

# Quarterly Activities Report

for the three months ended 31 March 2011

## HIGHLIGHTS

During the quarter, Perilya completed the compulsory acquisition of the remaining 2.23% of the outstanding common shares of Globestar Mining Corporation (“**GlobeStar**”), a former TSX listed company, and as of 10 January 2011 holds 100% of the issued shares of GlobeStar. The acquisition was in line with Perilya’s growth strategy and provides diversification into copper and gold, as well as potential exposure to lithium and nickel. GlobeStar has operating and exploration assets in the Dominican Republic and an advanced lithium project in Canada.

The March quarter represented Perilya’s first quarter operating the Cerro de Maimón mine in the Dominican Republic. During the quarter the Cerro de Maimon mine produced 2,245 t of copper, 3,529 oz of gold and 153,954 oz of silver from a combined mill feed of 162 kt of ore. Overall production performance was at or ahead of forecast with notional C1 Cash costs for the quarter of US\$0.50/lb of payable copper compared to a market guidance of around US\$0.80/lb. This was an outstanding result and reflected the concerted efforts of the Perilya team in quickly consolidating and integrating the former GlobeStar operations into Perilya following completion of the acquisition.

Within the Broken Hill operations the three months ended 31 March 2011 saw the continuation of another quarter of strong performance in mine safety from the Broken Hill operations. The continued improvement in safety performance is demonstrated with the All Injury Frequency Rate dropping to 14.8 (compared with 25.9 at the corresponding time last year). In addition to the continued strong safety performance, notional C1 Cash Costs for the quarter of US\$0.30/lb of payable zinc was well below market guidance of US\$0.50/lb to US\$0.60/lb of payable zinc.

The quarter also saw Perilya announce its decision to commence development of the Potosi/Silver Peak mines in Broken Hill.

Highlights for the quarter include:

### Corporate

- Completion of compulsory acquisition of remaining 2.23% of outstanding shares in the former TSX listed GlobeStar in January following the highly successful takeover of GlobeStar, with operating and exploration assets in the Dominican Republic, and an advanced lithium project in Canada for a total consideration of CAD\$184 million.
- Strong focus on regional exploration activities with programs at Broken Hill, the Flinders project and an expanded drilling program at Mt Oxide supporting the development study continued during the quarter.

### Broken Hill

- Notional net cash costs (C1) for the quarter were US\$0.30/lb of payable zinc (the (C1) notional cash cost calculation assumes that all production including by products produced during the quarter are sold during the quarter) well below market guidance of US\$0.50-US\$0.60/lb of payable zinc, despite strengthening of the Australian dollar (quarter ended December 2010: US\$0.45/lb).
- Cash operating margin of US\$0.79/lb of payable zinc was higher than the previous quarter of US\$0.70/lb of payable zinc due to higher metal prices.
- Production levels for the quarter saw combined metal production of 25,780 tonnes of contained zinc and lead. There is no change to the annualised guidance of 120,000 tonnes.
- Announcement of decision to commence development of the Potosi & Silver Peak mines in Broken Hill following receipt of all necessary development approvals in December 2010.
- North mine development study is well advanced, with the outcome of the study expected during the second half of 2011.

- New ship loading facility at Port Pirie completed enabling export of lead concentrate as well as zinc concentrate
- Continued strong safety performance for the quarter with the All Injury Frequency Rate at 14.8 compared with 25.9 for the corresponding period last year.

### **Dominican Republic**

- Encouraging first quarter of operation at Cero de Maimón with all production physicals at or above forecast and notional C1 cash costs of US\$0.50/lb of copper well below market guidance of US\$0.80/lb of copper.
- Step out drilling at Maimón underway as part of program to potentially extend mine life.
- Permitting commenced for Cumpié Hill Nickel Laterite project being progressed simultaneously with the development study.
- Resource update for Cerro de Maimón well advanced.

### **Quebec, Canada**

- A new resource update for the Moblan Lithium deposit well advanced.
- A development study in conjunction with our 40% joint venture partners, SOQUEM (an investment arm of the Quebec Government) is underway.

### **Flinders**

- Exploration drilling focussed on in-fill diamond drilling around recently identified zinc silicate mineralization at the North Moolooloo prospect area. A resource is being proved up for this area.
- Extensional drilling at the former Aroona Mine was also completed during the quarter aimed at both improving the confidence of earlier drilling and increasing the remaining resource tonnage.

### **Mount Oxide Copper Project**

- The development study program continued through the March Quarter and included an updated geological interpretation using data from the 2010 resource definition drilling program. Results from the 2010 drilling program have confirmed that high grade mineralisation continues at depth. An updated mineral resource estimate for the Mt Oxide Copper Project was completed.
- The development study now indicates that an underground mine development in combination with a shallow open pit may provide a more favourable economic outcome for the project compared to the stand alone open pit mining scenario that was initially the focus of the development study.
- To assist project studies and investigate the potential to extend the higher grade zones along strike and at depth a diamond drilling program has resumed in April. Any success will assist in resource growth and project economics.

