ASX and Media Release

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INCREASE IN BROKEN HILL MINERAL RESOURCES AND ORE RESERVES

Highlights

- **Broken Hill Ore Reserves increased by over 18 per cent**
- **A new Life of Mine plan for Southern Operations has been developed that extends the mine life to over 10 years**
- **Long term pricing used is conservative against today's metal prices**
- **The Ore Reserve has been established with economic production for eleven years as of 30 June 2010**
- **There is a substantial Resource base for potential conversion to Reserves at a later date**
- **The 2010 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**

Perilya (ASX:PEM), the New South Wales zinc, lead and silver miner today announced the updated 2010 Ore Reserve and Mineral Resource statement for its Broken Hill Operation.

Perilya said that its Ore Reserves had increased by 18% to approximately 15.26 million tonnes containing 5.3% zinc, 4.0% lead and 42 g/t of silver and its Mineral Resource by 13% to approximately 23.70 million tonnes containing 9.4% zinc, 7.3% lead and 89 g/t of silver, as at 30 June 2010.

Importantly, the Ore Reserves and the mining plan associated with this Reserve, maintain 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 being received for silver as a consequence of the silver buy-back transaction announced in July 2009.

Perilya's Managing Director, Paul Arndt, said "with the announcement of this year's reserve and resource we have been able to not only replace the current year's production but continue to be able to add further to the mine life confirming that Broken Hill remains a world-class asset and will be a significant base metals producer for a long period of time."

"Through the acquisition of GlobeStar, the study for the development of Mount Oxide, the further extension of the reserve and resource base at Broken Hill and the continued development of other feed sources for the Broken Hill concentrator 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. "

In December 2010 AMC reviewed the methodologies and processes used to prepare the Southern Operations, North Mine Uppers and Silver Peak Mineral Resource estimates and the Southern Operations Ore Reserve estimate. AMC previously reviewed the methodologies and processes used to prepare the Southern Operations and Southern Extensions Mineral Resource and Ore Reserve estimates in 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 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 14.5 million tonnes of ore have been mined containing 1.5 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 1.42 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.

Contact:

Investors:

Paul Arndt
Managing Director & CEO
+61 8 6330 1000

Inquiries:

Paul Marinko
Company Secretary
+61 8 6330 1000

Analysts:

Angelo Christou
Chief Financial Officer
+61 8 6330 1000

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 2010. (See Table 1).

The Ore Reserve, which only applies to the Southern Operations, is approximately 15.26 million tonnes ("**Mt**") at an average grade of 5.3% zinc, 4.0% lead and 42 g/t silver (2009: 12.86Mt at 6.0% zinc, 4.5% lead and 48 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 23.70 Mt at an average grade of 9.4% zinc, 7.3% lead, and 89 g/t silver, representing an increase in tonnage of 13.6% 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 and Figures 1 and 2.

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$2,285 per tonne of zinc, US$2,028 per tonne of lead, US$18.80/oz silver to Dec 2011 (US$19.60/oz silver for CY2012, US$18.60/oz silver for CY2013, US$16.50/oz silver for CY2014, US$15.10/oz silver for CY2015 and US$14.00/oz silver beyond 2015) and an AUD/USD exchange rate of $0.90.

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 2010 AMC reviewed the methodologies and processes used to prepare the Southern Operations, North Mine Uppers and Silver Peak Mineral Resource estimates and the Southern Operations Ore Reserve estimate. 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 2010. 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 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 has increased to 1.04 Mt containing 7.3% zinc, 8.9% 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 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 in 2009 based on re-modelling of an extensional drilling program, using the same modelling parameters and methodology as for 2008. The Mineral Resource for Potosi is currently 1.6 Mt containing 14.1% zinc, 3.4% lead and 46 g/t of silver. Perilya is in the process of finalising regulatory approval for this project to enable early mining subject to sustained improvements in metal prices.

