

## ASX and Media Release

28 December 2011

### **BROKEN HILL MINERAL RESOURCES AND ORE RESERVES UPDATE**

#### **Highlights**

- **The Ore Reserve has been established and a new Life of Mine plan for Southern Operations has been developed with economic production for 10 years as of 30 June 2011**
- **As at 30 June 2011 the new ore reserve stands at 14.7 million tonnes containing 5.3% zinc, 4.0% lead and 43 g/t of silver.**
- **The Mineral Resource has decreased by 4.2% to 22.7 million tonnes containing 9.0% zinc, 7.0% lead and 86 g/t of silver**
- **The new Broken Hill Mineral Resource & Ore Reserve takes in the previous 12 months of mining depletion with only a 3.7% decrease from the previous Ore Reserves**
- **There is a substantial Resource base for potential conversion to Reserves at a later date**
- **Resource and Reserve Drilling has now recommenced at Broken Hill's Southern Operations to increase confidence around existing resources and reserves and potentially extend the resource.**
- **The 30 June 2011 Ore Reserve and Mineral Resource estimates for Southern Operations have been independently reviewed by AMC Consultants Pty Ltd ("AMC")**
- **Improvement is reflective of the sustained improvements in productivities at Broken Hill, including modernisation of the mining fleet, improved milling recoveries and process improvements such as a new batch plant for concrete delivery.**

Perilya (ASX:PEM), the Australian zinc, lead and silver miner today announced the updated 2011 Ore Reserve and Mineral Resource statement for its Broken Hill Operation.

Perilya said that the Ore Reserves and the mining plan associated with this Reserve will maintain a production life at the Southern Operations at current mining rates of 10 years from 30 June 2010.

In addition, significant Mineral Resources exist outside of the reported Ore Reserve which could be converted to Ore Reserves at a later date; providing further opportunity to extend the life of mine at Broken Hill Operations.

The security of the Ore Reserves has been maintained as a result of continued improved operational performance and improved net revenue being received for silver principally as a consequence of the silver buy-back transaction announced in July 2009.

Perilya's Managing Director, Paul Arndt, said *"it is important to note that extensional drilling in and around the Southern Operations was suspended in late 2008 in response to the Global Financial Crisis and depressed global markets for base metals, which adversely impacted on our ability to replace Ore Reserves and Mineral Resources lost as a consequence of mining depletion. However, the Company has recently recommenced drilling in and around its Southern Operations which will provide greater potential for further increases in Ore Reserves and Mineral Resources in the future."*

He added: *"Notwithstanding the recommencement of extensional drilling, the announcement of this year's Ore Reserve and Mineral Resource indicates that as we move forward it will become increasingly difficult to replace Ore Reserves and Mineral Resources at Broken Hill's Southern Operations. Future extension of our Broken Hill Operations will increasingly come from the development of satellite projects such as the Potosi/Silver Peak mine currently under development, which is scheduled to enter production in the first quarter 2013, and the potential*

re-opening of the North Mine Uppers, and in particular the potential development of the high grade North Mine Deeps area. The development study into the North Mine Uppers is continuing with a development decision anticipated in late 2012.”

“In combination with the Southern Operations, the development of the Potosi/Silver peak mines and the potential re-opening of the North Mine Uppers and development of the North Mine Deeps area confirms that Broken Hill remains a world class asset and will be a significant base metals producer for a long period of time.”

“Through the recently announced increase in Ore Reserves and Mineral Resources and mine life extension at Perilya’s Cerro de Maimón copper/gold/silver mine in the Dominican Republic, the development of the Potosi/Silver Peaks mines in Broken Hill, the study for the development of the Cumpié Hill laterite nickel project in the Dominican Republic, the development study into the North Moolooloo zinc silicate project in South Australia, the development study into Perilya’s Moblan lithium project in Quebec Canada, the further extension of the reserve and resource base at Broken Hill and the potential development of other feed sources for the Broken Hill concentrator (such as the North Mine Uppers and the North Mine Deeps projects) we find ourselves entering the New Year with an extremely strong production base and a suite of development options.”

“Our task going forward is to ensure this improvement is sustained and to sensibly progress the expansion opportunities that lie before us at Broken Hill and elsewhere in our global suite of assets”.

