

# Quarterly Activities Report

for the three months ended 30 June 2011

## HIGHLIGHTS

The June quarter saw an outstanding performance from Perilya's newly acquired Cerro de Maimón mine across all areas of activity including physical production, safety, costs and cashflow. During the quarter the Cerro de Maimón operations produced 3,225 tonnes of copper, 4,301 ounces of gold and 196,360 ounces of silver, which is well ahead of plan production for the quarter by 35% for copper, 12% for gold and 127% for silver. Net cash costs (C1) for the quarter were US\$0.00/lb of payable copper, again well ahead of guidance of US\$0.80/lb of payable copper. Cerro de Maimón's production to the end of June is well ahead of plan for the year to date for all metals including copper, gold and silver.

Broken Hill operations also continue to perform strongly in the face of significant adverse external events including a considerable appreciation of the Australian dollar and a weakening of metals prices, particularly zinc and to a lesser degree lead, during the period. Notwithstanding the strong upward pressure on net C1 cash costs on Broken Hill operations as a result of these adverse external events, the operations produced another solid performance in terms of both production and a continued focus on cost control resulting in meeting plan production and again recording notional net C1 cash costs below market guidance. Broken Hill produced approximately 30,000 tonnes of combined zinc and lead (in line with plan) and 371,000 oz of silver (ahead of plan) during the quarter, with notional net cash costs (C1) of US\$0.49/lb of payable zinc, which was again below guidance of US\$0.50-US\$0.60/lb of payable zinc.

Within the Broken Hill operations the three months ended 30 June 2011 saw the continuation of very strong performance in mine safety. The continued improvement in safety performance is demonstrated with the All Injury Frequency Rate dropping to another new record low of 11.8 (compared with 19.9 at the corresponding time last year). The strong safety culture and behaviours maintained at Broken Hill are being migrated to the Company's newly acquired Cerro de Maimón operations through the secondment of Broken Hill's safety manager to Cerro de Maimón earlier this year. The results are self-evident with the All Injuries Frequency Rate at the Cerro de Maimón operations dropping from 42.6 when Perilya commenced operating the mine to 34.1 by the end of the quarter.

The quarter also saw Perilya announce a new Mineral Resource for the Mt Oxide Copper project, North Moolooloo zinc silicate project and the newly acquired Moblan Lithium project.

Highlights for the quarter include:

### Corporate

- Continuation of outstanding results at the newly acquired Cerro de Maimón mine and another solid performance from the Broken Hill operations notwithstanding an environment of an appreciating AUD against the US dollar and weak metal prices particularly for zinc shows that Perilya is reaping the benefits of its diversification and growth strategy.
- Repayment immediately post end of quarter of the US\$49.5 million loan from Bank of China twelve months ahead of schedule. The loan was taken out to finance the silver buy-back in July 2009.
- Establishment of new banking relationship with Industrial and Commercial Bank of China, with a new, unsecured, rolling \$30 million working capital facility.
- Appointment of Mr Minzhi Han as General Manager, Metals Marketing

### Broken Hill

- Notional net cash costs (C1) for the quarter were US\$0.49/lb of payable zinc, below market guidance of US\$0.50-US\$0.60/lb of payable zinc, despite strengthening of the Australian dollar (quarter ended March 2011 notional net cash costs (C1): US\$0.30/lb) (the (C1) notional cash costs calculation assumes that all production including by products produced during the quarter are sold during the quarter).

- Cash operating margin of US\$0.53/lb of payable zinc was lower than the previous quarter of US\$0.79/lb of payable zinc due to the effect of the strengthening dollar, lower lead by product pricing and lower zinc metal prices.
- Production levels for the quarter saw combined metal production of 30,000 tonnes of contained zinc and lead in line with plan. There is no change to the annualised production guidance of 110,000-120,000 tonnes of combined zinc & lead.
- Pre-development work well advanced on the Potosi & Silver Peak mine development with the box cut portal blasted in the quarter and mining contractors expected to commence work in August 2011.
- North mine development study is continuing, with the outcome of the study expected late 2011/early 2012.
- Historic first shipments of lead concentrate from the Company's new ship loading facility at Port Pirie completed during the quarter, with the new negative pressure, dustless storage and handling facilities exceeding expectations.
- Continued strong safety performance for the quarter with the All Injury Frequency Rate at 11.8 compared with 19.9 for the corresponding period last year.

### **Dominican Republic**

- Outstanding second quarter of operation at Cero de Maimón with all production physicals well ahead of forecast and notional C1 cash costs of US\$0.00/lb of copper well below market guidance of US\$0.80/lb of copper.
- Increase in full year production guidance to 10,000t – 11,000t of copper, 550,000oz – 600,000oz of silver and 15,500oz – 16,500oz of gold (up from 9,300 tonnes of copper, 340,000 ounces of silver and 15,000 ounces of gold).
- Reduction in cash costs guidance for the full year to US\$0.30 - US\$0.40/lb of payable copper (previous guidance of US\$0.80/lb of payable copper).
- Step out drilling from the open pit show promising results, indicating there is good potential to extend the life of the mine.

