

21 November 2012

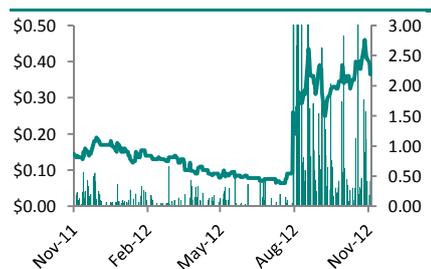
Speculative Buy

Price (A\$)	0.37
Target Price (A\$)	N/A
Ticker	PEX AU
Market cap (A\$m)	41
Estimated cash (A\$m)	1.5
Attr resource (Mlb)	N/A
EV/Resource (US\$/lb)	N/A
Shares in issue	
Basic (m)	111
52-week	
High (A\$)	0.46
Low (A\$)	0.06
3m-avg daily vol (000)	1,530
3m-avg daily val (A\$000)	509
Top shareholders (%)	
Hardie Graham	13.7
Robert Tyson	5.9
Hampton Hill Mining	2.5
Total	22.1

Management

Rob Tyson	MD
Simon Hadfield	CHR
Graham Hardie	NED
Craig McGowan	NED

Share Price Performance (A\$)



Source: FactSet

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Peel Mining

Hitting the Bullseye

Peel Mining is an ASX-listed Australian- and New Zealand-focused explorer. The company's flagship project is the recently discovered Mallee Bull copper-gold-silver-lead-zinc deposit in New South Wales, Australia.

Project	Ownership	Stage of Dev	Resource
May Day - Gilgunnia	100%	Exploration	N/A
Apollo Hill	100%	Exploration	0.5Moz Au
Ruby Silver	100%	Exploration	N/A
Rise & Shine	100%	Exploration	N/A

Source: RFC Ambrian

Mallee Bull, Peel's most recent discovery, is shaping up as a significant 'Cobar style' polymetallic deposit. Better mineralised intersections include: 41m @ 3.6% Cu Eq from 267m, 42m @ 2.0% Cu Eq from 356m and 69m @ 4.0% Cu Eq from 533m.

The orebody has been defined down-dip from 150m below surface to at least 600m below surface and over a strike length of 200m. The orebody appears to plunge steeply north and remains open in most directions.

A down-hole EM conductor indicates that the orebody continues down-plunge to the north. Drilling and EM indicate that grade and widths of mineralisation improve at depth.

Nearby exploration targets at the 4-Mile gold workings and two significant magnetic anomalies will be tested in 2013. We anticipate strong newsflow on the back of this exploration through 2013.

CBH Resources is earning into the Mallee Bull project in a staged approach to earn up to 50% through one payment of A\$1m to Peel and exploration expenditure of A\$7.33m.

In May 2012 Peel acquired 100% of the Mundoe Exploration Project some 50km south-west of Mallee Bull. Soil anomalism, historical drilling and coincident geophysical anomalies show potential for 'Cobar style' mineralisation.

The company has announced a resource of 0.5Moz gold at its Apollo Hill Project near Leonora in Western Australia. Peel intends to complete a scoping study on this project.

Additional exploration projects offer significant opportunities, with a tungsten project in Australia and a gold exploration project in New Zealand.

Recommendation – SPECULATIVE BUY

We continue to rate Peel as a SPECULATIVE BUY. We anticipate strong newsflow from exploration drilling results throughout 2012/13. Significant newsflow over the following 12 months includes:

- Drill testing Mundoe – 4Q12
- Drill testing Butcher's Dog magnetic anomaly – 1H13
- Further exploration at Mallee Bull – 1Q13

Valuation

It is too early to attempt to value Peel Mining on a sum-of-the-parts basis. Given the unique 'Cobar style' of mineralisation, any in-depth peer analysis would be subject to a number of pitfalls when attempting to make like-for-like comparisons. With more impressive drilling intersections expected, we are confident rating Peel as a **SPECULATIVE BUY**.

Investment Case

Mineralisation intersected to date looks to be reasonable grade

The Mallee Bull discovery is a nice start. The mineralisation intersected to date is impressive and includes 6.65m @ 4.1% Cu Eq from 267m, 11m @ 3.3% Cu Eq from 233m and 10m @ 3.5% Cu Eq from 237m. These results indicate the grade and width could improve at depth. The resource is open in most directions and geophysics provides strong indications that this continues down-plunge. Drilling to date could have just intersected the top of a much larger orebody.

There is a real opportunity to find more 'Cobar style' mineralisation

We believe there is a real opportunity to find more 'Cobar style' mineralisation at the project as the style of mineralisation in the region commonly has a significant down-dip extension and often clusters as several separate orebodies. Consequently, we look forward to further exploration results from Mallee Bull.

Promising nearby targets at Butcher's Dog, 4-Mile and May Day

In addition to Mallee Bull, the company has some promising exploration targets at the nearby Butcher's Dog and 4-Mile gold prospects. The Butcher's Dog target is a significant geophysical anomaly that sits in the nose of the same fold at Mallee Bull and could represent significant mineralisation down-plunge of Mallee Bull. Further afield, Peel has a 0.5Moz gold resource near Leonora in Western Australia. However, we feel that the recent Mallee Bull discovery should push the company to become more focused on this project in the near term.

Peel's market cap should grow significantly as resources grow, and management will need to grow should the project near development in the future

The recently acquired Mundoe Exploration Project is 100%-owned by Peel. The project shows good geochemical, geological and geophysical evidence that it could also host 'Cobar style' mineralisation.

Peel's management is more than capable of managing exploration on its projects. However, should the company develop Mallee Bull towards production we feel the board and senior management will need strengthening.

The investment of CBH Resources to earn in up to 50% of the Mallee Bull project for US\$8.33m was much needed. Looking at the quality of the project, the current valuation of the company and its share price performance, it would be easy to say that the company agreed to give away half the Mallee Bull project too cheaply. At that time, however, Peel was running low on cash and the Mallee Bull Project was less advanced than it is today. Given the challenges facing explorers trying to raise funds in 2012, Peel approached CBH.

With a cash balance of A\$1.5m, Peel will need to raise funds

With a cash balance of A\$1.5m, Peel will need to raise funds again soon. Given the success at Mallee Bull and the potential shown elsewhere in Peel's portfolio, we believe Peel is likely to find it easier to secure investors this time.

We are confident that more mineralisation will be found at the May Day-Gilgunnia Project. We expect positive newsflow from exploration drilling to act as a catalyst to share price growth throughout 2012/13.

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