In December 2011 AMC reviewed the methodologies and processes used to prepare the Southern Operations, Mineral Resource and Ore Reserve estimates. AMC previously reviewed the methodologies and processes used to prepare the Southern Operations and Southern Extensions Mineral Resource and Ore Reserve estimates in December 2010 and September 2009; and in 2008 AMC reviewed the methodologies and processes used to prepare the Mineral Resource estimates for the North Mine Uppers, Potosi and Flying Doctor deposits and the Mineral Resource and Ore Reserve estimates for Southern Operations. In each case AMC reported that in its opinion, the overall approaches and methodologies used to estimate the Mineral Resources and Ore Reserves were consistent with or exceeded accepted industry practice and appropriate for the style of mineralisation that occurs at Broken Hill.

Since Perilya acquired the Broken Hill deposit in 2002 a total of 16.5 million tonnes of ore have been mined containing 1.68 million tonnes of contained zinc and lead. The Ore Reserves have been consistently replenished through classification of areas as economic during development planning and resource extension drilling. Contained zinc and lead metal within the Ore Reserve is currently 1.37 million tonnes, which compares favourably to the 1.28 million tonnes at the time of acquisition of the Broken Hill Operation. Perilya is evaluating further areas for potential inclusion in the Mineral Resource.

Mineral Resources and Ore Reserves are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC). The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves.

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## BROKEN HILL OPERATION MINERAL RESOURCES AND ORE RESERVES UPDATE

The Broken Hill Operation Mineral Resources and Ore Reserve estimates, which include mines and satellite deposits at the Southern Operations; North Mine; Potosi; Silver Peak; Central Blocks; Flying Doctor and Pinnacles, have been updated as at 30 June 2011 (see Table 1 which contains the classified Mineral Resource and Ore Reserve statements).

The Ore Reserve, which only applies to the Southern Operations, is approximately 14.7 million tonnes (“Mt”) at an average grade of 5.3% zinc, 4.0% lead and 43 g/t silver (2010: 15.3Mt at 5.3% zinc, 4.0% lead and 42 g/t silver).

The combined Broken Hill Operation Mineral Resource (Measured, Indicated and Inferred) for the Southern Operations; North Mine Uppers; North Deeps; Potosi; Silver Peak; Central Blocks; Flying Doctor; and Pinnacles (1130 and Henry George deposits), is approximately 22.7 Mt at an average grade of 9.0% zinc, 7.0% lead, and 86 g/t silver (2010: 23.0Mt at an average grade of 9.4% zinc, 7.3% lead and 89 g/t silver).

The Broken Hill Operation Mineral Resources and Ore Reserve data for all mines and deposits is set out in Table 1 and Figures 1 and 2.

Importantly, the security of the updated Ore Reserve has been maintained as a result of continuing improvements in the scheduling of mining activities which has established an economic production life at the Southern Operations of 10 years from 30 June 2011. Substantial Mineral Resources from the Southern Operations, North Mine, Potosi and other satellite deposits may be converted to Ore Reserves at a later date, which could further extend the life of the Broken Hill Operation.

Ore Reserves were estimated from the available Mineral Resource at the Southern Operations, by developing conceptual designs and applying mining factors and costs based on those currently seen in Broken Hill Operations.

The Ore Reserves were estimated using Perilya Broken Hill’s budget costs (2012 Budget) price and operating cost assumptions, including long-term metal prices of US\$2,249 per tonne of zinc, US\$2,315 per tonne of lead and US\$24.20/oz silver with an exchange rate of \$0.95 AUD/US.

The Mineral Resource for the Southern Operations, North Mine Upper (down to 26 level) and Potosi was estimated using a cut-off of 7.0% combined zinc and lead. For the North Mine Deeps, below the 26 level, a cut-off of approximately 8% combined zinc and lead was used and for Silver Peak, Henry George and 1130 deposits a 2% to 5% combined zinc and lead variable cut-off was used. The Flying Doctor deposit was estimated using a 2% combined zinc and lead cut-off, based on mineralised horizons that had nominal 5% combined zinc and lead (high grade) or 1% combined zinc and lead (low grade) boundaries.