### **Quebec, Canada**

- A new Mineral Resource estimate for the Moblan Lithium deposit released showing 14.25 Mt at a grade of 1.41% Li<sub>2</sub>O using a 0.60% Li<sub>2</sub>O cut-off grade, which more than doubles the previous Mineral Resource.
- A scoping study in conjunction with our 40% joint venture partners, SOQUEM (an investment arm of the Quebec Government) is continuing with the results due first half of 2012.

### **Flinders**

- Release of a new Mineral Resource estimate for North Moolooloo with an Indicated Mineral Resource of 214,000t @ 34.4% Zn (using a 10% zinc cut-off grade) for a contained 73,500t of zinc metal.
- Commencement of a development study at North Moolooloo to evaluate the feasibility of an open pit extraction of the resource.

### **Mount Oxide Copper Project**

- An increase in Mineral Resource for Mt Oxide was announced on 28 April 2011 increasing the Resource estimate to 15,976,000 tonnes of material at 1.43% Cu for a total of 228,017 tonnes of contained copper, using a conservative cut-off grade of 0.5% (previous mineral resource showed 17,579,000 tonnes of material at 1.26% Cu for 222,000 tonnes of contained copper, using a 0.2% cut-off grade).
- Extension of the development study to include an underground mining option to take advantage of the higher grade mineralisation at depth and to attempt to lessen the impact on the environment.
- Appointment of Ms Fran Burgess as General Manager, Projects & Group Metallurgy, with responsibility for the Mt Oxide development study.

## MD/CEO's COMMENTS

The June quarter saw the benefits of Perilya's diversification and growth strategy come to the fore with the Company having a reduced reliance on the Broken Hill Operations as the Company's sole source of revenue and its increased ability to withstand external shocks to its Broken Hill Operations. This is particularly highlighted within the recent quarter where we saw a sustained period of strong appreciation of the Australian dollar and a weakening of metal prices, particularly for zinc and to a lesser degree lead, where notwithstanding these challenges, Broken Hill was able to meet its plan production and stay below guidance on costs. Off-setting the challenges faced by the Broken Hill Operations was the outstanding performance at the Company's newly acquired Cerro de Maimón operations, which provides both country and product suite diversification (into copper and gold) as well as a strongly accretive cashflow for the Company.

Production for the quarter at Cerro de Maimon included 3,225 tonnes of copper (35% above plan), 4,301 ounces of gold (12% above plan) and 196,360 ounces of silver (127% above plan). The outstanding production performance improvement at Cerro de Maimón, which has continued from the first quarter, is a result of a sustained increase in operational intensities and mill recoveries. Whilst final production output at Cerro de Maimón will be dependant on the pit areas available for mining, in light of the consistent high production performance year to date, Perilya is increasing its annual expected production forecast to 10,000 – 11,000 tonnes of copper, 550,000oz – 600,000oz of silver and 15,500oz – 16,500oz of gold (up from 9,300 tonnes of copper, 340,000 ounces of silver and 15,000 ounces of gold).

Cerro de Maimon's exceptional performance on the cost front with net C1 cash costs for the quarter of US\$0.00/lb of payable copper places it amongst the lowest cost copper mines in the World, again highlighting the extraordinary value this acquisition brings to the Company and its shareholders. In light of this consistent performance on costs, Perilya has revised downward its guidance on C1 cash costs for the full year to US\$0.30 – US\$0.40/lb of payable copper (previous guidance of US\$0.80/lb of payable copper).

The increase in notional net C1 cash costs for Perilya's Broken Hill operations to US\$0.49/lb of payable zinc for the quarter, whilst outstanding in the circumstances, were in part a result of the price adjustment for quarter 1 actual realised prices, which were determined in the 2<sup>nd</sup> quarter. Whilst the significantly appreciating Australian dollar and weaker zinc and lead metal prices puts strong upward pressure on Broken Hill's net C1 cash costs, in light of operating efficiencies, costs savings and performance year to date, Perilya is able to maintain its market guidance of annualised C1 cash costs for Broken Hill in the range of US\$0.50 – US\$0.60/lb of payable zinc. The strong quarterly production performance from Broken Hill and increased recoveries from milling operations ensures that Perilya is also able to maintain its annualised production guidance of 110,000-120,000 tonnes of combined zinc & lead from Broken Hill operations.

The June quarter also saw the Company release a number of Mineral Resource estimates, which is the result of a very active exploration program and evidence of the Company's commitment to fully exploring the potential of its highly prospective suite of exploration and development projects. The Mineral Resource estimates announced during the quarter included a more than doubling of the Mineral Resource for the Moblan lithium project to 14.25 Mt at a grade of 1.41% Li<sub>2</sub>O using a 0.60% Li<sub>2</sub>O cut-off grade (up from the previous resource estimate of 5.34 million tonnes at 1.51% Li<sub>2</sub>O using a cut-off grade of 0.43% Li<sub>2</sub>O). This is a world class hard rock lithium pegmatite deposit that compares very favourably to other projects around the World that are being developed or new to production. Moblan is an exciting deposit that comprises a very consistent and wide ore body with preliminary work indicating a very low stripping ratio for open pit mining with much of this increased Mineral Resource likely to fall within the conceptual pit shell. The resource is open at depth and further drilling to increase the resource will be planned in future programs.

