

ASX and Media Release

30 December 2009

HEDGING EFFECTIVENESS & US\$ LOAN

Silver and Lead Hedging

The company wishes to advise that as part of its financial year-end planning an issue has arisen as to whether or not the company can adequately satisfy all of the hedge effectiveness requirements under AASB 139 for its silver and lead hedging contracts.

Despite both hedging strategies being economically and commercially effective, there is a divided opinion amongst the major accounting firms as to whether the hedging of different revenue streams derived from the sale of a single concentrate can be considered effective under current Accounting Standards.

Perilya sells its lead concentrate to its customers, from which it earns revenue for lead and silver as well as smaller amounts for gold and copper. The issue noted herein has no impact on the company's sale of zinc.

Whilst views on the application of this aspect of AASB 139 remain divided the Company wishes to advise that it intends to adopt a conservative approach until a definitive position is reached. This is likely to result in the unrealised gains or losses on these derivative contracts being recognised in the income statement rather than through equity on the balance sheet.

Assuming no change to metal prices, these unrealised gains or losses are of a timing nature only and will reverse as the contracts mature over time. Furthermore, this matter has no impact on the cashflows of Perilya or the nature of the underlying hedge contracts themselves.

US\$ Denominated Loan

The USD loan used to finance the silver buy back in July 2009 will also be re-valued at 31 December 2009 using the spot exchange rate as at that date. Due to the strengthening Australian dollar since the loan was drawn, this will likely result in a significant gain that will be recognised in the income statement.

The Company expects to release its financial results for the 6 months to 31 December 2009, during the week beginning 22 February, 2010.

ENDS

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