

## ASX and Media Release

12 November 2009

### INCREASE IN BROKEN HILL MINERAL RESOURCES AND ORE RESERVES

#### Highlights

- Broken Hill Ore Reserves increase by over 28 percent
- A new Life of Mine plan for Southern Operations has been developed that extends the mine life to over ten years
- Life of Mine plan reflects higher production rates than forecast in last year's plan – supporting market guidance of 120,000 to 130,000t of contained metal per annum
- Long term pricing used is conservative against today's metal prices
- There is substantial Resource base for potential conversion to Reserves at a later date
- New Reserves and Resources for Southern Operations have been independently reviewed by AMC Consultants Pty Ltd ("AMC")
- Improvement is reflective of both the improved productivities at Broken Hill and the impact of the silver transaction
- Expect decisions on studies of some expansion projects for Broken Hill by early next year

Perilya (ASX:PEM), the New South Wales zinc, lead and silver miner today announced the updated 2009 Ore Reserve and Mineral Resource statement for its Broken Hill Operation.

Perilya said that its Ore Reserves had increased by 28% to 12.86 million tonnes containing 6.0% zinc, 4.5% lead and 48 g/t of silver and its Mineral Resource by 8% to 20.86 million tonnes containing 9.4% zinc, 7.4% lead and 92 g/t of silver, as at 30 June 2009.

Importantly, the Ore Reserves and the mining plan associated with this Reserve, establish a production life at the Southern Operations at current mining rates of over ten years, under conservative price assumptions. In addition, significant Mineral Resources outside of the reported Ore Reserve could be converted to Ore Reserves at a later date; providing further opportunity to extend the life of mine at Broken Hill.

The security of the Ore Reserves has increased as a result of continued improved operational performance and improved net revenue now received for silver as a result of the silver transaction completed in July.

Perilya's Managing Director, Paul Arndt, said the Ore Reserve and Mineral Resource increase is validation that Broken Hill remains a world-class asset and will be a significant base metals producer for a long period of time.

"Last year Perilya set itself two tasks with the release of the Reserve and Resource statement. These were to reduce our net cash costs to under US\$.60 per pound and to mine in a sustainable way to replace Ore Reserves as we mined. I am pleased to report that with the achievement of a net cash cost for the September quarter of US\$.38 per pound and the addition of 28 % to the reserve base we have well and truly achieved these goals. The hard work done in the past twelve months to lower operating costs, increase productivities and get better recognition in our pricing for our full metals suite enables us to have confidence in our long term future and reward shareholders and stakeholders.

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. "

In September 2009 AMC reviewed the methodologies and processes used to prepare the Southern Operations and Southern Extensions Mineral Resource and Ore Reserve estimates. AMC reviewed the methodologies and processes used to prepare the Mineral Resource estimates for the North Mine Upper, Potosi and Flying Doctor deposits in 2008. In both cases AMC reported that 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. Furthermore they reported the methodology used for resource classification at Southern Operations was conservative but prudent considering the remnant mining nature of the operation.

Since Perilya acquired the Broken Hill deposit in 2002 a total of 12.9 million tonnes of ore has been mined containing 1.3 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 1.35 million tonnes, which compares favourably to the 1.28 million tonnes at the time of acquisition of the Broken Hill Operation. Further evaluation of additional target areas for potential inclusion in the Resource is underway.

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 (including Southern Extensions); North Mine; Potosi; Silver Peak; Central Blocks; Flying Doctor and Pinnacles, have been updated as at 30 June 2009. (See Figures 1 and 2).

The Ore Reserve, which only applies to the Southern Operations, is 12.86 million tonnes ("Mt") at an average grade of 6.0% zinc, 4.5% lead and 48 g/t silver (2008: 10.02Mt at 6.1% zinc, 4.5% lead and 47 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 20.86 Mt at an average grade of 9.4% zinc, 7.4% lead, and 92 g/t silver, representing an increase of 8% on the previous year's Mineral Resource.

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

Importantly, the security of the updated Ore Reserve has increased as a result of improvements in the scheduling of mining activities which has established an economic production life at the Southern Operations of over ten years. 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 life-of-mine designs and applying mining factors.

The Ore Reserves were estimated using conservative price and operating cost assumptions, including long-term metal prices of US\$0.73 per pound of zinc to December 2010 then US\$0.77 per pound, US\$0.77 per pound of lead to December 2010 then US\$0.82 per pound, US\$12.50/oz silver, and an AUD/USD exchange rate of \$0.81 to January 2011 then \$0.80 to remaining life of mine plan.

