

# Quarterly Activities Report

for the three months ended 31 March 2009

## HIGHLIGHTS

The three months ended 31 March 2009, represented a transition to a new era for Perilya, with the introduction of a new major shareholder in Zhongjin Lingnan and further significant improvements at the Broken Hill operations. Highlights for the quarter include:

### Corporate

- Completion of a share placement and the formation of a strategic alliance with Zhongjin Lingnan, China's third largest zinc producer, raising \$45.5 million in cash (including a deposit of \$10 million received during December, 2008).
- CBH Resources withdrew their unsolicited Bid for Perilya after the Takeovers Panel refused to intervene on CBH's behalf to delay Perilya's EGM, held on 5 February, 2009.
- Release of the Company's Half-Year Financial Results.

### Broken Hill

- Completion of the first full quarter of production under the new operating plan.
- Cash Costs for the quarter were US\$0.56/lb zinc, ahead of targeted cash costs of US\$0.60-US\$0.65/lb (and well ahead of the comparative period last year of US\$0.94/lb).
- Broken Hill is cashflow positive at current zinc and lead prices.
- Quarterly combined metal production of 29,800 tonnes of contained zinc and lead exceeded new plan targets and represented a production increase of 15.5% over previous quarter.
- Continuous improvement in operating costs and productivity (tonnes mined per employee) achieved throughout the quarter.
- An increase in grade for zinc and lead ore milled, with average combined grade for the quarter of 10.4% (a 35% increase over the previous quarter).
- Continued improvement in safety performance with zero LTI's and zero MTI's for the quarter.

### Beltana

- Positive cash flow contribution from sales of 19,042 tonnes of DSO during the quarter, at an average grade of 31.4%, containing 5,979 tonnes of zinc.
- Through the assistance of Perilya's new major shareholder, Zhongjin Lingnan, the company has achieved improved terms for sales of its Beltana DSO to third parties in China, with shipments under these improved terms to commence during the June quarter, 2009.

### Mount Oxide Copper Project

- Release of a revised Resource estimate for Mount Oxide showing a 10% increase in contained copper compared to the previous Resource estimate released in February, 2008.

## CEO's COMMENTS

"The quarter saw the completion of the share placement to Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd. representing a major milestone for the future of Perilya.

The benefits of the relationship are already being demonstrated with the development of stronger priced markets for zinc silicate through Zhongjin Lingnan's relationships in China and the ability for Perilya to take a positive outlook to investment opportunities.

At our core operation at Broken Hill, we saw a continued improvement in operating performance with our cash costs moving below US\$0.60 /lb of payable zinc for every month in the quarter and the physical production also exceeding plan. This was achieved against the backdrop of a tremendous safety performance representing the best safety performance period since Perilya acquired the Broken Hill operations.

The reduction in our cash costs during the quarter has been a continuing trend from month to month culminating in cash costs for the month of March of US\$0.52/lb. This has resulted in the Company returning to an unaudited operating profit for the month of March. We are confident that we can continue our improved cost performance through the balance of the financial year ending 30 June, 2009 and beyond."

A handwritten signature in blue ink that reads "Paul Arndt".

Paul Arndt  
Managing Director and CEO

28 April, 2009

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## BROKEN HILL OPERATIONS

### Mining Operations

The March quarter represented the first full quarter for the Company under its new operating plan. Productivity measured in terms of tonnes hoisted per man shift continues a strong upward trend. The average for the quarter was 310 tonnes per man shift. Development performance continues to be strong with an average development rate of 708 metres per month.

There has also been an increased emphasis on mine ground support rehabilitation. On average some 350 metres of rehabilitation has been completed per month this quarter. This figure is increasing with additional shotcreting resources employed at the mine to compliment the larger scale use of fully encapsulated bolts for long term support.

Concentrator operations continued to match the increased mine production. The Company concentrated in excess of 330,000 dmt during the quarter and this exceeded plan by 14.25%. The overall performance is expected to further improve in the June quarter as a number of operating problems that hampered Concentrator operations in the March quarter have or are being resolved.

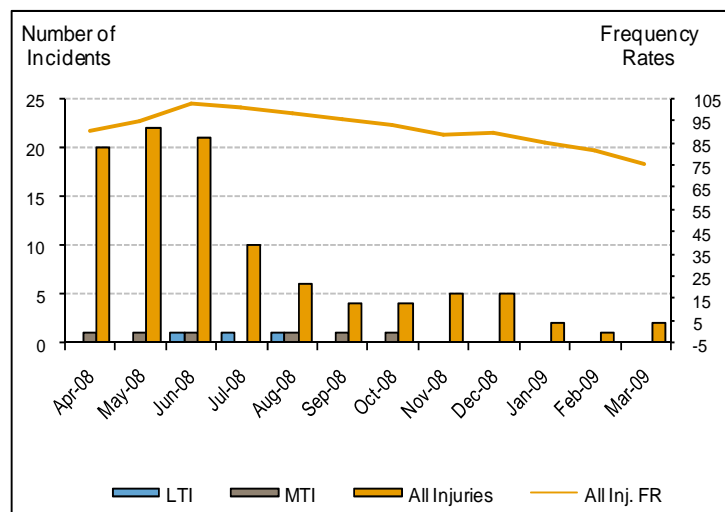
Key performance indicators for the March quarter showed:

- Mining rates 65.7% above plan;
- Development advance 55.9% above plan;
- Milling throughput 14.25% above plan;
- combined grade of ore processed increased from the previous quarter by 35% to 10.4% (zinc & lead);
- Combined metal production 3.66% above plan; and
- Average net cash costs per pound of payable zinc at US\$0.56 is down 32.5% compared to the previous quarter and ahead of targeted cash costs of US\$0.60-US\$0.65/lb.

### Safety

The March quarter continued the positive trend in both leading and lagging indicators. At the end of the March quarter the Broken Hill operation recorded a twelve month LTIFR of 2.9. No lost time injuries were recorded during the quarter.

At the conclusion of the quarter the site had operated for 239 days without a LTI. The site also completed the quarter without a medically treated injury. At the end of March the site had achieved 153 days without a MTI. This matches the previous site record.



A record was set on site this quarter when the site operated for 41 days without even a minor injury.

Safety interactions, “Take Time Take Charge” hazard reporting, incident notification and investigations all showed significant improvements in both quality and quantity. Each month during the quarter produced new records for the implementation of these proactive safety programmes.

An audit of the Broken Hill operations’ mine safety management plan was undertaken by the DPI in March. The operation was ranked well in this audit with an 81% compliance score.

## Production and Sales

During the quarter 338,700 tonnes of ore was mined from the Southern Operation, which was 16.8% above plan.

The combined grade of ore processed this quarter increased by 35% to 10.4% (zinc & lead) reflecting access to the higher grade pillar areas in the mine. The average grade for the quarter was in-line with the expected long term average of the new operating plan.

## Production Statistics - Tables

**Table 1: Broken Hill Quarterly Production**

	Mar Qtr 2009	Dec Qtr 2008
<b>PRODUCTION STATISTICS</b>		
<b>Ore</b>		
Total Ore Mined (kt)	<b>338.7</b>	357.7
Total Ore Treated (kt)	<b>331.3</b>	388.6
<b>Zinc</b>		
Grade (%)	<b>5.7</b>	4.5
Concentrate (kt)	<b>33.6</b>	32.8
Contained Zinc (kt)	<b>16.5</b>	15.8
Payable Zinc (kt)	<b>13.8</b>	13.2
<b>Lead</b>		
Grade (%)	<b>4.7</b>	3.2
Concentrate (kt)	<b>19.1</b>	14.0
Contained Lead (kt)	<b>13.3</b>	10.0
Payable Lead (kt)	<b>12.7</b>	9.5
<b>Silver</b>		
Grade (g/t)	<b>50.3</b>	32.7
Contained Silver (Moz)	<b>0.422</b>	0.297
<b>CASH COST &amp; OPERATING MARGIN (US\$/lb zinc)</b>		
<b>Average Price Received</b>	<b>0.50</b>	0.57
Direct Cash Costs	<b>0.78</b>	0.86
By-product credits (*)	<b>(0.43)</b>	(0.22)
Zinc treatment charges	<b>0.21</b>	0.19
<b>Net Cash Cost</b>	<b>0.56</b>	0.83
<b>Cash Operating Margin</b>	<b>(0.06)</b>	(0.26)

## Net Cash Costs of Production

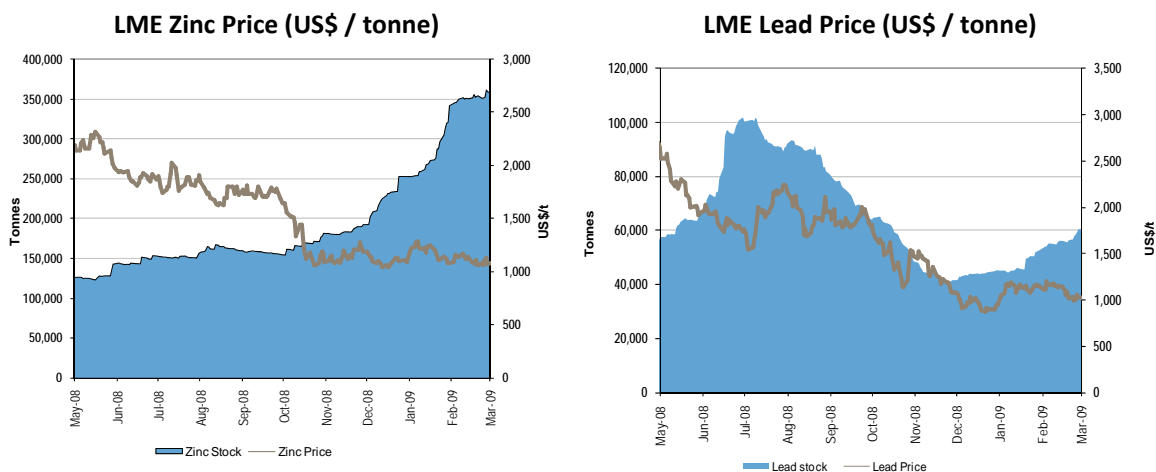
During the quarter the net cash costs of production reduced by 32.5% on the previous quarter, down to an average of US\$0.56/lb, which continued the excellent trend of reducing costs since the re-sizing of the Broken Hill operation in October 2008. Management is confident that Perilya can continue this improved cost performance through the June quarter and beyond.