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 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; 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 sustain the transformational improvements in productivity achieved through 2009, resulting in a further extension to the life of mine at the Southern Operations to 11 years as of 30 June 2010. 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 2010				Tonnes '000	Zinc %	Lead %	Silver g/t
Resource	Southern Operations		Measured	8,447	9.5	7.0	70
			Indicated	3,289	9.4	6.9	71
			Inferred	1,996	9.9	9.2	91
			Total	13,732	9.6	7.3	73
	North Mine Uppers (Above 26L)		Measured	434	7.4	8.0	155
			Indicated	323	7.3	8.4	150
			Inferred	279	7.3	10.9	109
			Total	1,036	7.3	8.9	141
	North Deeps (Below 26L)		Measured	2,100	11.4	13.9	216
			Indicated	1,200	11.7	13.6	239
			Total	3,300	11.5	13.8	224
	Potosi		Inferred	1,600	14.1	3.4	46
			Total	1,600	14.1	3.4	46
	Silver Peak		Inferred	390	4.9	9.0	77
			Total	390	4.9	9.0	77
	Central Blocks		Inferred	680	4.7	3.5	43
			Total	680	4.7	3.5	43
	Flying Doctor		Indicated	865	3.1	4.2	43
			Inferred	590	3.3	3.7	46
			Total	1,455	3.2	4.0	44
	Henry George		Inferred	1,290	7.7	0.8	14
			Total	1,290	7.7	0.8	14
	1130		Inferred	220	12.2	0.6	7.3
			Total	220	12.2	0.6	7.3
	Total		Measured	10,981	9.8	8.4	101
			Indicated	5,676	8.8	8.0	107
			Inferred	7,045	9.1	5.1	56
			Total	**23,702**	**9.4**	**7.3**	**89**
		Resource at 30 June 2009		20,857	9.4	7.4	92
Reserve	Southern Operations	LHOS**	Proved	4,619	6.2	4.0	44
			Probable	8,408	4.2	2.7	32
			Total	13,027	4.9	3.2	36
		Pillar	Proved	1,556	8.8	9.9	86
			Probable	678	5.2	5.8	52
			Total	2,234	7.7	8.7	76
	Total		Proved	6,175	6.9	5.5	55
			Probable	9,086	4.3	2.9	34
			Total	**15,261**	**5.3**	**4.0**	**42**
		Reserve at 30 June 2009		12,860	6.0	4.5	48

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 2010. 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.