## **MD/CEO's COMMENTS**

The March quarter has been a very active and exciting period for Perilya. The quarter saw Perilya complete the compulsory acquisition of the remaining 2.23% of outstanding shares in GlobeStar following the highly successful takeover bid in December 2010. Following the consolidation of GlobeStar as a new wholly owned subsidiary in January, Perilya's main focus has been on integrating the operations into Perilya and exploring the full potential of some of the GlobeStar development opportunities. The successful integration of the Cerro de Maimón operations is evident with the production physicals for the quarter being at or ahead of forecast and the notional C1 cash costs being well below market guidance for the period.

On the exploration front, our team has been very active in evaluating the development potential within GlobeStar's suite of projects. To this end, an active drilling program around the Maimon mining operations is underway with a view to extending the mine life. In addition, we have commenced in conjunction with our 40% joint venture partners a development study into the highly prospective Moblan lithium project, with a new mineral resource anticipated to be released this year. We are also actively exploring the potential of the Cumpie Hill laterite nickel project as a potential direct shipment ore development and are actively pursuing all necessary development permits in conjunction with the development study.

Closer to home, the Company completed an extensive upgrading of its storage and ship-loading facilities at Port Pirie in South Australia. This new negative pressure, dustless storage and handling facility now allows the Company to export lead concentrates from the Port to take advantage of higher spot prices and lower treatment charges available for its product in overseas markets. The upgrade necessitated the closing of the facility from late December through to mid March, which meant that no shipments or sales of the Broken Hill products could be made during this period, which had the anticipated negative short term impact on the Company's cashflow. I am pleased to say that post end of the quarter the Company has now sold all of the stockpiled product from this period.

Sales were also impacted from Cerro de Maimon due to the implementation of a strategy to blend different quality concentrates produced from the mine to reduce the potential for payment of penalty terms on concentrate sales. As a consequence all of the first quarter's production was stockpiled to provide the necessary blending quality. Subsequent to period end sales were recommenced and the stocks will be progressively sold down during the course of the year.

At Broken Hill the Company has continued to maintain a very tight control on costs within the mine gate. The notional C1 cash costs for the quarter were US\$0.30/lb of payable zinc, again well below targeted C1 cash costs of US\$0.50 – US\$0.60/lb of payable zinc.

At Mt Oxide, the Company completed the evaluation of the 2010 drilling program with results from the program confirming that high grade mineralisation continues at depth. These findings together with recent technical evaluation and stakeholder discussion have identified the potential for an underground mining option which was initially excluded from the scope of the development study. We believe that the potential for a favourable impact on project economics justifies further analysis of underground mining as well as a combined shallow open pit and underground mine development. Further drilling will resume in the current quarter to test for higher grade extensions of copper mineralisation which is still open at depth and along strike. Perilya believes that the results of the recent work justifies drilling over the 2011 field season and a study extension to determine the most favourable outcomes for both its shareholders and project stakeholders and to provide an appropriate level of confidence for an investment decision. Positive results from this extended program will further assist the project economics and a positive development decision.

Our focus over the coming months will be to continue the successful integration of the new acquisition, including both the optimisation of current operations as well as investigating, through an active near mine exploration programme, the potential for the Maimón mine to grow in size and/or life. We will also continue to pursue development studies at the Mt Oxide copper project, the Moblan lithium project in Canada, the Cumpié Hill laterite nickel project in the Dominican Republic and the North Mine at Broken Hill. Further, the Company will continue its exploration drilling program in the Flinders region in South Australia and in particular around the North Moolooloo area together with the exploration of the deep target at the Broken Hill Southern operations.

With the strong support of our major shareholder, Zhongjin Lingnan, we will also continue to actively look for further acquisition opportunities that fit within Perilya's strategic plan. The first quarter of 2011 has shown that this will be another very active year for Perilya following on from what was a very active and successful 2010.



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29 April 2011

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## BROKEN HILL OPERATIONS

### Mining Operations

The March quarter showed a continuation of the results highlighted in the December Quarterly Report. Whilst the amount of material mined and treated during the quarter was greater than in the December quarter, the overall performance in terms of metal produced was below plan due to lower grades. During the March Quarter Broken Hill Operations processed 437,074 tonnes of ore which was slightly above plan (plan of 433,000 tonnes). During the March quarter opportunities to increase waste filling presented and as a result waste development increased the amount of waste mined.

Sustained improvements to safety, development rates, long term rehabilitation schedules and pillar mining operations have continued from previous quarters and underline the continuing confidence in the sustainability of the changes evident at the Broken Hill operations. During the March Quarter the Lost Time Injury Frequency rate (LTIFR) has reached a historic low for Broken Hill and the All Injury Frequency rate (AIFR) has reached a new record low level.