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.

A number of extensional and near mine exploration targets have been previously identified and reveal significant potential for high grade mineralisation. The Company is targeting a further 3.0 Mt – 5.6 Mt from the near-mine targets at the Southern Operations. Re-logging, re-sampling and re-modelling of the highest ranked targets had commenced at 30th June 2009. This will be a significant potential driver for further extending the life of mine. (The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource). Further additions to the Mineral Resource inventory are anticipated on the successful outcome of drilling of defined exploration targets and lode extensions.

In September 2009 AMC reviewed the methodologies and processes used to prepare the Southern Operations and Southern Extensions Mineral Resource and Ore Reserve estimates. AMC reviewed the methodologies and processes used to prepare the Mineral Resource estimates for the North Mine Upper, Potosi and Flying Doctor deposits in 2008 but due to limited changes in the estimates for these deposits did not review the methodologies or processes in 2009. 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 believes this to be a conservative but prudent approach considering the largely remnant mining nature of the operation. AMC considers that the Mineral Resource for Southern Operations provides a suitable basis for input to estimate 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**

Mining over the year to 30<sup>th</sup> June 2009 minimally depleted the North Mine Upper Resource by 5,000 tonnes. The Mineral Resource for the North Mine Upper is 0.9 Mt containing 7.1% zinc, 8.4% lead and 138 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 feasibility study of the North Mine, including the Upper and North Mine Deeps projects. Under the right economic circumstances and mining approach this ore body 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 based on re-modelling of an extensional drilling program, using the same modelling parameters and methodology as for 2008. An additional 35,000 tonnes of inferred material was added and mining over the same period depleted the Resource by 22,000 tonnes. The Mineral Resource for Potosi is currently 1.6 Mt containing 14.1% zinc, 3.4% lead and 46 g/t of silver.

### **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 120,000-130,000 tonnes of contained zinc and lead per annum and 1.6 million to 1.7 million ounces of silver per annum.

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;
- Maintaining 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; and
- Continuing with work to strengthen our development pipeline at the Southern Operations and our nearby mine deposits at the North Mine, Potosi and Flying Doctor.

To date Perilya has been able to achieve transformational changes in productivity over the past year. Furthermore, we have extended the life of the mine at the Southern Operations and reduced production costs. Going forward our focus will be on ensuring these improvements are sustained and we rapidly develop, as appropriate, the expansion opportunities that are before us.

Table 1: Ore Reserves - Broken Hill Operation

Broken Hill Operations Ore Reserve as at 30 June 2009				Tonnes '000	Zinc %	Lead %	Silver g/t
Reserve	Southern Operations	LHOS**	Proved	4,794	6.5	4.2	46
			Probable	6,163	4.9	3.2	38
			<b>Total</b>	<b>10,957</b>	<b>5.6</b>	<b>3.6</b>	<b>41</b>
			Pillar				
			Proved	1,440	9.3	10.5	93
			Probable	463	6.9	7.3	67
			<b>Total</b>	<b>1,903</b>	<b>8.7</b>	<b>9.7</b>	<b>87</b>
<b>Total</b>			Proved	6,234	7.1	5.6	57
			Probable	6,626	5.0	3.4	40
			<b>Total</b>	<b>12,860</b>	<b>6.0</b>	<b>4.5</b>	<b>48</b>
Reserve at 30 June 2008				10,022	6.1	4.5	47

