

# Quarterly Activities Report

for the three months ended 31 March 2012

## HIGHLIGHTS

Perilya's Cerro de Maimón mine produced another very strong quarterly performance with the operations producing<sup>1</sup> 3,058 t of copper, 3,519 oz of gold and 81,694 oz of silver (ahead of annual guidance of 10,500-11,000 t copper and within annual guidance for gold and silver of 14,000-15,000 oz gold and 320,000-400,000 oz silver). Actual net C1 cash costs for the quarter were US\$0.44/lb of payable copper (well ahead of annual guidance of US\$0.60-0.80/lb of payable copper).

Broken Hill operations had another solid production quarter producing approximately 29,600 tonnes of combined zinc and lead (top end of annual guidance of 110kt-120kt of combined zinc and lead) and 404,000 oz of silver (in line with plan) during the quarter. Notional<sup>2</sup> net C1 cash costs for the quarter were US\$0.66/lb of payable zinc (in line with annual guidance of US\$0.60-0.70/lb of payable zinc).

Development work continues to advance on the Potosi & Silver Peak mine development with 565m development completed in the Silver Peak decline and 484m completed in the Potosi decline during the period.

Highlights for the quarter include:

### Corporate

- Free cash on hand at the end of the quarter \$47.4 million, increase of \$11 million from the previous quarter (\$36.4 million as at 31 December 2011).
- The continuation of solid operating results and sustained control on costs at both the newly acquired Cerro de Maimón mine and the Broken Hill operations in a difficult operating environment of a very strong AUD against the US dollar and weak metal prices particularly for zinc and lead, is a testament to the Company's strategy in response to the current economic and global metal price environment.

### Broken Hill

- Metal production for the quarter totaled 29,600 tonnes of combined zinc and lead (top end of annual guidance of 110kt-120kt of combined zinc and lead) and 404,000 oz of silver.
- Continued focus on cost control with the Operations maintaining notional net C1 cash costs (US\$0.66/lb of payable zinc) within annual guidance (US\$0.60-0.70/lb) despite significant adverse impacts on costs, with a strong Australian dollar and the continued weakness of by-product metal prices.
- Concentrator production treating a total of 443,000 tonnes during the quarter was 4% above plan.
- Mill recoveries for zinc at 89.0% and 85.0% for lead were slightly below plan.

### Dominican Republic

- Total metal production for the quarter of 3,058 t of copper (well ahead of annual guidance of 10,500-11,000 t), 3,519 oz of gold and 81,694 oz of silver (both within annual guidance of 14,000-15,000 oz gold and 320,000-400,000 oz silver) for the period.
- Actual net C1 cash costs of US\$0.44/lb of payable copper for the quarter, well below the annual market guidance of US\$0.60 - \$US0.80/lb of payable copper.
- Higher mining volumes were achieved from the open pit relative to the previous quarter with 1.6 Mt mined (previous 1.4 Mt).

<sup>1</sup> References throughout this report to Cerro de Maimón production volumes for the quarter are provisional, final assay results are pending

<sup>2</sup> Notional net C1 cash cost assumes that all production including by products produced during the quarter are sold during the quarter

For personal use only

## Exploration & Development

- Completion of the helicopter supported VTEM airborne electromagnetic survey over the Broken Hill during the quarter. An initial 15 high priority target areas have been selected for follow-up. From these results, a review of historic work, field checks and geophysical modelling commenced in March and will continue through the 2<sup>nd</sup> quarter. Drill testing of potential targets is scheduled for late May.
- The Cerro De Maimón diamond drilling program continued in the March quarter using 4 rigs, with results to be incorporated into an updated Mineral Resource upgrade on schedule for mid-2012. Drilling has been successful in testing for extensions of mineralisation outside of the previous resource and providing higher confidence. March quarter drilling totalled 10,735 m - a site quarterly record.
- An evaluation study commenced during the quarter at Cerro de Maimón to examine the potential for both the development of an underground mine to compliment the open pit and the establishment of a separate zinc recovery circuit to benefit from the higher zinc grades at depth.
- Bayaguana porphyry target definition advancing solidly after geological/geophysical integrated 3D modeling of the Dona Amanda Lithocap.
- The scoping study at the Moblan Lithium project in Quebec, Canada continued with activities for the quarter focussed on metallurgical test-work, environmental baseline monitoring and engineering, with a preliminary metallurgical flow-sheet developed and an initial open pit mine design completed.

## MD/CEO's COMMENTS

The start of the 2012 year has been a difficult period for many mid sized Australian mining companies. In particular Perilya's immediate peers in the lead / zinc sector have had to carry out major restructuring and asset sales to combat the effect of the strong Australian dollar and historically weak metal prices. In this respect the March quarter was particularly pleasing for the consistency we are seeing from the Broken Hill Operations and the responsiveness of site management to the difficult pricing conditions we face. On site costs were contained well under budget and capital management programs were operated in a way to ensure that essential programs were complete whilst good cash management was maintained. This enabled the work to progress the Potosi/Silver Peak development to be performed to plan from the groups existing cash reserves.

In addition the performance of Cerro de Maimon as a strong cash generator was reflected in the increase in cash across the group for the quarter and re-enforced our strategic decision to make this acquisition outside of Australia. The low cost nature of this mine, the considerable extension to mine life announced last year and Perilya's ability to operate it at rates well above the original plan are providing real strength to our balance sheet and a fantastic platform for growth.