The March quarter continued to reinforce the sustainability of the improvements introduced since the operations re-sizing in late 2008. Mine development advance (measured as a combination of advance and rehabilitation) continued to exceed planned performance. Additionally rehabilitation of older excavations continues to exceed expectations with new ground support techniques being trialled to improve the overall performance when exposed to seismicity. Productivity measured in terms of tonnes hoisted per man shift showed a slight increase during the quarter although more development mullock was placed as fill in underground voids than previous quarters. With this taken into account the trend to increased productivity is still evident.

During the March quarter there was an increase in the amount of mined material used to fill underground voids with a total of 96,000 tonnes disposed underground as fill, this compares with 21,000 tonnes placed during the December 2010 quarter. This fill material represents a substantial improvement in overall mining performance.

Concentrator operations continued to match the mine production treating a total of 437,000 tonnes during the quarter. This was possible by virtue of the surface stockpiles remaining from the previous quarter. This exceeds the previous quarter when 403,000 tonnes were treated.

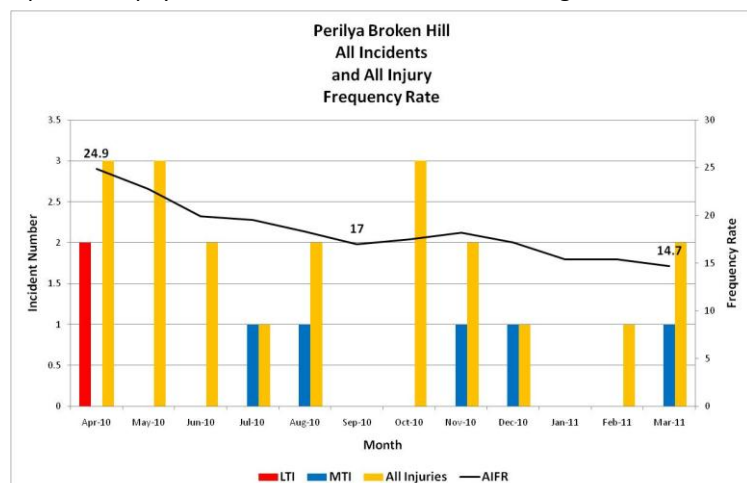
During the March quarter the recovery of lead to concentrate was 85.3% which was slightly below the planned recovery of 86.4%. Zinc recovery averaged 88.0% and this exceeded the planned recovery of 86.5%. Silver recovery was slightly below plan with a recovery of 70.0%. The reduced silver recovery was in line with the below plan head grades.

Key performance indicators for the March quarter showed:

- Mining rates were within 5% of plan
- Development advance was 15% above plan;
- Milling throughput matched plan;
- Combined metal production of 25,780 tonnes; and
- Average notional net cash costs per pound of payable zinc at US\$0.30 well below targeted cash costs of US\$0.50-US\$0.60/lb of zinc.

### Safety

The March quarter continued the positive trends in lag indicators as the lead indicators held steady. The improved safety performance has seen the All Injury Frequency Rate fall to 14.8 while the Lost Time Injury Frequency Rate has been maintained at an all-time low of 1.5. There were no lost time injuries, 1 medically treated injuries and only 2 minor injuries recorded during the quarter. The operation has had another



'Injury Free Month' in January and a record of 342 days without a Lost Time Injury. This is due to the sustained compliance with proactive safety processes as reflected in the lead indicators of safety performance within the Perilya Broken Hill Operations.

The proactive behaviours including safety interactions, "Take Time Take Charge", and hazard reporting, continued to show steady participation and sustained improvement in quality. Over the last three months the focus on identification of hazards through all safety related processes has been maintained at a high level with most being closed out as controlled or eliminated.

The first cycle of the leadership development initiative in our Broken Hill operations has been completed and two more groups of new and relief supervisors are commencing the programme. The positive impact across the operation through increased communication, an alignment of leadership standards and behaviours and the identification and initiation of improvement projects continues.

Significant effort has also been directed towards the introduction of a restructured skills training framework for operators. This new framework aligns with the Australian Quality Training Framework and is being coordinated with a renewal of all site and area inductions.

### Production and Sales

During the quarter 444,000 tonnes of ore was mined from the Southern Operation, which was 3% above plan.

The combined grade of ore processed this quarter was 6.8% (zinc & lead) which, whilst down on the long term plan, was a reflection of the continued development advance (and hence the unplanned greater proportion of lower grade ore won from development) which affected the overall grade processed.