This is an outstanding result and shows that the Company's decision to move to a new operating plan and production profile in response to the weakening global metal market was the right decision with the transition being successfully implemented.

## Markets

Zinc prices remained depressed during the quarter compared to the corresponding quarter last year, however the quarter showed a greater level of stability than has been experienced during the previous 2 quarters. Zinc prices rose by 6.5% and lead by 22% in US\$ terms during the quarter. A relatively stable Australian dollar during the quarter saw the benefit of these increases flow through with the increase in Australian dollar terms being 8% and 24% respectively.

Current demand for all metals remains relatively weak globally, however, notwithstanding this present weakness Perilya continues to believe that zinc and lead market fundamentals remain sound over the medium to longer term.



## Exploration & Development – Broken Hill

No significant exploration was conducted this quarter.

## North Mine

Perilya is continuing the feasibility study of the North Mine, including the North Mine Deeps project.

## FLINDERS ZINC PROJECT

### Beltana Mine - Sales

During the quarter metal sales for Beltana ore were 19,042 tonnes for a total of 5,979 tonnes of contained zinc. The terms of the Company's off-take arrangements for the Beltana ore are confidential, however sales for the quarter contributed net positive cashflows of \$1.5 million.

The Company is pleased to note that with the assistance of its major shareholder, Zhongjin Lingnan, it has secured improved terms for the sales of its Beltana ore to its third party customer in China. Sales of Beltana ore under the improved terms will commence during the June quarter further improving cashflows.

At the end the March quarter a total of 195,768 tonnes of zinc silicate ore are stockpiled at an average grade of 30.8% zinc, for a total of approximately 60,329 tonnes of contained zinc.

### **Reliance Deposit (70-85% owned)**

With the improvement in terms received for zinc silicate management is reviewing the potential progression of the development of the Reliance Deposit and associated exploration activities.

## **MOUNT OXIDE COPPER AND COBALT PROJECT**

### **Drilling Program**

The project was placed on care and maintenance in November, 2008 and no exploration was conducted during the quarter. Management is considering a new exploration program to commence during FY2010.

### **Resource Update**

A resource update was completed and released to the market on 27 February, 2009.

### **Future Activity**

Following the successful completion of the placement to Zhongjin Lingnan (see Corporate commentary below), the Company is in a position to retain the Mount Oxide exploration asset. Accordingly, in line with previous announcements, the Company will review options for the development of the Mount Oxide Copper Project in the June 2009 quarter.

## **CORPORATE**

### **Completion of Share Placement to Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd.**

On 5 February, 2009, the Company's shareholders voted overwhelmingly to support the placement of 197,672,000 shares to Zhongjin Lingnan at an issue price of \$0.23/share to raise approximately \$45.5 million (including a deposit of \$10 million received in December, 2008), representing 50.1% of the issued capital of the Company.

The funds raised by the share placement, together with the significant productivity and cost reduction improvements at Broken Hill, have placed Perilya on a firmer footing to weather the current commodity price environment.

The introduction of Zhongjin Lingnan as a strong and committed strategic partner (with a market capitalisation of in excess of A\$2 Billion) has helped underpin ongoing operations at Broken Hill. The benefits of this strategic alliance have been demonstrated further with Zhongjin Lingnan's direct involvement in bringing about improved terms for the sale of the Company's Beltana ore to a third party Chinese customer. In addition, the Company and Zhongjin Lingnan are working together to identify areas where the Company can leverage off Zhongjin Lingnan's local market presence and buying power to achieve improvements in price, quality and supply timeliness for the Company's production inputs that are sourced in China.

### **CBH Resources – Withdrawal of Unsolicited Takeover Offer**

During the quarter, on 21 January 2009, CBH advised Perilya that it would withdraw its bid. CBH's actions follow a decision by the Takeovers Panel on 21 January 2009, not to conduct proceedings on an application from CBH in relation to the affairs of Perilya and its Zhongjin Lingnan transaction. The reasons for the Panel's decision are set out in full on the Panel's website, [www.takeovers.gov.au](http://www.takeovers.gov.au).