The Company also released a maiden Mineral Resource estimate for its newly discovered North Moolooloo deposit showing an indicated Mineral Resource of 214,000t @ 34.4% Zn for a contained 73,530t of zinc metal, using a 10% cut-off grade. This is an exciting discovery as the deposit represents one of the highest grade deposits discovered in the area to date and extends from near surface to a depth of approximately 150 metres. This is the second significant zinc silicate discovery by the Company in the Flinders Ranges – the first being the Reliance discovery in 2001 – and follows the Company's highly successful open pit Beltana development, also in the Flinders region. Preliminary work indicates that the ground conditions are very similar to the Beltana project giving the Company a high degree of confidence around the potential for an economic open pit mining operation.

At Mt Oxide, the Company announced during the quarter an increase in Mineral Resource estimate following a successful drilling program over 2010. The new Mineral Resource comprises 15,976,000 tonnes of material at 1.43% Cu for a 228,017 tonnes of contained copper, using a conservative cut-off grade of 0.5% (previous

mineral resource showed 17,579,000 tonnes of material at 1.26% Cu for 222,000 tonnes of contained copper, using a 0.2% cut-off grade). The increased mineral resource and advancement of the development study continues the company's endeavour to identify the most viable development option that creates value for both shareholders and stakeholders. As a result of this work, a more detailed assessment of the underground mining option at Mt Oxide is being undertaken as part of the extended development study. Further drilling resumed in the June quarter to test for higher grade extensions of copper mineralisation which is still open at depth and along strike.

At Cerro de Maimón, the Company's step out drilling program has confirmed massive sulphide mineralisation continues both along strike and at depth, indicating there is good potential to extend the life of the mine.

On the financial front, Perilya's free cash on hand for the period has increased to \$92.9 million (up from \$40.3 million at the end of the March quarter). During the quarter Perilya established a new banking relationship with Industrial & Commercial Bank of China, with a new unsecured rolling \$30 million working capital facility. Immediately post end of the quarter the Company repaid in full, and twelve months ahead of schedule, its US\$49.5 million facility with bank of China, which was taken out to finance the silver buy-back transaction in July 2009.

During the quarter the Company commissioned and commenced loading operations from its extensively upgraded 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. Perilya commenced its historic first shipments of lead concentrate during the quarter, with the performance of the facility exceeding expectations.



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## BROKEN HILL OPERATIONS

### Mining Operations

The June quarter saw the Broken Hill operations deliver a strong performance highlighted by both improving grades and improvements in recoveries. The total amount of ore processed during the quarter was less than in the March quarter as the focus turned to reducing the impact of waste dilution. The overall performance in terms of combined zinc and lead metal produced was in line with plan and silver production was above plan.

Improvements in safety performance have continued from previous quarters and underline the continuing confidence in the sustainability of the changes evident at the Broken Hill operations. During the June Quarter the Lost Time Injury Frequency rate (LTIFR) has reached a historic low for Broken Hill. Unfortunately a lost time injury during the quarter meant that the site just failed to reach a year without a Lost Time injury. The All Injury Frequency rate (AIFR) has reached a new record low level and continues to fall.

The June quarter continued to reinforce the sustainability of the improvements in the Broken Hill operation. Mine development advance (measured as a combination of advance and rehabilitation) continued to exceed planned performance. Trials of new ground support designed to improve the overall performance when exposed to seismicity have continued with encouraging results.

During the June 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 mine production treating a total of 400,000 tonnes during the quarter. Some surface stockpiles remained at the conclusion of the quarter.

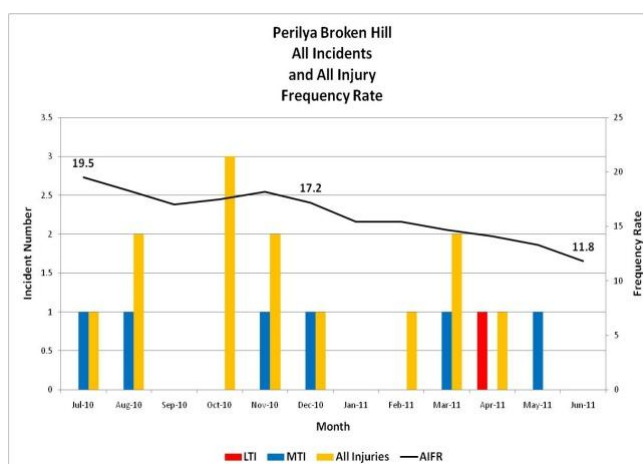
During the June quarter the recovery of lead to concentrate was 89.8% which was significantly above the planned recovery of 85.2%. Zinc recovery averaged 88.7% and this also exceeded the planned recovery of 86.2%. Silver recovery was above plan with a recovery of 78.34%. The increased silver recovery was greater than that predicted for the head grades.