### Production Statistics - Tables

**Table 1: Broken Hill Quarterly Production**

	Mar Qtr 2011	Dec Qtr 2010
<b>PRODUCTION STATISTICS</b>		
<b>Ore</b>		
Total Ore Mined (kt)	444.3	397.3
Total Ore Treated (kt)	437.1	403.5
<b>Zinc</b>		
Grade (%)	3.7	4.2
Concentrate (kt)	29.4	31.2
Contained Zinc (kt)	14.1	15.4
Payable Zinc (kt)	11.8	12.9
<b>Lead</b>		
Grade (%)	3.1	3.6
Concentrate (kt)	16.4	17.5
Contained Lead (kt)	11.8	12.7
Payable Lead (kt)	11.2	12.1
<b>Silver</b>		
Grade (g/t)	38.2	39.3
Contained Silver (Moz)	0.375	0.381
<b>CASH COST &amp; OPERATING MARGIN (US\$/lb zinc)</b>		
<b>Average Price Received</b>	1.09	1.15
Direct Cash Costs	1.41	1.46
By-product credits <sup>(*)</sup>	(1.48)	(1.33)
Zinc treatment charges	0.37	0.32
<b>Net Cash Cost</b>	0.30	0.45
<b>Cash Operating Margin</b>	0.79	0.70

<sup>(\*)</sup> Silver & Lead production net of treatment charges, freight & handling and realised lead/silver hedging gains and losses

## Net Cash Costs of Production

The notional C1 net cash costs of production of US\$0.30/lb of payable zinc for the period was well ahead of the target range of US\$0.50 - \$US0.60/lb of payable zinc despite lower grades than plan due to additional development and some areas of poorer performing stopes during the period.

The cash margin increased on the previous quarter to US\$0.79/lb of payable zinc due to higher metal prices.

## Markets

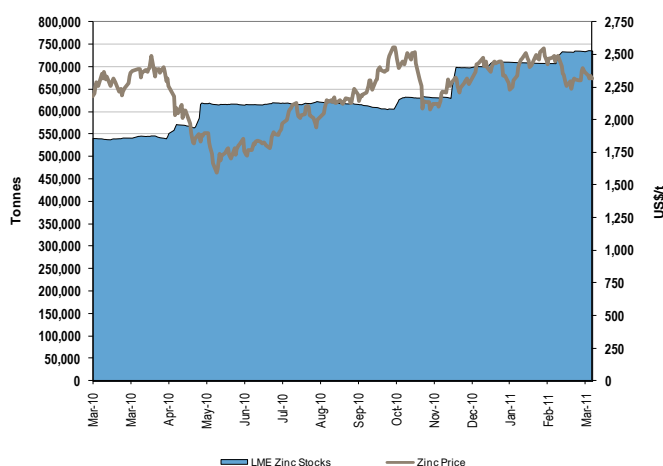
Lead prices rebounded strongly during the quarter from their December lows of US\$2,265/t to US\$2,720/t.

Zinc prices have also rebounded during the quarter from their December lows of US\$2,142/t to US\$2,319/t.

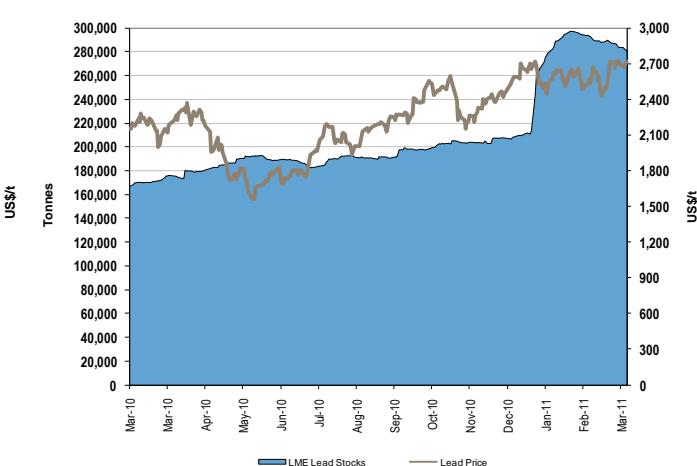
The AUD/USD exchange rate fluctuated between 0.9794 and 1.0334 over the March quarter, with an average of 1.0047 (December 10 quarter average of 0.9872).

Perilya believes that the zinc and lead market fundamentals still remain strong and expect demand to increase particularly from Emerging Markets', combined with supply constraints in the medium term.

**LME Zinc Price (US\$ / tonne)**



**LME Lead Price (US\$ / tonne)**



## CERRO DE MAIMÓN OPERATIONS

### Mining Operations

The Cerro de Maimón mine produced 2,245 t of copper, 3,529 oz of gold and 153,940 oz of silver over the quarter from a combined mill feed of 168 kt. Overall production performance was at planned levels.

A total of 7.5 Mt was mined from the open pit which was marginally below planned year to date levels at the end of March. Mined volumes improved over the quarter and ore production increased following the completion of open pit dewatering in late February. The pit water level increased from the third quarter of 2010 as excess water was accumulated then processed through two temporary treatment circuits. This measure was required to ensure discharge water quality was compliant with release conditions. A permanent reverse osmosis water treatment plant is being installed to resolve this issue and construction of this facility was well advanced at the end of the quarter with commissioning expected to commence in late April.

Lining of the extended co-disposal waste storage facility was completed during the quarter with additional volume available for disposal of mill tailings and waste rock. Scoping studies for sites capable of providing additional storage capacity commenced late in the quarter.