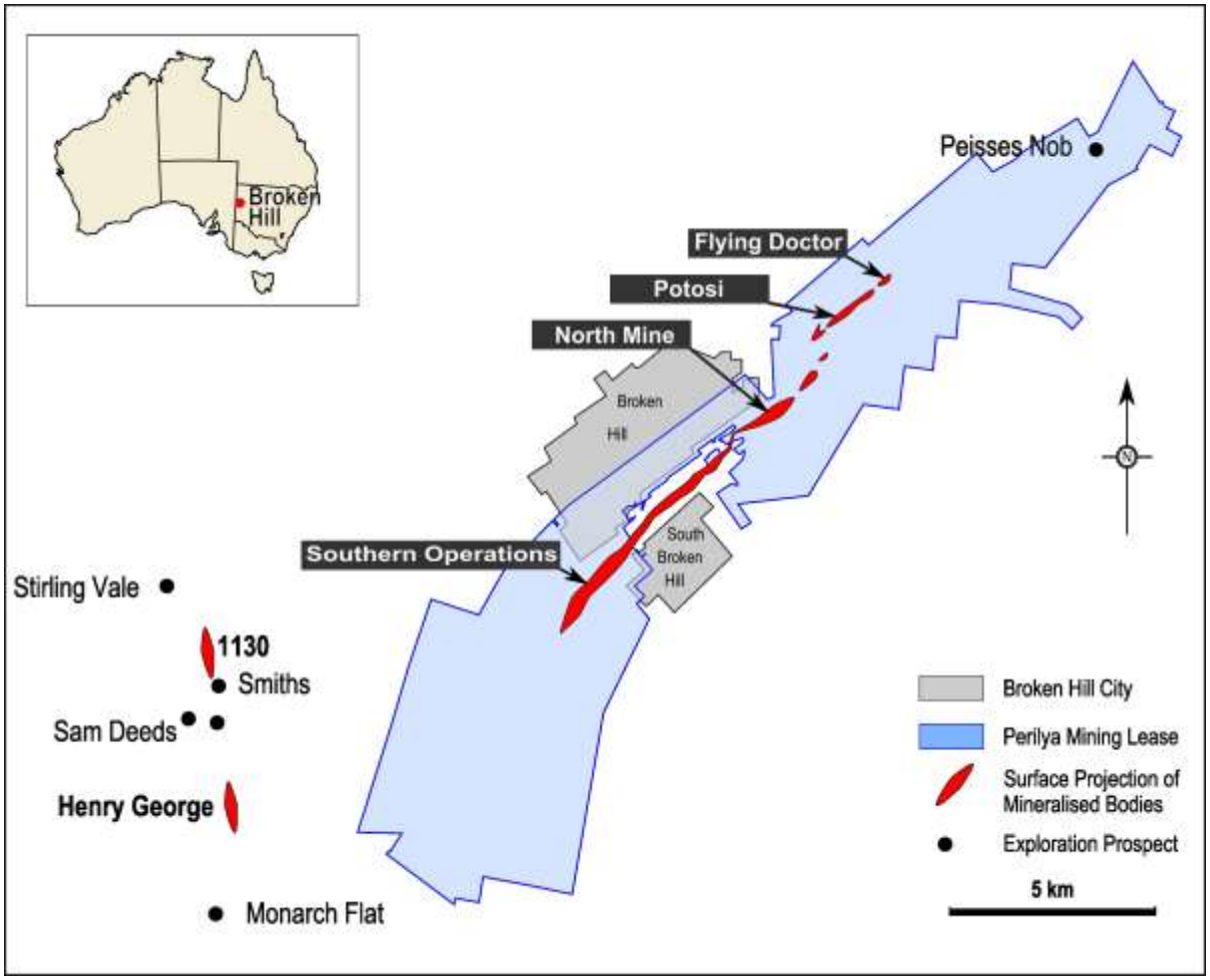

Figure 1: Perilya Broken Hill Mines Mineral Resource areas in relation to the lease boundaries and the city of Broken Hill

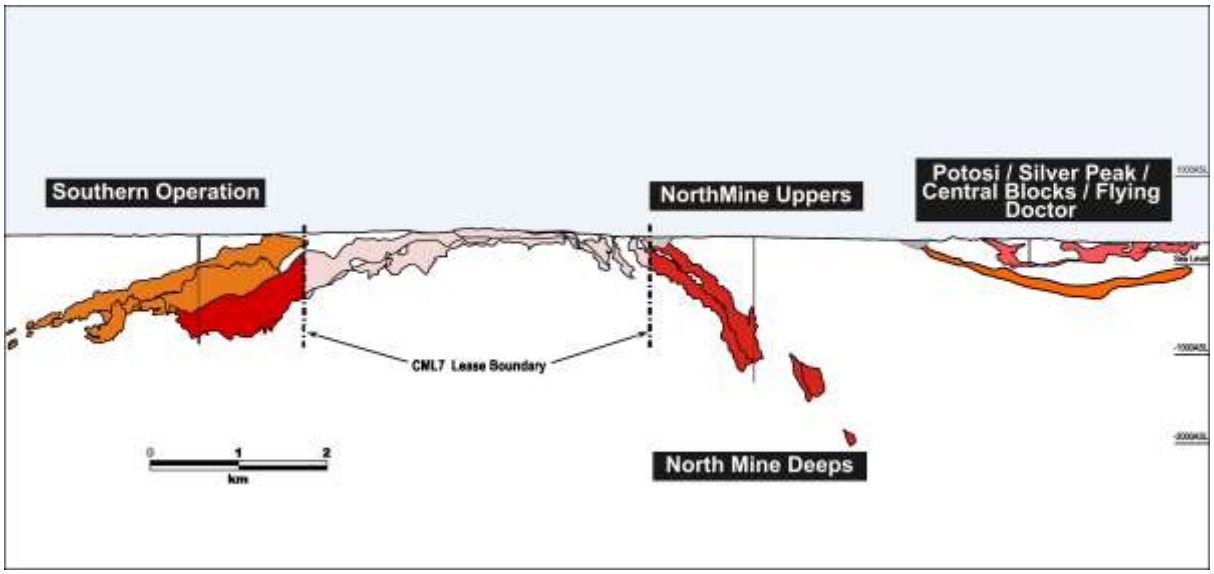

Figure 2: Long Projection of the Mineral Resources and Ore Reserve locations along the main mineralisation trend within Broken Hill

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), Silver Peak, North Mine Uppers 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 Central Blocks, Flying Doctor and Pinnacles (1130 and Henry George deposits) 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 Silver Lake Resources 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 December 2010 AMC conducted a technical review of the methodologies and processes used to prepare the Southern Operations, North Mine Uppers and Silver Peak Mineral Resource estimates and Southern Operations Ore Reserve estimate. 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 2010.

The 2010 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 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 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.