In December 2011 AMC reviewed the methodologies and processes used to prepare the Southern Operations Mineral Resource and Ore Reserve estimates. AMC reviewed the methodologies and processes used to prepare the Mineral Resource estimates for the Potosi and Flying Doctor deposits (amongst others) in 2008 but due to limited changes in the estimates for these deposits did not review the methodologies or processes in 2011. AMC reported, in its opinion, the overall approach and methodology used to estimate the Mineral Resources was consistent with accepted industry practice and appropriate for the style of mineralisation that occurs at Broken Hill. With respect to the Mineral Resource reported for the Southern Operations, only Resources that lie within the currently planned mining outlines have been reported, although some mineralisation also exists outside these outlines. AMC considers that the Mineral Resource for Southern Operations provides a suitable basis for estimating the Ore Reserve. A full copy of AMC’s Statement is attached on page 8.

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves.

### North Mine

The Mineral Resource for the North Mine Upper stands at 1.0 Mt containing 7.0% zinc, 9.0% lead and 141 g/t silver and the Mineral Resource for the North Mine Deeps is 3.3 Mt containing 11.5% zinc, 13.8% lead and 224 g/t silver.

Perilya is continuing the development study of the North Mine, including the Upper and North Mine Deeps projects. Under the right economic circumstances and mining approach this resource remains a significant part of Perilya’s long term future.

## **Potosi**

The Potosi deposit contains a number of discrete bodies that make up the Mineral Resource. The Potosi Resource was revised in 2009 based on re-modelling of an extensional drilling program, using the same modelling parameters and methodology as for 2008. The Inferred Mineral Resource for Potosi is currently 1.6 Mt containing 14.1% zinc, 3.4% lead and 46 g/t of silver. The Potosi Mineral Resource includes two mining zones – Potosi North and Potosi Extended. In addition, the adjacent Silver Peak deposit, which is being developed simultaneously with the Potosi deposit as a combined project, contains an Inferred Mineral Resource of 0.39 million tonnes at 4.9 per cent zinc, 9.0 per cent lead and 77 grams per tonne of silver.

Perilya has commenced development of the Potosi/Silver Peak mines and anticipates full production to commence in the first quarter of 2013. Further drilling is underway on the Potosi/Silver Peak mines and the Company anticipates releasing a Resource update for this project during 2012.

## **Flying Doctor**

Perilya is continuing the regulatory approval process for this project to enable early mining when metal prices improve.

## **Outlook and Strategy**

Perilya is targeting combined production of 110,000-120,000 tonnes of contained zinc and lead per annum and 1.4 million to 1.6 million ounces of silver per annum from its Southern Operations.

Perilya is focused on:

- Exceeding the production targets set under the new operating plan, at its Southern Operations, to further improve the financial viability and cash flows from the operation;
- Minimizing the impact of the appreciating Australian dollar on the cost profile to ensure the re-positioned Broken Hill Operation remains competitive on the industry cost curve and ensuring the profit margins of the Broken Hill Operation;
- Continuing to improve productivity rates ;
- Extending the life of the Broken Hill Operation in a sustainable manner;
- Maintaining flexibility to rapidly increase production in response to market price and economic conditions;
- Complete development of the Potosi/Silver Peak mines targeting full production during the first quarter 2013; and
- Continuing with work to strengthen our development pipeline at the Southern Operations and our nearby mine deposits at the North Mine Uppers, North Mine Deeps and Flying Doctor.

To date Perilya has been able to sustain the transformational improvements in productivity achieved through 2009/2010, resulting in a further extension to the life of mine at the Southern Operations to 10 years as of 30 June 2011. Furthermore, we have significantly reduced production costs despite the appreciation of the Australian dollar. Going forward our focus will be on ensuring these improvements continue to be sustained and to rapidly develop, as appropriate, the expansion opportunities that are before us.