Preparation of an updated mineral resource model was initiated during the quarter. This is the first substantial model update since 2007 and will incorporate both mining depletion and new data from the successful 2010 drill campaign. The resource model will be completed in the June quarter.

### Processing

A major four day planned maintenance shutdown was performed for both milling circuits in March.

## Sulphide Circuit

The sulphide circuit operated at planned levels and treated 119 kt of ore at a feed grade of 2.5% Cu and 82% recovery. Modifications to remove throughput bottlenecks and improve metallurgical recovery were made to the sulphide circuit during the planned maintenance shutdown as part of an overall metallurgical improvement program.

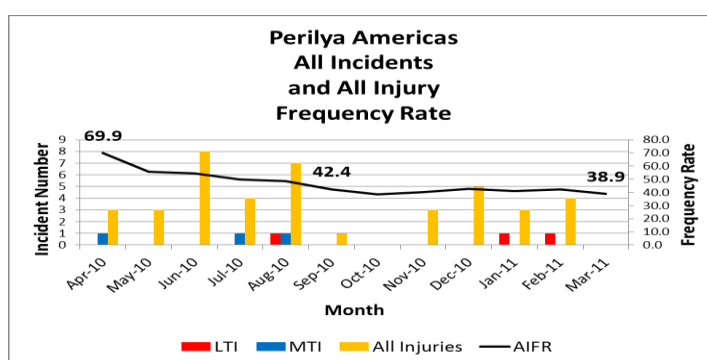
A large portion of the 8,829 t of copper concentrate produced during the quarter was stockpiled as part of a deliberate concentrate blending strategy. Stockpiled concentrate will be blended with future concentrate production, expected to have higher contaminant levels, to meet sales contract specifications.

## Oxide Circuit

The oxide circuit processed 49 kt of ore feed which was 20% below plan due to unexpected mechanical downtime and adverse material properties in the thickening circuit. Higher feed grades of 1.6 g/t Au and 34 g/t Ag partly offset the shortfall in plant volumes. Gold and silver recoveries were 80% and 63% respectively.

## Safety

A major focus for the March quarter was the implementation of key elements of Perilya's safety management system. The effectiveness of this system has been demonstrated at the Broken Hill mine and this knowledge is being transferred to our Dominican operations. This initiative has been well supported with good progress in the areas of safety leadership, workplace inspections, fitness for work, communications, action management and incident reporting and investigation



The number of workplace injuries continued to decline over the quarter with the AIFR falling to 38.9 from 42.7 in at the end of December. However two Lost Time Injuries resulted in a significant increase in the LTIFR from 1.1 to 2.9. There were no injuries in March with a highlight being the completion without incident of a major mill maintenance shutdown.

## Production Statistics - Tables

Table 2: Cerro de Maimón Quarterly Production

	Mar Qtr 2011
<b>PRODUCTION STATISTICS</b>	
<b>Sulphide Plant</b>	
Sulphide ore processed (tonnes)	119,447
Copper Grade	2.5%
Gold Grade g/t	0.7
Silver Grade p/t	54.5
Copper concentrate produced (tonnes)	8,829
Copper concentrate grade	26%
Copper in concentrate (tonnes)	2,245
Gold in concentrate (ounces)	1,330
Silver in concentrate (ounces)	126,275
<b>Oxide Plant</b>	
Oxide ore processed (tonnes)	48,903
Gold Grade g/t	1.59
Silver Grade p/t	34
Gold ounces	2,199
Silver ounces	27,665
<b>CASH COST (US\$/lb copper)</b>	
Net Cash Cost Notional	0.50



## **BROKEN HILL AREA**

### **Southern Extensions, Southern Operations**

Exploration diamond drilling continued on the Southern Extensions project targeting the deep down-hole electromagnetic (EM) anomaly along the Line of Lode down-plunge of mineralization at the Southern Operations.

### **Broken Hill, North Mine**

Work on the North Mine during the period centred on identifying sufficient material to justify the further development of the decline to the lower levels of the North Mine where significant high grade resources exist. With the movement in silver price and the relatively high grades of silver for the North Mine this project is showing great promise and a development decision is expected in the second half of the year.

### **Broken Hill, Potosi Mine**

Drilling to test areas surrounding previously encountered high-grade intercepts in drill-hole 3444 along strike of the Potosi deposit was completed in late November 2010. A total of 6 holes were completed with the most promising results coming from holes drilled up-plunge and north of the Potosi mineralization which intersected sulphide abundances and widths comparable to those in historic hole 3444.

## **FLINDERS ZINC PROJECT**

Drilling in the Flinders Ranges during the quarter concentrated on in-fill diamond drilling around recently identified zinc silicate mineralization at the North Moolooloo prospect area. Encouraging results were returned from the north end of the prospect with a potential resource estimate scheduled for completion in the first half of 2011.