Key performance indicators for the March quarter showed:

- Mining rates were on plan
- Development advance was 12% above plan;
- Milling throughput was 1.4% below plan;
- Combined metal production of 30,000 tonnes was in line with plan; and
- Average notional net cash costs per pound of payable zinc at US\$0.49 below targeted cash costs of US\$0.50-US\$0.60/lb of payable zinc.

### Safety

The June quarter continued the positive trends in lag indicators as hazard identification and proactive safety activities increased slightly. The improved safety performance has seen the All Injury Frequency Rate fall to 18.8 while the Lost Time Injury Frequency Rate has been maintained at an all-time low of 0.8. There was one lost time injury, one medically treated injury and one minor injury recorded during the quarter. The lost time injury occurred when an electrician was burned by a flashover but focused injury management has seen him make a full recovery and back at work in less than four weeks. 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, continue to be the leadership focus showing steady participation and efforts to deliver consistent high 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 over 350 being closed out as controlled or eliminated each month.

The two groups of new and relief supervisors currently engaged in the leadership development initiative are coming to the end of their programme. The positive impact on the operation through increased communication, an alignment of leadership standards and behaviours and the identification and initiation of improvement projects continues.

Significant training effort is being directed towards the introduction updated skills training for operators and the opportunity is being taken to revisit any required skills that have not been accredited in the last two years. This new framework aligns with the upgraded RII09 Australian Quality Training Framework.

## Production and Sales

During the quarter 402,000 tonnes of ore was mined from the Southern Operation, which is 3% below plan.

The combined grade of ore processed during the quarter was 8.4% (zinc & lead) (up from 6.8% (zinc & lead) in the previous quarter), is a reflection of the improvement in overall mining performance through increased use of waste material to fill underground voids with a corresponding reduction in waste material going to the ore stream.

## Production Statistics - Tables

**Table 1: Broken Hill Quarterly Production**

	Jun Qtr 2011	Mar Qtr 2011
<b>PRODUCTION STATISTICS</b>		
<b>Ore</b>		
Total Ore Mined (kt)	402.0	444.3
Total Ore Treated (kt)	399.9	437.1
<b>Zinc</b>		
Grade (%)	4.5	3.7
Concentrate (kt)	32.4	29.4
Contained Zinc (kt)	16.1	14.1
Payable Zinc (kt)	13.5	11.8
<b>Lead</b>		
Grade (%)	3.9	3.1
Concentrate (kt)	19.6	16.4
Contained Lead (kt)	13.9	11.8
Payable Lead (kt)	13.2	11.2
<b>Silver</b>		
Grade (g/t)	37.0	38.2
Contained Silver (Moz)	0.371	0.375
<b>CASH COST &amp; OPERATING MARGIN (US\$/lb zinc)</b>		
<b>Average Price Received</b>	1.02	1.09
Direct Cash Costs	1.46	1.41
By-product credits (*)	(1.38)	(1.48)
Zinc treatment charges	0.41	0.37
<b>Net Notional Cash Cost</b>	0.49	0.30
<b>Cash Operating Margin</b>	0.53	0.79

(\*) 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\$0.49/lb of payable zinc for the period was below the target range of US\$0.50 - \$US0.60/lb of payable zinc despite the significant appreciation of AUD against USD during the period.



The cash margin decreased from the previous quarter to US\$0.53/lb of payable zinc due to lower metal prices and increased cash costs due to the appreciation of the AUD during the period.

## Markets

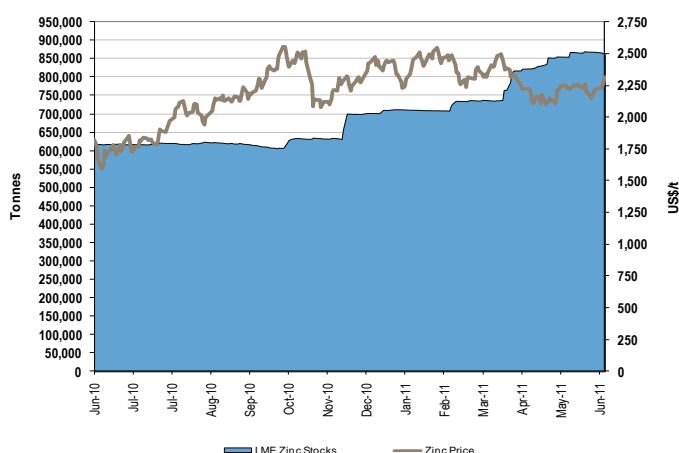
Lead prices decreased during the quarter from their March high of US\$2,730/t to a low of US\$2,272/t during the quarter, with average prices quarter on quarter dropping by approximately US\$46.00/tonne.

Zinc prices have also decreased during the quarter from their March high of US\$2,491/t to a low of US\$2,099/t during the quarter, with average prices quarter on quarter dropping by approximately US\$141.00/tonne.