Table 2: Mineral Resources – Broken Hill Operation

Broken Hill Operations Mineral Resource as at 30 June 2009				Tonnes '000	Zinc %	Lead %	Silver g/t
Resource	Southern Operations	Measured	5,653	9.8	7.8	77	
		Indicated	4,270	9.4	6.2	66	
		Inferred	1,095	10.2	10.9	98	
		<b>Total</b>	<b>11,018</b>	<b>9.7</b>	<b>7.5</b>	<b>75</b>	
<b>North Mine Uppers</b> (Above 26L)		Measured	1	5.0	6.8	67	
		Indicated	73	7.0	7.7	104	
		Inferred	830	7.1	8.5	141	
		<b>Total</b>	<b>904</b>	<b>7.1</b>	<b>8.4</b>	<b>138</b>	
<b>North Deeps</b> (Below 26L)		Measured	2,100	11.4	13.9	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	14.1	3.4	46	
		<b>Total</b>	<b>1,600</b>	<b>14.1</b>	<b>3.4</b>	<b>46</b>	
<b>Silver Peak</b>		Inferred	390	5.2	9.2	78	
		<b>Total</b>	<b>390</b>	<b>5.2</b>	<b>9.2</b>	<b>78</b>	
<b>Central Blocks</b>		Inferred	680	4.7	3.5	43	
		<b>Total</b>	<b>680</b>	<b>4.7</b>	<b>3.5</b>	<b>43</b>	
<b>Flying Doctor</b>		Indicated	865	3.1	4.2	43	
		Inferred	590	3.3	3.7	46	
		<b>Total</b>	<b>1,455</b>	<b>3.2</b>	<b>4.0</b>	<b>44</b>	
<b>Henry George</b>		Inferred	1,290	7.7	0.8	14	
		<b>Total</b>	<b>1,290</b>	<b>7.7</b>	<b>0.8</b>	<b>14</b>	
<b>1130</b>		Inferred	220	12.2	0.6	7.3	
		<b>Total</b>	<b>220</b>	<b>12.2</b>	<b>0.6</b>	<b>7.3</b>	
<b>Total</b>		Measured	7,754	10.2	9.5	115	
		Indicated	6,408	9.0	7.3	96	
		Inferred	6,695	8.9	5.0	60	
		<b>Total</b>	<b>20,857</b>	<b>9.4</b>	<b>7.4</b>	<b>92</b>	
Resource as at 30 June 2008				19,362	9.4	7.3	91

Mineral Resources cut-off grade (combined lead and zinc): North Mine Deeps 8%, Henry George / 1130 / Central Blocks variable 2-5%, Silver Peak 5%, all other Resources 7%.

\*\* Long-Hole Open Stope Reserve and includes development

**Notes**

All Mineral Resources and Ore Reserves figures reported represent estimates at 30 June 2009. 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.

