunga copper mine prospect and the Kensington gold-tungsten prospect.

During the period 2007 to 2009, Peel completed multiple phases of exploration at the Attunga Tungsten Project, including the completion of an independent JORC-compliant resource estimation in April 2008. A small, high-grade inferred tungsten-molybdenum resource of 1.29Mt at 0.61% WO<sub>3</sub> and 0.05% Mo containing 9,400t of WO<sub>3</sub> was defined. In July 2008, Peel completed two RC holes, the first of which produced an intersection of 42m at 2.09% WO<sub>3</sub> and 0.17% Mo from 21m. Further holes were drilled in 2009, with results that included 27m at 0.54% WO<sub>3</sub> from 19m (including 2m at 3.38% WO<sub>3</sub>) and 2m at 0.59% WO<sub>3</sub> from 58m. Both holes also contained molybdenum.

During FY10, Peel completed an in-house conceptual study into development options for the Attunga Tungsten deposit, with results indicating a small, low capital expenditure operation could potentially yield positive returns.

## RISE AND SHINE GOLD PROJECT

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The Rise and Shine gold project, located approximately 20km northeast of Cromwell in Central Otago, New Zealand, hosts multiple historic gold workings with historic production estimated at more than 180,000 ounces gold.

The Rise and Shine Shear Zone appears to be structurally similar to the Macraes Shear Zone, host to the multi-million ounce Macraes gold mine. The shear, which is ~50m thick and is traceable for at least 7km, represents a low-angle deformation zone. Previous exploration concentrated on the historic workings. Peel believes that the Rise and Shine Shear Zone could possibly be flatter than previously assumed, offering potential for large-tonnage, low-grade gold deposits. To this end, Peel plans to complete a program of RC drilling aimed at testing this model.

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