A program of extensional drilling at the former Aroona Mine was also completed during the quarter aimed at both improving the confidence of earlier drilling and increasing the remaining resource tonnage. Higher zinc grades than predicted by the current resource model were intersected at the northwest end of the deposit, although increases to the overall tonnage are expected to be minor. An updated resource estimate will be completed in the first half of 2011.

## **MOUNT OXIDE COPPER PROJECT**

The Mt Oxide Copper Project study program continued during the quarter.

A substantial resource definition drilling program carried out in 2010 to define and characterise the mineralisation within the conceptual ultimate open pit volume. Results from the drilling campaign were used to update the geological model and produce an updated mineral resource estimate for the Mt Oxide Copper Project. The results of this program have been reported in a separate release,

Extensive environmental and heritage assessments and stakeholder consultation have been undertaken as part of the study program. The outcome of consultations with stakeholders around the potential impact of an open pit development and the encouraging drill results at depth lead Perilya to undertake a conceptual underground mining assessment to attempt to lessen the impact on the environment and to take advantage of the higher grade mineralisation at depth. That assessment now indicates that an underground mine development in combination with a shallow open pit may provide a more favourable economic outcome for the project compared to the stand alone open pit mining scenario that was initially the focus of the development study. Whilst an underground mining approach would recover less of the mineral resource than an open pit, it would do so at a significantly higher grade and reduced operating cost.

Whilst Perilya anticipated that a development decision on the Mt Oxide Project would be made in the second quarter of 2011 based on the evaluation of an open pit mine and ore processing facility. The findings from the 2010 drilling program, recent technical evaluation and stakeholder discussion have identified the potential for an underground mining option which was initially excluded from the study scope. The potential for a favourable impact on project economics justifies further analysis of underground mining as well as a combined shallow open pit and underground mine development.



## THE AMERICAS

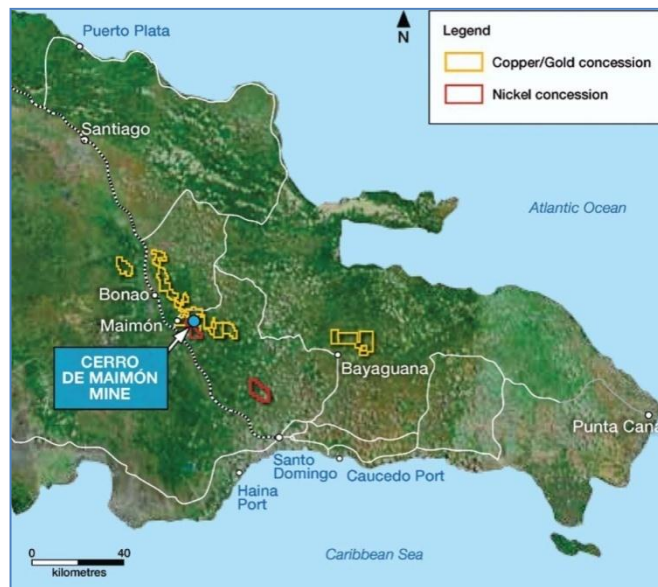


## DOMINICAN REPUBLIC

### Cerro de Maimón Mine Exploration

In 2010 CORMIDOM commenced a diamond drill program to investigate potential sulphide resource and reserve additions around the operating Cerro de Maimón deposit, and to obtain bulk sulphide material for metallurgical testing. This 2010 drilling program had been successful in confirming the down dip and south east continuity of the Cerro de Maimón mineralization in a number of areas outside of the known reserves and resources.

Drilling resumed in January 2011 to further investigate the deposit's depth potential especially to the south east and the relatively untested footwall area, with infill drilling also being carried out. In the March Quarter with 9 diamond drill holes completed and 2 holes still in progress for a total of 3,300 metres.



Although, only limited drilling has been conducted to date, the 2011 program drilling continues to show encouragement with the Cerro de Maimón massive sulphide mineralisation intercepted from drilling more than 400 meters to the south east of the current final pit design at depth, and 100 meters below the current pit design in the central/south pit zones. Assays are still pending for the majority of the drilled holes.

A new geological model has now been developed and an update of a new Cerro de Maimón Resource estimate is progressing with completion expected during the second quarter 2011.

The south eastern extension of the Cerro de Maimón massive mineralised sulphide package currently remains untested for approximately 2 kilometres from the mine with evaluation of this zone to be a key focus during 2011. To assist targeting work will involve detailed soil geochemistry, geological mapping including alteration and structural mapping, plus integration of the Cerro de Maimón three dimensional geological model.

## OTHER EXPLORATION ACTIVITIES

### Cumpié Hill Nickel Laterite Deposits

The Cumpié Hill deposit has a NI 43-101 compliant estimated indicated and inferred mineral resource of 6.2 million tonnes, grading 1.5% nickel at a cut-off grade of 1.0% nickel, containing an estimated 200 million pounds of contained nickel.