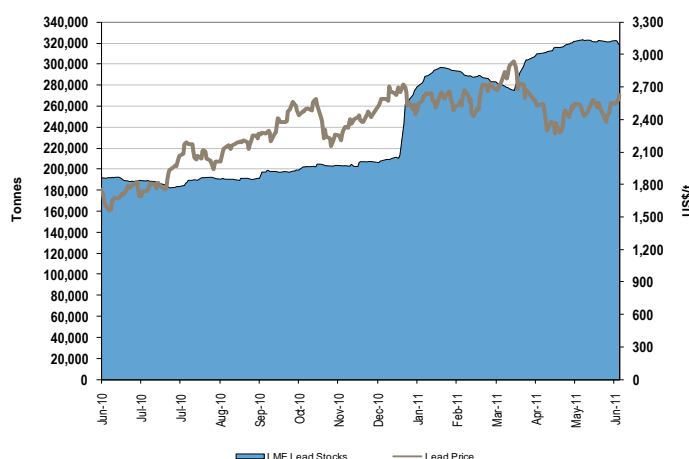
The AUD/USD exchange rate fluctuated between 1.0328 and 1.0925 over the June quarter, with an average of 1.0608 (March 11 quarter average of 1.0047).

Although the world economic climate has made forecasting difficult Perilya still believes that the zinc and lead market fundamentals remain strong, particularly considering the supply constraints in the medium term due to the imminent closure of several large mines impacting production with no similar alternatives coming into production in the short to medium term.

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



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



## Proposed Carbon Tax

Post end of quarter on 10 July the Government announced its long awaited policy with regards taxing carbon dioxide emissions. In the absence of detailed draft legislation, based on the policies outlined by the Government Perilya does not believe the proposed carbon tax will have any material impact on its Australian operations. Perilya's Cerro de Maimón operations will remain completely unaffected by any proposed Carbon Tax and further reiterates the benefits of the Company's international diversification strategy.

Perilya emits approximately 8,500 tonnes p.a. of direct CO<sub>2</sub> emissions (scope 1 emissions), which would fall below the threshold for payment of a carbon tax. As Perilya's operations are on grid power the main direct impact of the carbon tax proposal is the reduction in diesel fuel subsidy. Perilya consumes around 4,000,000 litres of diesel fuel p.a. Based on the rate of reduction in excise rebate proposed in the Governments policy announcement, the direct cost to Perilya will be in the order of \$250,000 p.a.

## CERRO DE MAIMÓN OPERATIONS

### Mining Operations

The Cerro de Maimón mine delivered an excellent operating performance in the second quarter. Metal production significantly exceeded the first quarter results with 3,225 tonnes of copper (2,245 tonnes), 4,301 oz of gold (3,529 oz) and 196,360 oz of silver (153,940 oz) recovered over the quarter from a combined mill feed of 168,000 tonnes. Overall production performance was above planned levels due to higher mill feed rate, grade and recovery in the sulphide circuit and reflected the benefits of several improvement initiatives.

Open pit total movement of 2.0 Mt exceeded plan despite several intense rain events that impeded mining activities for short periods in May and June. A total of 150,000t of predominantly sulphide ore was mined included high grade ore from the base of the open pit.

The permanent reverse osmosis water treatment plant was successfully commissioned during the quarter and officially opened by the Minister for the Environment at the start of July. The new facility is capable of treating 9 ML of water per day at a discharge quality that is well below national and international standards. The new water treatment plant has ensured that stored water volumes remained within acceptable levels despite numerous seasonal high rainfall events.

A scoping study to identify potential sites for additional tailing and waste rock storage capacity was completed and site investigations will commence in the third quarter.

## ORE PROCESSING

### Sulphide Circuit

The sulphide circuit received 117,200t of ore at an average grade of 3.2% Cu. The higher feed grade in combination with recent circuit modifications allowed 85% copper recovery. Physical plant modifications have been completed and management attention is now directed towards operating practices that optimise the circuit performance.

Quarterly copper concentrate production was 13,867t (8,829t). Copper concentrate shipments increased during the quarter with 18,394 wmt of concentrate exported.

### Oxide Circuit

The oxide circuit treated 51,000t of ore which was a 4% improvement on the previous quarter. Feed grades were 1.8 g/t Au and 25 g/t Ag with gold and silver recoveries of 82% and 73% respectively.

Poor settling performance continued to restrict throughput rates in the thickening circuit and test-work was performed to identify potential chemical reagents that will promote solids settling. Reagent addition rates and dosing locations were modified in June to improve the effectiveness of the circuit while reducing reagent consumption rates. This work has been successful and further operational improvements are planned.

