

## \$6.5M FARM-IN TO SEARCH FOR TIER 1 DEPOSITS ON PEEL'S CURNAMONA PROJECT

Peel Mining Ltd (ASX:PEX) (Peel or the Company), is pleased to announce that it has entered into a Heads of Agreement (Agreement), with Red Hill Minerals Limited (ASX: RHI) (Red Hill), for Red Hill to farm into and earn a 75% interest in the Curnamona Project through spending \$6.5 million on exploration over a period of up to 5 years. The Curnamona Project, held by Peel's wholly owned subsidiary Peel Far West Pty Ltd, comprises the Curnamona tenements in New South Wales and the Anabama tenement in South Australia. Following the completion of the farm-in period the companies will form a joint venture.

### Highlights

- The Curnamona tenements in New South Wales, host to the highly prospective Wilyama Supergroup and occurrences of interpreted Broken Hill Type mineralisation<sup>1</sup>, are considered prospective for Tier 1 zinc-lead-silver deposits.
- The Anabama tenement in South Australia is located within the under-explored Boucaut Volcanics of the Adelaide Fold-thrust Belt and contains the namesake Anabama prospect, which is an outcropping Cu (Au, Co) deposit.
- Red Hill Minerals may earn a 75% interest in the Curnamona Project by spending \$6.5 million on exploration over the farm-in period of up to five years.
- Red Hill Minerals has committed to spend a minimum \$1.5 million of expenditure within the first two years, prior to withdrawal, subject to satisfaction of conditions precedent.
- Upon earning a 75% interest in the Project, a 75% RHI:25% PEX JV will be formed.
- The Curnamona Project tenements cover over 1,460 km<sup>2</sup> in the Broken Hill provenance of New South Wales and in South Australia.

### Technical Director, Rob Tyson Commented:

*"In recent years, Peel has assembled a major land position in the Curnamona with the view that the prospective rocks have potential to host a Tier 1 deposit, akin to the giant Broken Hill lead-zinc-silver orebody. Previous limited historic drilling at the Curnamona tenements has intercepted occurrences of Broken Hill type mineralisation, an indication of the potential that could be lurking beneath the cover. The Anabama tenement in South Australia contains the underexplored namesake Anabama copper prospect and here Peel sees good potential for the discovery of a large scale, near surface copper deposit.*

*We are very pleased to welcome Red Hill Minerals as our strategic partner to explore these highly prospective Broken Hill tenements, along with advancing a proven copper target at Anabama. We welcome Red Hill Mineral's willingness to make a substantial investment in exploration on these tenements with an aim of discovering a major mineral deposit.*