In the first quarter of 2011 a soil auger program was carried out in the Cumpié Sector of the Cumpié Hill deposit to assist definition along the currently defined mineralised Ni resource margins. A total of 133 auger holes were completed with this program now identifying a number of prospective zones where the resources in these areas could be expanded when follow-up drilling is carried out, especially in the southern half of the Cumpié Sector.

In the Cumpié area a land survey consisting of property border mapping and owner identification was also carried in preparation for any further development of the project including environmental permitting.

In February 2011 a meeting was held with the director of the environmental management office of the ministry of the Environment in Santo Domingo to discuss terms of reference for environmental approvals. An application for establishing EIA study terms of reference has been prepared and will be submitted in April.

The new terms of reference are expected to be ready for the second quarter of 2011 and after an updated Environmental Impact Study will be put together and completed in the second half of 2011.

### Bayaguana Au/Cu District

The Bayaguana District is the second largest hydrothermal system identified to date in the Dominican Republic after Barrick Gold Corporation's majority-owned Pueblo Viejo gold mine. It is CORMIDOM's concessions are located approximately 60 kilometres east of the Cerro de Maimón Mine and hosts several geologically important copper and gold deposits. The concessions contain a number of prospective targets with the largest mineral deposit is the Doña Amanda deposit, which has a NI 43-101 compliant inferred mineral resource estimated at 128 million tonnes, grading 0.31% copper, 0.19 grams of gold per tonne and 1.43 grams of silver per tonne at a cut-off grade of 0.15% copper.

The exploration program during the first quarter of 2011 has focused on developing a number of prospective areas to assist the next phase of exploration around a number of mineralized structures using both alteration and structural mapping, and trenching.

In the coming months a Mineral Spectrometer (Terra Spec) will be used to generate a 3D alteration model around several known hydrothermally altered systems that may assist targeting.

## CANADA

### Moblan West Lithium Deposit (60% Owned)

The Moblan West lithium deposit, located in northern Quebec, is 60% owned by the Company and 40% by SOQUEM Inc. ("SOQUEM") and contains a current Inferred Mineral resource of 5.3 million tonnes, grading 1.51% lithium oxide ("Li<sub>2</sub>O<sub>2</sub>") at a cut-off grade of 0.43% Li<sub>2</sub>O<sub>2</sub>.

In May 2010, a 99-hole, 13,379-metre, diamond drill program targeted the continuity along dip of the known pegmatite sill and included two phases of infill drilling (50-metre and 25-metre spacing) and two additional deep holes.

During the first quarter of 2011, and incorporating the 2010 drilling an updated resource estimate is progressing and is expected to be completed in the June 2011 Quarter.

The main objectives of the 2011 program defined during the June Quarter will include:

- determine mineralogy and metallurgy
- develop conceptual flow sheet
- development preliminary mine plan and "reserves"
- estimate of capital and operating costs to +/- 20 to 25%
- complete preliminary geotechnical for plant and mine
- preliminary tailing location and conceptual design

- background socio-economic and environmental studies
- develop preliminary marketing plan
- meetings with First Nations to develop a preliminary development agreement which will form a basis for a final agreement

## **CORPORATE**

### **Cash and Investments at 31 March 2011**

At 31 March 2011, the Company held cash, deposits and investments totalling \$66.1 million (31 December 2010: \$127.2 million), represented by:

- Free cash of \$40.3 million (31 December 2010: \$90.5 million);
- Secured cash deposits of \$24.7 million supporting performance bonds required under various mining licences at Broken Hill and security required for the environmental insurance policy related to the Cerro de Maimon mine.
- Commercial paper and other investments of \$1.1 million (written down value).

Perilya generated a negative cashflow for the period due to:

- Post-acquisition paying out GlobeStar's finance facilities in full, with US\$33.4million paid to clear GlobeStar's Nedbank facility including closing its hedge book for its Cerro de Maimón operation.
- Significantly lower sales at Broken Hill operations due to the new Port Pirie storage and ship-loading facilities being installed to facilitate the future shipment of lead concentrate to more attractive markets. This impacted both lead and zinc sales for almost the entire period. Subsequent to the end of quarter stocks have been cleared.
- Implementation of a strategy at Cerro de Maimón of blending copper concentrates to minimise the potential for payment of penalty terms. As a consequence all of the first quarter's production was stockpiled to provide the necessary blending quality. Subsequent to period end sales were recommenced and the stocks will be progressively depleted in the course of the year.

During the quarter, Perilya completed the compulsory acquisition of the remaining outstanding common shares of GlobeStar, a former TSX listed company, with operating and exploration assets in the Dominican Republic, and an advanced lithium project in Canada. Perilya now holds 100% of the issued common shares on GlobeStar.

The Obelisk commercial paper has been sold for \$1.5m during the quarter. Management is in the process of assessing opportunities to sell the remaining commercial paper in hand.