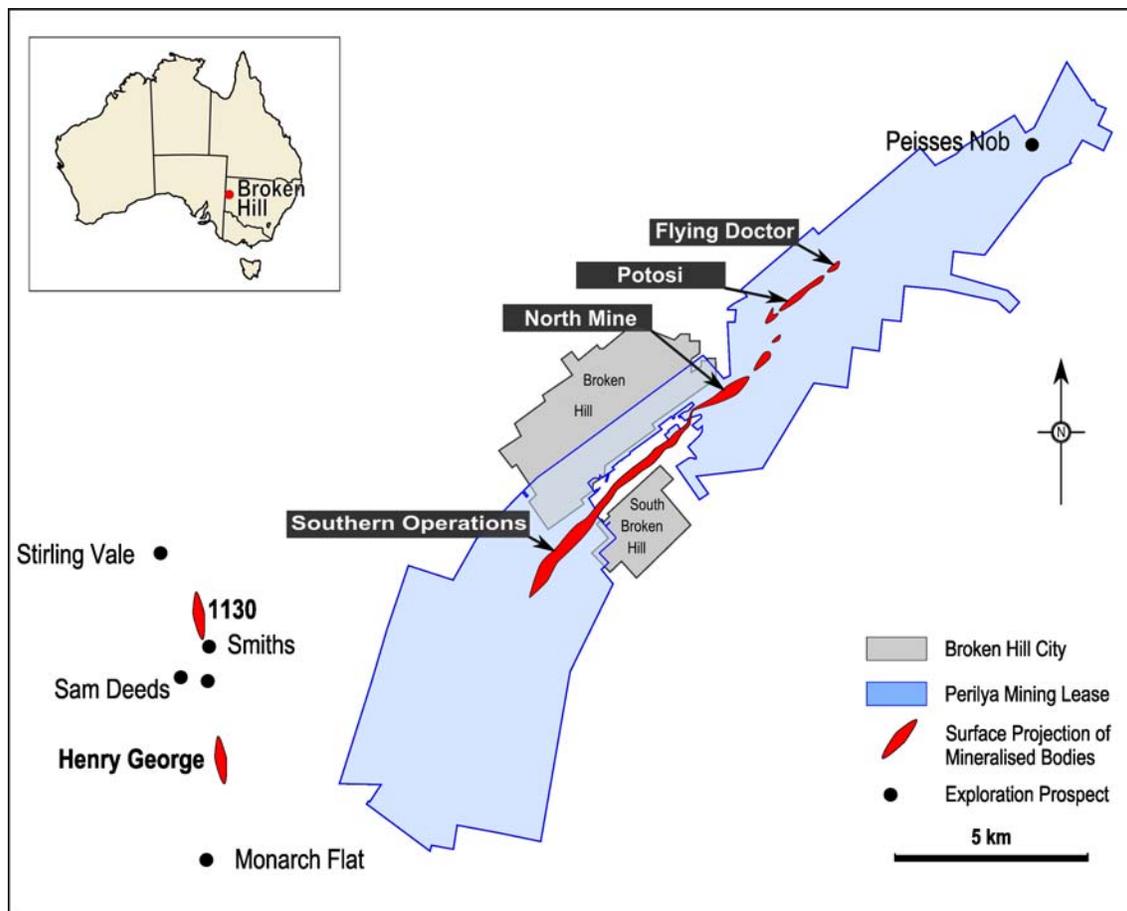


Figure 1: Perilya Broken Hill Mines Mineral Resource areas in relation to the lease boundaries and the city of Broken Hill

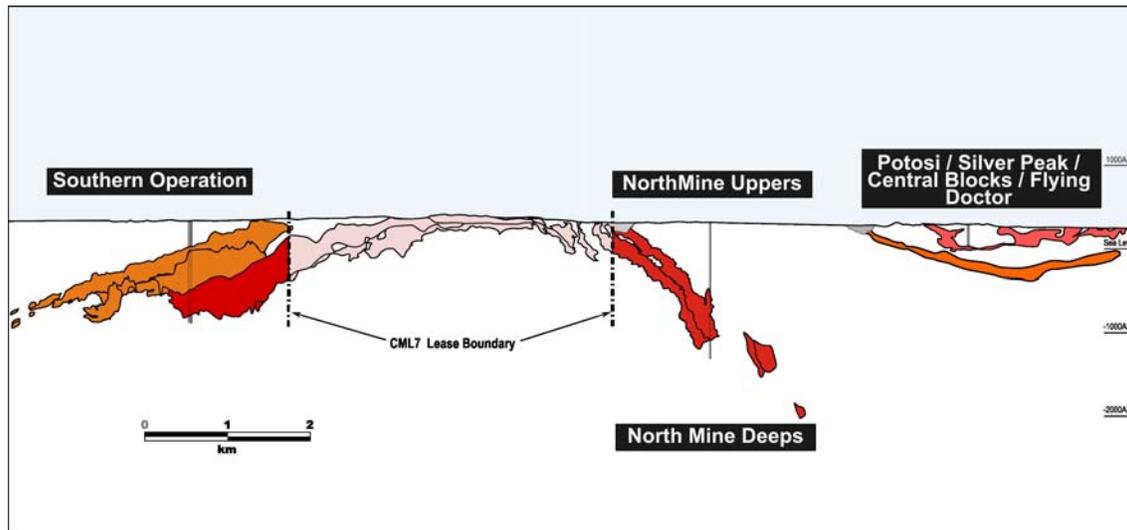


Figure 2: Long Projection of the Mineral Resources and Ore Reserve locations along the main mineralisation trend within Broken Hill

## COMPETENT PERSON STATEMENTS

### Attribution Statements

The information in this report that relates to Ore Reserves for Southern Operations is based on information compiled by Mr Noel Carroll who was at the time of compiling the report a full-time employee of Perilya and is a member of the Australian 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 Mineral Resources for the Southern Operations, Southern Extensions (reported sub-set) and Potosi is based on information compiled by Mr Noel Carroll who is a full-time employee of Perilya and is a member of the Australian 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 Mineral Resources for Silver Peak, Central Blocks, Flying Doctor, Pinnacles (1130 and Henry George deposits) and North Mine Uppers is based on information compiled by Mr David Price. Mr Price who was a full-time employee of Perilya, is now a full-time employee of Runge Limited, and is a member of the Australasian Institute of Mining and Metallurgy. Mr Price 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 Price 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 Mineral Resources for the North Mine Deeps is based on information compiled by Mr Jared Broome who was at the time of compiling the report a full-time employee of Perilya and is now employed by Minerals And Metals Group Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Broome 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 Broome consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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

In September 2009 AMC conducted a technical review of the methodologies and processes used to prepare the Southern Operations and Southern Extensions Mineral Resource and Ore Reserve estimates. AMC previously reviewed the methodologies and processes used to prepare Mineral Resource estimates for the North Mine Upper, Potosi and Flying Doctor deposits in 2008 but due to limited changes in the estimates for these deposits did not review the methodologies or processes in 2009.

The review was restricted to assessment of the risks relating to the input data quality, the process and the methodology used to estimate the Mineral Resources and the 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 input to estimate 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.