## Cash and Investments at 31 March 2009

At 31 March 2009, the Company held cash, deposits and investments totalling \$67.6 million represented by:

- free cash of \$27.1 million, (31 December 2009: \$19.0 million);
- secured cash deposits of \$24.7 million supporting performance bonds required under various mining licences at Broken Hill;
- commercial paper of \$10.4 million (written down value); and
- other investments of \$5.4 million (estimated market value).

Cashflow for the quarter was lower than expected due to a build up in working capital which is expected will reverse in the June quarter. A zinc shipment sailed late in March, with the provisional funds being received in April, and final treatment charges for zinc and lead for 2009 are also expected to be settled in the June quarter, which will result in a further cash inflow.

As at the date of this report, Perilya's free cash balance was approximately \$35.0 million.

## Divestment of Non Core Assets

Subsequent to the end of the March quarter, the Company took advantage of favourable market conditions for gold stocks and sold its interest in the listed junior gold mining company, Silver Lake Resources Limited (**SLR**) for approximately \$4.8 million. The Company's investment in SLR was the result of receipt of shares in part consideration for the sale of the Company's gold tenements, including the Daisy Milano mine, to SLR. The shares held in SLR were not viewed by the Company as a strategic asset.

## Debt

Perilya continues to have no corporate debt (being debt other than equipment finance in the ordinary course of business).

At 31 March 2009, the Company had \$10.4 million in operating debt solely related to mobile equipment financing which is payable over a five year period.

## Hedging Policies

Perilya currently protects its short term cashflows by means of Quotational Period hedging. In addition, Perilya continuously assesses metal prices and exchange rate movements and, where appropriate, it may from time to time undertake additional short term hedging for periods up to 6 months.

## Hedging Contracts Summary

		June quarter
<b>Zinc:</b>	Tonnes	8,940
	A\$/tn	\$1,794
<b>Lead</b>	Tonnes	10,415
	A\$/tn	\$1,780

### **Board Changes during the Quarter**

At the Company's Extraordinary General Meeting held on 5 February 2009, Mr. Zhang Shuijian, Mr. Minzhi Han and Mr. Wang Wen were each elected to the Board as Non-Executive Directors. Immediately following the meeting, Non-Executive Directors Mr Philip Lockyer and Ms Karen Field retired.

During March, the Company also announced the appointment of Mr Zhang Shuijin as Chairman, replacing Mr. Patrick O'Connor, who was appointed Deputy Chairman. Mr Zhang is also President of Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd, China's third largest zinc producer and brings a wealth of knowledge and experience to the role.

### **Financial Results - Update**

Perilya released its Half-Year Financial Results on 27 February, 2009. Significantly, the results reflected the significant one-off costs associated with the resizing of the Broken Hill Operation and the significantly lower metal price environment compared to the previous comparative period. The Half-Year Financial Results reported a net loss after tax of \$77.2 million for the Half-Year after one-off impairments, redundancy costs and write downs totalling \$54.7 million. Excluding the effect of these one-off items, the underlying net loss after tax attributable to members of the Company was \$22.5 million.

The results for the Half-Year reflect the drop in both US dollar zinc and lead price during the period of 51% and 63% respectively. In response to these movements and adverse financial conditions, the Company resized its operations in September, 2008 to focus on a lower production and costs profile. This strategy has been successful and is resulting in significant reductions in the Company's cash costs of production, the benefits of which are clearly demonstrated in the March quarter performance.

## 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

### Capital Structure:

Ordinary Shares	394,554,640
Unlisted Options	8,700,000
Performance Rights	151,800

### Share Registry

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

### Major Shareholders:

Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd	50.10%
AXA Asia Pacific Holdings Ltd	5.15%

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Email: [perth.services@computershare.com.au](mailto:perth.services@computershare.com.au)

### Australian Stock Exchange Listing

ASX Code: PEM

### Company Secretary:

Paul Marinko +61 8 6330 1000

### Contact Details:

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## COMPANY PROFILE

Perilya Limited is an Australian base metals mining and exploration company. Perilya is the operator of the Broken Hill zinc, lead, silver mine in NSW and the Flinders zinc silicate project in South Australia.

The Company's operations at the iconic Broken Hill mine have recently been resized in a bid to improve productivity and to ensure operations are sustainable in the event of a prolonged period of low metal prices.

The Company continues to sell zinc silicate from its Beltana stockpiles in South Australia and evaluating development of nearby deposits including the Reliance deposit.

The Company is reviewing options for the development of the Mount Oxide Copper and Cobalt Project in the Mount Isa region in Queensland.

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