**Table 1: Mineral Resources and Ore Reserves - Broken Hill Operation**

Mineral Resource and Ore Reserve as at 30 June 2011				Tonnes	Zinc	Lead	Silver
				'000	%	%	g/t
<b>Resource</b>	<b>Southern Operations</b>	Measured		7,600	8.94	6.68	65
		Indicated		3,300	8.9	6.3	65
		Inferred		1,800	9	8	82
		<b>Total</b>		<b>12,700</b>	<b>8.9</b>	<b>6.8</b>	<b>67</b>
	<b>North Mine Uppers</b> (Above 26L)	Measured		400	7.40	8.00	155
		Indicated		300	7.3	8.4	150
		Inferred		300	7	11	109
		<b>Total</b>		<b>1,000</b>	<b>7</b>	<b>9</b>	<b>140</b>
	<b>North Deeps</b> (Below 26L)	Measured		2,100	11.40	13.90	216
		Indicated		1,200	11.7	13.6	239
		<b>Total</b>		<b>3,300</b>	<b>11.5</b>	<b>13.8</b>	<b>224</b>
	<b>Potosi</b>	Inferred		1,600	14	3	46
		<b>Total</b>		<b>1,600</b>	<b>14</b>	<b>3</b>	<b>46</b>
	<b>Silver Peak</b>	Inferred		400	5	9	77
		<b>Total</b>		<b>400</b>	<b>5</b>	<b>9</b>	<b>77</b>
	<b>Central Blocks</b>	Inferred		700	5	4	43
		<b>Total</b>		<b>700</b>	<b>5</b>	<b>4</b>	<b>43</b>
	<b>Flying Doctor</b>	Indicated		900	3.1	4.2	43
		Inferred		600	3	4	46
		<b>Total</b>		<b>1,500</b>	<b>3</b>	<b>4</b>	<b>44</b>
	<b>Henry George</b>	Inferred		1,300	8	1	14
		<b>Total</b>		<b>1,300</b>	<b>8</b>	<b>1</b>	<b>14</b>
	<b>1130</b>	Inferred		200	12	1	7
		<b>Total</b>		<b>200</b>	<b>12</b>	<b>1</b>	<b>7</b>
	<b>Total</b>	Measured		10,000	9.48	8.32	101
		Indicated		5,700	8.5	7.6	102
		Inferred		6,900	9	5	52
		<b>Total</b>		<b>22,700</b>	<b>9</b>	<b>7</b>	<b>86</b>
		Resource at 30 June 2010		23,700	9	7	89
<b>Reserve</b>	<b>Southern Operations</b>	LHOS**	Proved	4,400	6.3	3.9	43
			Probable	8,600	4.3	3.0	35
<b>Total</b>	<b>13,000</b>		<b>5.0</b>	<b>3.3</b>	<b>38</b>		
		Pillar	Proved	1,300	8.7	10.1	87
			Probable	400	6.7	7.7	63
			<b>Total</b>	<b>1,700</b>	<b>8.2</b>	<b>9.5</b>	<b>81</b>
	<b>Total</b>		Proved	5,700	6.8	5.3	53
			Probable	9,000	4.4	3.2	36
			<b>Total</b>	<b>14,700</b>	<b>5.3</b>	<b>4.0</b>	<b>43</b>
		Reserve at 30 June 2010		15,300	5.3	4.0	42

Mineral Resource cutoff grade (combined Pb and Zn): North Mine Deeps 8%, Henry George / 1130 / Central Blocks variable 2-5%, Silver Peak 5%, all other resources 7%.

\*\* Long-Hole Open Stope Reserve

## Notes

All Mineral Resources and Ore Reserves figures reported represent estimates at 30 June 2011. Competent Persons Statements are provided on page 7 of this report.