## Production Statistics - Tables

**Table 2: Cerro de Maimón Quarterly Production**

Cerro de Maimon	Jun Qtr	Mar Qtr
Quarterly Production & Cash Cost	2011	2011
<b>PRODUCTION STATISTICS</b>		
<b>Sulphide Plant</b>		
Sulphide ore processed (tonnes)	117,200	119,447
Copper grade (%)	3.2	2.5
Gold grade (g/t)	0.9	0.7
Silver grade (g/t)	55.8	54.5
Copper concentrate produced (tonnes)	13,867	8,829
Copper concentrate grade (%)	23.2	26.0
Copper in concentrate (tonnes)	3,225	2,245
Gold in concentrate (ounces)	1,857	1,330
Silver in concentrate (ounces)	166,301	126,275
<b>Oxide Plant</b>		
Oxide ore processed (tonnes)	50,926	48,903
Gold grade (g/t)	1.77	1.59
Silver grade (g/t)	25	34
Gold (ounces)	2,442	2,199
Silver (ounces)	30,058	27,665
<b>CASH COST (US\$/lb copper)</b>		
Net cash cost notional (US\$/lb Cu)	0.00	0.50

### Other

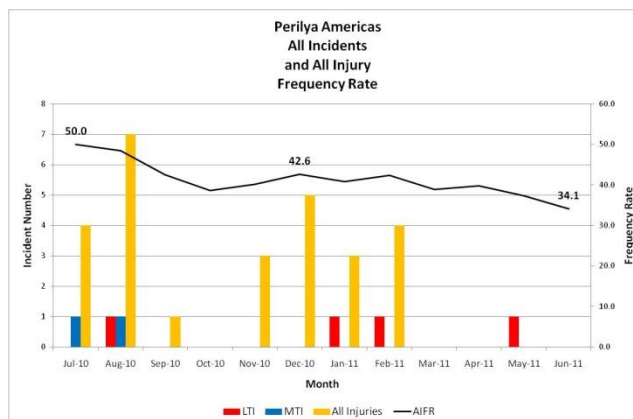
During the quarter Perilya's subsidiary company, Corporacion Minera Dominicana, formally presented the local Maimón municipality with a cheque for 47 million pesos. This payment is required by Dominican environmental law and requires that, in the case of non-renewable natural resources, the municipalities in the



location of such exploitation receive five per cent of the net profits generated. This is the second consecutive payment made by Corporacion Minera Dominicana with the funds being expended on project and activities determined by the local municipality. Corporacion Minera Dominicana continues to support the local communities through the provision of public facilities, educational support, vocational training and community awareness activities.

## Safety

A major focus for the June quarter has been the continued implementation of key elements of Perilya's safety management system. The emphasis on workplace inspections, incident reporting and investigation, Fitness for Work testing, tool box talks and implementation of an active OH&S Committee has all been aimed at hazard reduction. The result has been elimination of the minor injuries previously experienced and the recording of only one Lost Time Injury for the quarter. The injured fitter returned to work after a seven day recovery.



The decline in workplace injuries over the quarter has resulted in the AIFR falling from 39.7 to 34.9 over the three month period. April and June, like March have been 'injury free' months.

## EXPLORATION REPORT

### BROKEN HILL AREA

#### Southern Extensions, Southern Operations

Exploration diamond drilling was completed on the Southern Extensions project. The final hole of the program, N4970C, was aimed at testing a strong down-hole electromagnetic (DHEM) anomaly down-plunge of the Southern Operations. The hole intersected a sulphide rich iron formation at the interpreted conductor depth which appears to be the source of the EM anomaly. Final DHEM surveys of the hole will be completed in the third quarter to confirm the source of the response.

#### Broken Hill, North Mine

Work on the North Mine during the period involved continued efforts at identifying additional mineralization in order to justify the further development of the decline to the lower levels of the North Mine where significant high grade resources exist. Several diamond drill holes were completed targeting the North Mine Zinc Lodes target area in the hanging wall to the lead lodes historically mined at the North. Drilling on the 3000ftN section near the 16L has shown particularly encouraging results with multiple high-grade zinc and lead-rich intersections being returned. Follow-up drilling to further evaluate this area will be completed in the July quarter. Exploratory drilling was also completed on the Junction North area as follow-up to previously realized intersections in 2010. Results of this program are currently being incorporated into the North Mine scoping study.

#### Broken Hill, Potosi Mine

Pre-development and site set-up work continued on the approved Potosi/Silver Peak mine development with the Silver Peak box cut portal construction commencing during the quarter. The box cut was fired with shotcrete and bolting commenced along with the construction of the Silver Peak haul road. Site works including change houses, refuelling facilities, maintenance workshop and administration office construction commenced. Finalisation of mining contracts was undertaken post end of quarter, with the mining contractors expected to commence the substantive mine development work during August 2011.

#### Regional Tenements

Tender documents have been sent requesting quotes for the completion of a regional airborne electromagnetic and magnetic survey (AEM) over Perilya's tenements in the Broken Hill region. The most recent AEM surveying over the area was completed in the mid 1990's and it is believed that recent advances in AEM technology will greatly aid in the identification of potential drill targets and provide a clearer picture of subsurface geology. Completion of the survey is tentatively scheduled for early in the fourth quarter 2011.

## FLINDERS ZINC PROJECT

Work in the Flinders Ranges during the quarter concentrated on final in-fill diamond drilling at the North Moolooloo prospect area and completion of an inaugural resource estimate for the deposit. Results of the resource modelling returned an estimate of 214,000t @ 34.4% Zn in the indicated resource category (10 June ASX release). The mineralization represents one of the highest grade deposits defined in the area to date. A development study aimed at evaluating the feasibility of open pit extraction of the resource is underway. An updated resource estimate for the Aroona deposit was also initiated during the quarter with final results expected in the September quarter.