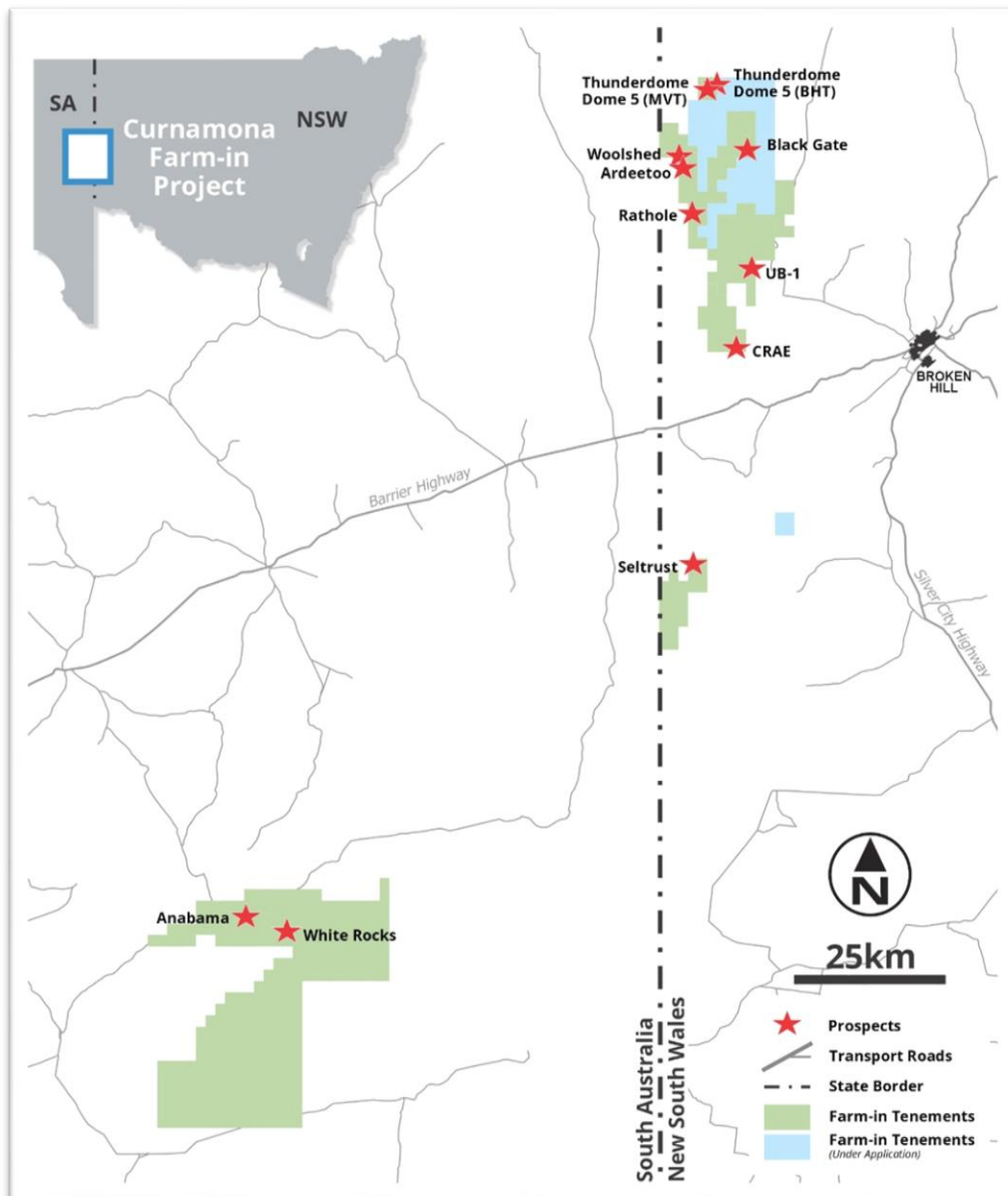


Figure 1 Curnamona Project JV Tenure

### **The Curnamona Project**

The Curnamona Project contains more than 1,400km<sup>2</sup> of tenure straddling New South Wales and South Australia. The tenement package is considered highly prospective for Copper, Gold, Cobalt, Zinc, Lead, Silver and Uranium. Economic mineralisation is predominantly known to occur within the Broken Hill and Thackaringa Groups with the bulk of historic exploration in the region focussed on the outcropping areas east of the Mundi Mundi fault. Limited exploration beneath the Mundi Mundi Plains (due to cover) has yielded numerous significant results. The Anabama Prospect (in South Australia) is seen as prospective for large scale, open-pittable Cu (Au, Co) resources with an existing non JORC compliant resource estimate of 4.2Mt at 0.52% Copper historically reported by Placer Exploration Ltd<sup>2</sup>.

### **Material Terms of the Heads of Agreement**

<b>The Transaction</b>	Red Hill, or its wholly owned subsidiary, may earn an initial 75% Joint Venture Interest in the Curnamona Project Tenements ( <b>Tenements</b> ) by spending \$6.5 million on exploration during the farm-in period and the Parties will then form the Joint Venture in respect of the Tenements.				
<b>Conditions Precedent</b>	<p>The Transaction is subject to the following conditions precedent (<b>Conditions</b>):</p> <ul style="list-style-type: none"> <li>• execution of a Formal Agreement consistent with the terms of the Heads of Agreement;</li> <li>• completion of due diligence on the Tenements and the Transaction to the satisfaction of Red Hill, acting reasonably and confirmation of certain tenure; and</li> <li>• renewal of Tenement EL8877.</li> </ul> <p>The Parties must use their respective reasonable endeavours to ensure that all Conditions are satisfied as soon as practicable after execution of this Heads of Agreement, unless a Condition is expressly waived in writing by Red Hill.</p> <p>Peel has agreed to deal exclusively with Red Hill in this period in regard to the right to acquire an interest in the Tenements.</p>				
<b>Farm-in</b>	On satisfaction of the Conditions, Red Hill, or its wholly owned subsidiary, will have the exclusive right to earn a 75% JV Interest in the Tenements ( <b>Initial JV Interest</b> ) by spending \$6.5 million on in-ground expenditure on the Tenements over a farm-in period of up to 5 years.				
<b>Minimum commitment</b>	Red Hill must incur a minimum of \$1.5 million on in-ground expenditure over the initial 24 months of the farm-in period, as may be extended by the Parties, before it is entitled to withdraw.				
<b>Joint Venture</b>	<p>On Red Hill earning the Initial JV Interest, Red Hill and Peel will form an unincorporated joint venture (<b>Joint Venture</b>) for the exploration and evaluation and, if warranted, development and exploitation of all minerals within the Tenements.</p> <p>The initial participating interests of the Parties (<b>Participating Interests</b>) will be:</p> <table data-bbox="387 1361 632 1447"> <tr> <td>Red Hill</td> <td>75%</td> </tr> <tr> <td>Peel</td> <td>25%</td> </tr> </table> <p>(each a <b>Participant</b> while it holds a Participating Interest).</p>	Red Hill	75%	Peel	25%
Red Hill	75%				
Peel	25%				
<b>Manager</b>	Red Hill will be the initial Manager of the Joint Venture.				
<b>Dilution</b>	<p>Standard dilution provisions will be included in the Formal Agreement relating to optional dilution.</p> <p>If a Participant's Participating Interest dilutes to 10% or less, that Participant must, within 30 days of notification, elect:</p> <ul style="list-style-type: none"> <li>• for its Participating Interest to revert to a 1.5% Net Smelter Return (NSR) Royalty on all minerals extracted and sold from the Tenements; or</li> <li>• to offer to sell its Participating Interest to the other Participant.</li> </ul>				

This announcement has been approved for release by the Peel Mining Limited Board of Directors.  
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References

<sup>1</sup> PlatSearch NL, 2005, *Annual Report for Exploration Licence 6404 "Mundi Plains" for the period 20 April 2005 to 19 April 2006*, PlatSearch NL, Australia.

<sup>2</sup> *Placer Exploration Ltd, 1997, Annual Report for the Period 16 April 1993 to 15 May 1997*, Placer Exploration Ltd, Australia