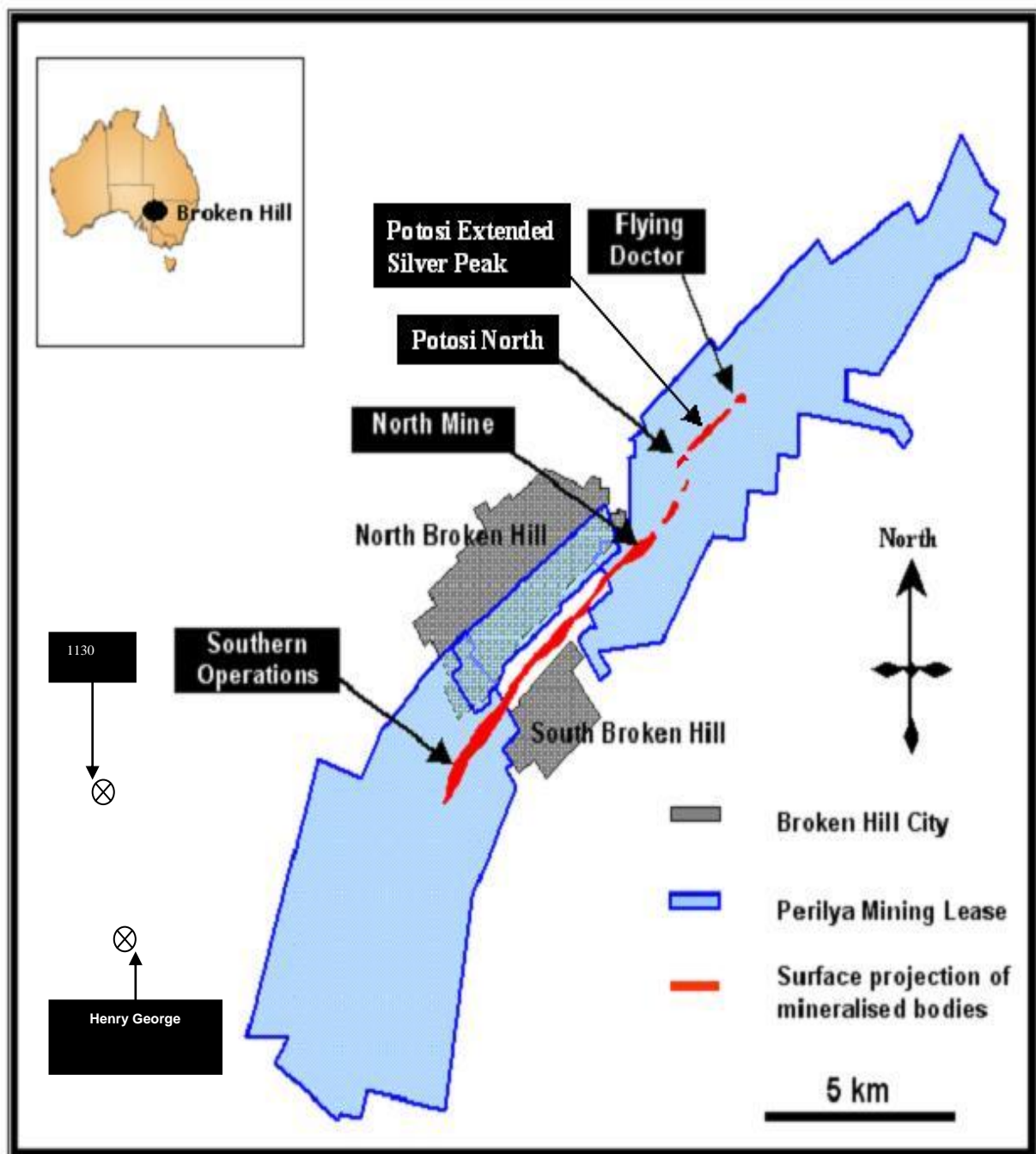
Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves (i.e. Ore Reserves are a sub-set of Mineral Resources and are not additive).

Rounding, conforming to the JORC Code, may cause some computational discrepancies.

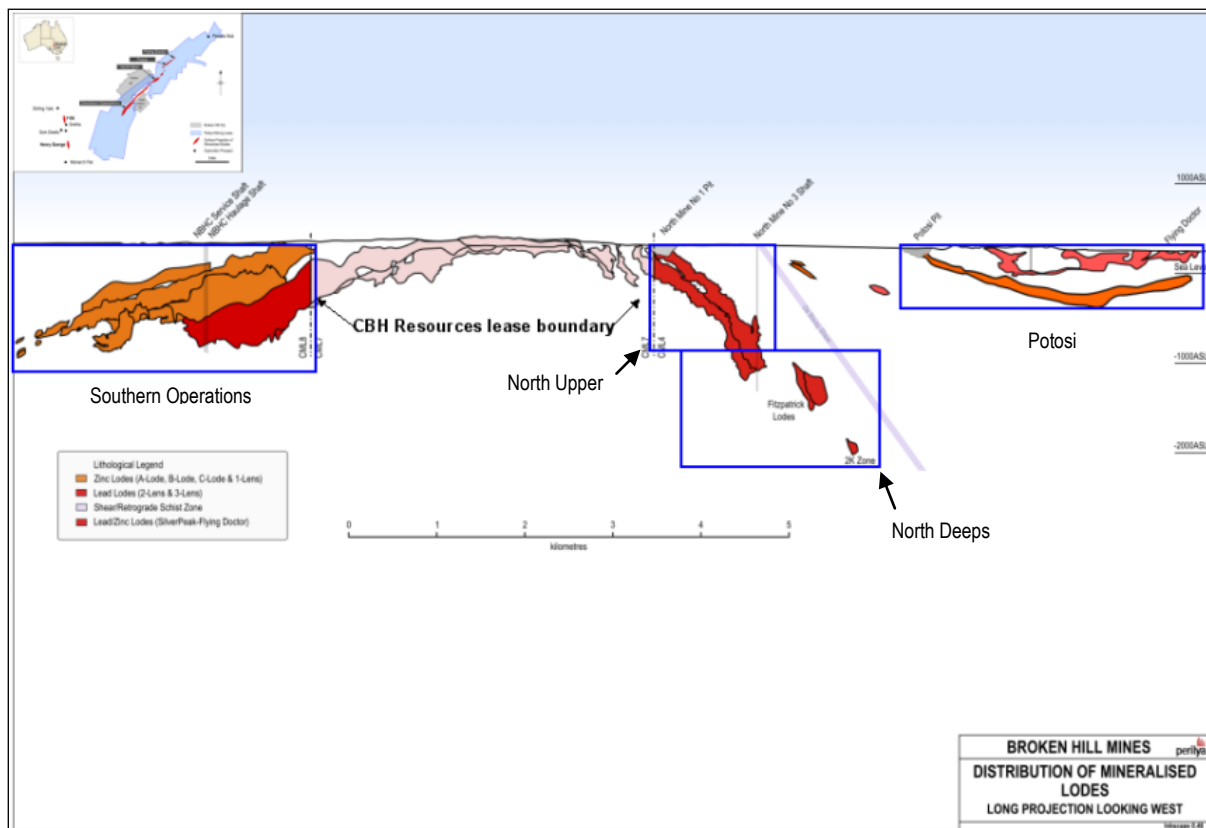
Mineral Resources and Ore Reserves are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC).