A scoping study is being conducted on the North Moolooloo resource. This will involve undertaking additional drilling to determine the geotechnical parameters for the resource, so that a mine design can be determined. The study is expected to take approximately 6 months.

Exploration drilling was also completed at the Aroona 2 prospect aimed at identifying potential extensions to the existing resource although no significant additions to the mineralization were encountered. Work in the September quarter will concentrate on drill testing of the Mt. Bayley copper prospect as well as the Emu target area which sits along strike between the Reliance and North Moolooloo areas.

## MOUNT OXIDE COPPER PROJECT

An increase in Mineral Resource for Mt Oxide was announced on 28 April 2011 which showed as estimated 228,000 tonnes of contained copper at 1.43%, using a conservative cut-off grade of 0.5%. The increase in Mineral Resource followed an extensive resource definition drilling program that included approximately 10,275 metres of diamond and RC drilling.

Following consultation with stakeholders around the potential impact of an open pit development and the analysis of the encouraging drill results at depth from the 2010 drilling program, Perilya announced it would extend its development study undertake to include an underground mining option to take advantage of the higher grade mineralisation at depth and to attempt to lessen the impact on the environment. Preliminary work done as part of the 2010 development study indicate 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.

Drilling continues to assess the potential to extend the high grade intercepts both at depth and along strike, with further technical and economic analysis to fully evaluate the potential for an underground mine, either as a stand-alone operation or in conjunction with an open pit mine. The extended study program will include further field work to assess technical parameters associated with underground mining methods, most notably to characterise the rock-mass conditions and metallurgical performance of deeper mineralisation. In light of the favourable strike extension results from the 2010 drilling program, further drilling to delineate the extent and depth of the southern mineralisation extension is being carried out so that proposed infrastructure sites do not prevent mining in the southern area of the deposit. Extensive environmental and heritage assessments and stakeholder consultation were undertaken as part of the study program.

Significant work continued, with ground water monitoring, soil surveys, fauna and flora surveys and cultural heritage surveys. Infrastructure studies on water and concentrate transport were progresses. A study of the current open pit water was undertaken to understand reagent regimes required to treat this highly mineralised water.

It is anticipated that a development decision on the Mt Oxide Project will be made during the first half 2012.

## THE AMERICAS

### DOMINICAN REPUBLIC

#### Cerro de Maimón Mine Exploration

A diamond drill program at the Cerro de Maimón mine continues to investigate the potential to expand the sulphide mineral resource both at depth along strike extensions.



In the June quarter 2 diamond drill rigs drilled 14 diamond drill holes with 2 holes in progress for a total of 4,660 metres. Several holes were cased in preparation for a down-hole geophysical survey campaign planned for later in 2011.

Drilling in 2011 is confirming extensions of massive sulphide mineralisation both along strike and at depth.

Preparations are also progressing for a mapping and sampling program at the neighbouring Loma La Manteca prospect.

### Cumpié Hill Nickel Laterite Deposits

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

A development study program for the Cumpié Hill Project was prepared and approved during the quarter. This study will evaluate the technical and economic viability of direct shipping nickel laterite ore from the Dominican Republic for downstream processing to nickel metal and/or nickel pig iron. The deposit is located within the Cerro de Maimón mining concession and requires environmental permitting prior to development.

The environmental studies terms of reference was received from the regulator in the second quarter. Baseline data collection commenced in June and will continue through the third quarter to allow the preparation and submission of an Environmental Impact Study later this year. Public meetings will be initiated during the third quarter as part of the Project's community consultation process.

Several samples were collected and dispatched for off-site test-work during the second quarter. These samples will be used to evaluate the viability of potential metallurgical processing routes.

### Bayaguana District

The Bayaguana District is a major hydrothermal system located approximately 60 kilometres east of the Cerro de Maimón Mine and hosts several geologically important copper and gold deposits. The concessions contains a number of prospective targets with the largest mineral deposit being the Doña Amanda deposit, which has a NI 43-101 compliant Inferred mineral resource of 128 million tonnes, grading 0.31% copper, 0.19 grams of gold per tonne and 1.43 grams of silver per tonne using a cut-off grade of 0.15% copper.

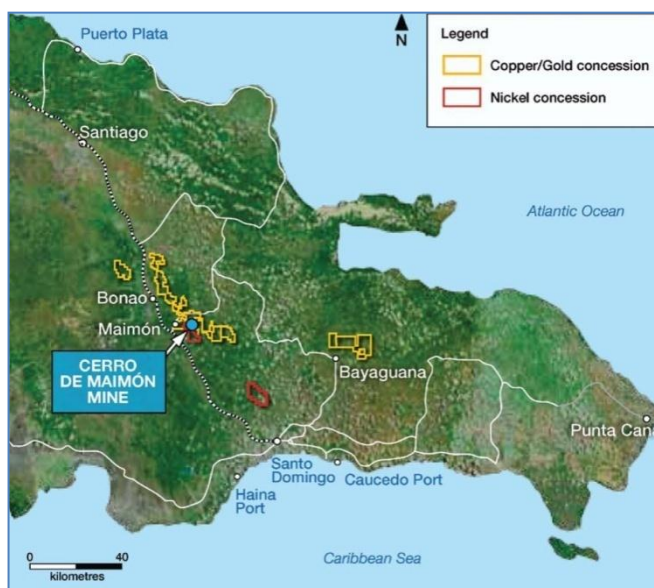
The exploration program during the June quarter continued to evaluate prospective areas using alteration and structural mapping, and trenching. Drill core and surface samples were analyzed by mineral spectrometer analysis with the results now incorporated into an alteration model, which will assist understanding the nature of the mineralized structures and identify drill targets.