### **Debt**

At 31 March 2011 Perilya has US\$230.2 million of corporate debt (being debt other than equipment finance in the ordinary course of business) which comprises:

- US\$91.2 million 5-year funding for GlobeStar acquisition from China Development Bank (**CDB**);
- US\$49.5 million funding for the termination of the silver sale agreement from Bank of China(**BoC**); and
- US\$89.5 million working capital funding from BoC and CDB.

Perilya also has approximately \$3.0 million in operating debt solely related to mobile equipment financing which is payable over a three to five year period.

### **Hedging Policies**

Perilya has not entered into additional hedging during the quarter.

As previously announced the company had entered into additional lead hedging for 30,000 tonnes of forecast production for the period July 2010 to June 2011 at an average forward price of A\$2,829 per tonne. This represents approximately 50% of anticipated payable lead production for that period.

### Hedging Contracts Summary (as at 31 March 2011)

		2011 Quarter Ending			2012 Quarter Ending				TOTAL POSITIONS
		Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	
ZINC:-									
Tonnes	Tns	2,000	-	-	-	-	-	-	2,000
Price	A\$/tn	2,615	-	-	-	-	-	-	2,615
LEAD:-									
Tonnes	Tns	7,500	-	-	-	-	-	-	7,500
Price	A\$/tn	2,829	-	-	-	-	-	-	2,829
SILVER:-									
Ounces	Ozs	285,000	195,000	195,000	195,000	195,000	195,000	195,000	1,455,000
Price	US\$/oz	16.39	15.50	15.50	18.33	18.33	18.33	18.33	17.19

#### Competent Persons Attribution Statement:

The information in this quarterly report that relates to exploration results for the Flinders region and Mt Oxide is based on information compiled and/or reviewed by Mr Martin Jones who is a full time employee of Perilya and is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists. Mr Jones 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 Jones consents to the inclusion in this quarterly report of the matters based on the information in the form and context in which it appears.

The information in this quarterly report that relates to exploration results for the Dominican projects and for the Moblan West Lithium project is based on information compiled and/or reviewed by Dr. Sergio Gelcich, PhD, P.Geo., Senior Geologist. Dr. Gelcich has visited the projects on a number of occasions during devolvement of the exploration programs and has validated all relevant data. Dr Gelcich has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Qualified Person as defined under NI 43-101 (Canada). Dr. Gelcich consents to the inclusion in this quarterly report of the matters based on the information in the form and context in which it appears.

## CORPORATE DETAILS

### Board of Directors:

Zhang Shuijin	Non- Executive Chairman
Patrick O'Connor	Non- Executive Deputy Chairman
Paul Arndt	Managing Director/CEO
Wang Wen	Non-Executive Director
Peter Harley	Non-Executive Director
Minzhi Han	Non-Executive Director

### Principal & Registered Office:

First Floor, Building E  
661 Newcastle Street, Leederville  
Perth Western Australia 6007  
ABN : 85 009 193 695

### Share Registry

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth, Western Australia 6000

Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Email: perth.services@computershare.com.au

### Capital Structure:

Ordinary Shares	526,075,563
Unlisted Options	7,189,721
Performance Rights	53,900

### Major Shareholders:

Shenzhen Zhongjin Lingnan	
Nonfemet Co. Ltd	52.00%
L1 Capital Pty Ltd	7.03%

### Australian Stock Exchange Listing

ASX Code: PEM

### Company Secretary:

Paul Marinko +61 8 6330 1000

### Contact Details:

Email: [perilya@perilya.com.au](mailto:perilya@perilya.com.au)  
Website: [www.perilya.com.au](http://www.perilya.com.au)  
Telephone: +61 8 6330 1000  
Facsimile: +61 8 6330 1099

## COMPANY PROFILE

*Perilya is an Australian base and precious metals mining and exploration company, which owns and operates the iconic Broken Hill zinc, lead, silver mine in NSW Australia and, with the successful takeover of GlobeStar Mining Corporation in December 2010, the Cerro de Maimón copper, gold & silver mine in the Dominican Republic. The Company's operations at the iconic Broken Hill mine went through a resizing in 2008 which has resulted in significant improvement in productivity, profitability and cashflows resulting in an extension to the life of mine of in excess of 10 years.*

*In addition to its mining operations, the Company has an active exploration and development program which includes exploration and development programs in the Broken Hill region NSW Australia and in the Flinders region of South Australia in the vicinity of its Beltana zinc silicate project. The Company also has extensive exploration programs underway on its Dominican Republic mining and exploration concessions that include a laterite nickel project and highly prospective copper, gold & silver targets near its Cerro de Maimón mine.*

*The Company is reviewing options for the development of the Mount Oxide Copper and Cobalt Project in the Mount Isa region in Queensland. In addition, the Company has a 60% interest in the Moblan lithium project located in Quebec, Canada, which is currently undergoing a development study (the remaining 40% is held by SOQUEM, which is an investment company owned by the Quebec Government in Canada).*

*Perilya is owned 52% by Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd, (China's third largest zinc producer).*

*For more details, visit [www.perilya.com.au](http://www.perilya.com.au)*