Due to the conservative method used for estimating Mineral Resources at Broken Hill using life-of-mine designs there is the potential for the Reserve tonnage to be greater than the Resource tonnage when mining dilution is included in the Reserve estimate.

**Figure 1: Perilya Broken Hill Mines Mineral Resource areas in relation to the lease boundaries and the city of Broken Hill**



**Figure 2: Long Projection of the Mineral Resources and Ore Reserve locations along the main mineralisation trend within Broken Hill**



## COMPETENT PERSON STATEMENTS

### Attribution Statements

The information in this report that relates to Mineral Resources for the Southern Operations, Southern Extensions (reported sub-set), Silver Peak, North Mine Uppers, Potosi, Central Blocks, Flying Doctor, Pinnacles (1130 and Henry George deposits) North Mine Deeps is based on information compiled by Mr Noel Carroll who is a full-time employee of Perilya and is a member of the Australasian Institute of Geoscientists. Mr Carroll 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 Carroll consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Ore Reserves for Southern Operations is based on information compiled by Mr Darryn Slade who was at the time of compiling the report a full-time employee of Perilya and is a member of the Australasian Institute of Mining and Metallurgy. Mr Slade 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 Slade consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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## AMC CONSULTANTS PTY LTD - STATEMENT FOR PERILYA BROKEN HILL

In December 2011 AMC conducted a technical review of the methodologies and processes used to prepare the Southern Operations Mineral Resource and Ore Reserve estimates. AMC previously reviewed the methodologies and processes used to prepare Mineral Resource estimates for the Potosi and Flying Doctor deposits in 2008 (amongst others) but due to limited changes in the estimates for these deposits did not review the methodologies or processes in 2011.

The 2011 review was restricted to assessment of the risks relating to the input data quality, the processes and the methodologies used to estimate the Mineral Resources and Ore Reserve. The review did not involve detailed checks of the actual estimations.

AMC is of the opinion that the overall approach and methodology used to estimate the Mineral Resources is consistent with accepted industry practice and is appropriate for the style of mineralisation that occurs at Broken Hill. AMC has not identified any fatal flaws that could have a material impact on the Mineral Resources as reported.

With respect to the Mineral Resource reported for Southern Operations, only resources that lie within the currently planned mining outlines have been reported, although some mineralisation also exists outside these outlines. AMC believes this to be a conservative but prudent approach considering the remnant mining nature of the operation. AMC considers that the Mineral Resource for Southern Operations provides a suitable basis for estimating the Ore Reserve.

The Ore Reserve for Southern Operations is based on the Measured and Indicated Resource contained within the planned mining outlines. AMC considers that the mining factors applied to allow for ore recovery and dilution are appropriate for the nature of the mining operations, which involves extraction of remnant ore blocks as well as unmined lodes.

AMC believes that the reported Ore Reserve provides a sound basis for predicting the likely tonnages and grades that will be extracted from the planned mining outlines.