## 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"). Results from the successful 2010 drill program were incorporated into a new mineral resource that was announced during the June quarter. The Moblan West deposit now has a total mineral resource of 14.25 Mt at a grade of 1.41% Li<sub>2</sub>O using a 0.60% Li<sub>2</sub>O cut-off grade, which has more than doubled the previous mineral resource (up from the previous resource estimate of 5.34 million tonnes at 1.51% Li<sub>2</sub>O using a cut-off grade of 0.43% Li<sub>2</sub>O).

The updated resource estimate will form the basis for open pit mining, metallurgical and environmental assessments to evaluate the economic development of the deposit. It is anticipated that this work will be completed in the first quarter of 2012.



During the June quarter, the Company (as manager of the Joint Venture) commenced a scoping study to assess the development of an open pit mine and ore processing facility to produce a battery grade spodumene concentrate.

The Company met with the Cree Nation of Mistissini to introduce the project concept and study program. Additional meetings will be held with representatives of the Cree Nation to prepare a mine Pre-Development Agreement with the First Nations by the second quarter of 2012.

A detailed study program was finalised in the second quarter. Several specialist consultants have been engaged to prepare mine designs, process flow sheets, cost estimates, infrastructure layouts and environmental studies in accordance with the study program.

The summer field season allowed specialists to visit the site to perform a flora and fauna assessment in June. Additionally, samples were selected and dispatched for both geochemical and geotechnical analysis. The metallurgical test-work program was designed and core samples provided in June analysis and laboratory test-work.

Key activities for the third quarter include further environmental assessments, metallurgical test-work and preliminary mine design and infrastructure layout.

#### **Other**

Site visits and data analysis was performed to evaluate several prospective exploration and development projects in the Americas region. Further opportunities will be evaluated in the third quarter.

### **CORPORATE**

#### **Cash and Investments at 30 June 2011**

At 30 June 2011, the Company held cash, deposits and investments totalling \$117.9 million (31 March: \$66.1 million), represented by:

- Free cash of \$92.2 million (31 March: \$40.3 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 Maimón mine.
- Commercial paper and other investments of \$1.0 million (written down value).

Perilya generated a positive cashflow for the period due to:

- The Port Pirie storage and ship-loading facilities being completed during the quarter which facilitated the shipment of lead concentrate to more attractive markets overseas previously unavailable, lead and zinc sales were back on track during the quarter reducing the stock on hand in Broken Hill operations;
- At Cerro de Maimón, sales recommenced in the quarter following the successful implementation of copper concentrate blending strategy, outlined in the previous quarter.
- Drawdown of US\$30 million working capital funding from Industrial and Commercial Bank of China (ICBC);

#### **Debt**

At 30 June 2011 Perilya has US\$260.2 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\$119.5 million working capital funding from BoC, CDB and ICBC.

Post end of the quarter the Company repaid in full the US\$49.5 million loan from BoC for the termination of the silver sale agreement.

Perilya also has approximately \$6.0 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.

### Hedging Contracts Summary (as at 30 June 2011)

		2011 Quarter Ending		2012 Quarter Ending				TOTAL POSITIONS
		Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	
ZINC:-								
Tonnes	Tns	-	-	-	-	-	-	
Price	A\$/tn	-	-	-	-	-	-	
LEAD:-								
Tonnes	Tns	-	-	-	-	-	-	
Price	A\$/tn	-	-	-	-	-	-	
SILVER:-								
Ounces	Ozs	195,000	195,000	195,000	195,000	195,000	195,000	1,170,000
Price	US\$/oz	15.50	15.50	18.33	18.33	18.33	18.33	17.38

### Competent Persons Attribution Statement:

*The information in this quarterly report that relates to exploration results 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 mineral resources for North Moolooloo is based on information compiled by Mr Dean Rogers, P.Geo, who is a full-time employee of Perilya Limited and is a member of the Association of Professional Geoscientists of Ontario. Mr Rogers 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 Rogers consents to the inclusion in the report of the matters based on his 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 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	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

### Capital Structure:

Ordinary Shares	526,075,563
Unlisted Options	10,187,177
Performance Rights	53,900

Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Email: perth.services@computershare.com.au

### Major Shareholders:

Shenzhen Zhongjin Lingnan	
Nonfemet Co. Ltd	52.00%
L1 Capital Pty Ltd	8.32%

### 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)*