Our ability to successfully acquire as, demonstrated through the takeover of Globestar, has strengthened our confidence to pursue further acquisitions with the strong support of our major shareholder Zhongjin. The uncertainty in capital markets and commodities is presenting a number of opportunities that we are actively pursuing, applying the same rigour and discipline that we demonstrated with the Globestar purchase.

As the year unfolds our focus will remain on good cash management and operating controls, the development of key internal projects and the disciplined pursuit of acquisitions.



Paul Arndt  
 Managing Director and CEO  
 [ ] April 2012

### Contact:

#### Investors:

Paul Arndt  
 Managing Director & CEO  
 +61 8 6330 1000

#### Inquiries:

Paul Marinko  
 Company Secretary  
 +61 8 6330 1000

#### Analysts:

Angelo Christou  
 Chief Financial Officer  
 +61 8 6330 1000

For personal use only

## BROKEN HILL OPERATIONS

### Mining Operations

The March quarter saw the Broken Hill Operation deliver another strong production performance, which is the fourth consecutive quarter where production has met or exceeded plan. Whilst head grades for both lead and silver were at or above expectations, head grade for the zinc was below plan. The lower than expected Zinc head grade was in part off-set by above-plan mine production. The total amount of ore processed during the quarter was again above plan, with tonnes milled exceeding plan by 4%. Operational improvements planned and implemented over the previous quarters' continue to progress. The overall performance in terms of combined zinc, lead and silver metal produced was in line with plan.

Underlying proactive safety measures have continued from previous quarters with improvements in incident reporting and investigations, hazard hunts, and action close outs and these measures underline the continuing confidence in the sustainability of the changes evident at the Broken Hill Operation. Unfortunately there was one lost time injury during the quarter and this means that the LTIFR has increased slightly to 4.5. There were also four medically treated injuries during the quarter and the AIFR at the end of the quarter was 19.2.

The March quarter continued to reinforce the sustainability of the improvements in the Broken Hill Operation and also demonstrated the continuous improvement that the operation is capable of. During the quarter mining operations hoisted 441,000 tonnes, this exceeded plan by 14,500 tonnes. This result was achieved despite hoisting delays for shaft maintenance. Mine development advance for the quarter (measured as a combination of advance and rehabilitation) was slightly below planned performance.

During the period the amount of mined material used to fill underground voids was a total of 88,000 tonnes of waste. Whilst this was down on the previous quarter, when 117,000 tonnes were placed, this fill material contributes to a substantial improvement in overall mining performance for the year.

Concentrator operations during the period continued to improve to match mine production and treated a total of 443,000 t during the quarter. This performance confirms a continued sustainable increase in productivity in our milling operations.

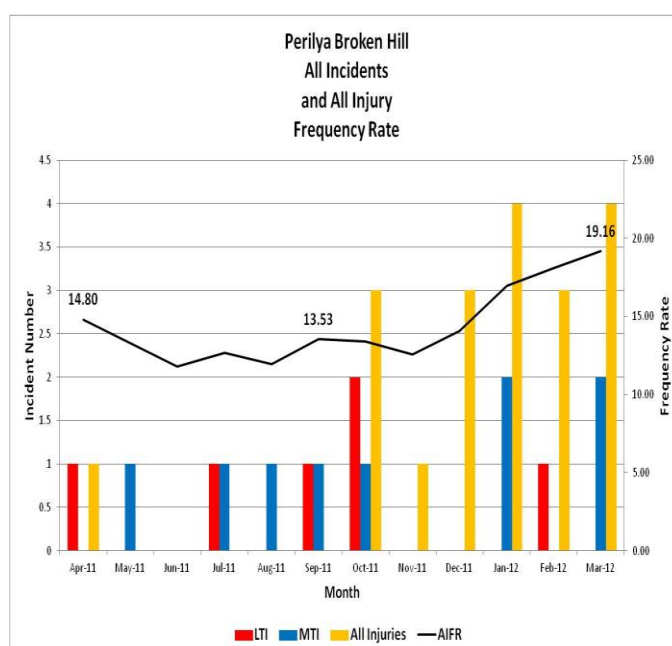
During the March quarter the recovery of lead to concentrate was 84.8%, zinc recovery averaged 89.0% and silver recovery was 72.6%. Recoveries of metal to concentrate during the quarter were marginally below plan.

Mining rates were above plan.

- Development advance was down for the quarter (29% below plan);
- Mine rehabilitation was up for the quarter (20% above plan)
- Milling throughput was 4% above plan;
- Combined metal production of 29,600 t was in line with annual guidance of 110,000 t to 120,000 t; and
- Average notional net C1 cash costs per pound of payable zinc at US\$0.66 was within annual guidance of US\$0.60-0.70/lb of payable zinc.

### Safety

The March quarter has seen the continuing upward trend in lag indicators with injuries in each of the three months of the quarter. The proactive safety activities increased significantly towards the end of this quarter in an effort to reverse the trend in injuries. The All Injury Frequency Rate rose to 19.2 and the Lost Time Injury Frequency Rate moved slightly from 3.9 to 4.4. There was one lost time injury, four medically treated injuries and eleven minor injuries recorded during the quarter. The lost time injury occurred when an operator was struck in the face by a damaged compressed air line he was attempting to close off. The four medically treated injuries all related to lacerations to either the hand or head that required stitches but did not prevent the employees returning to work. The apparent increase in minor injuries is a result of the growing reporting



For personal use only

culture presenting greater opportunity to identify and control hazards before a more significant injury is sustained.

The safety system implementation continues to drive a review of training packages using risk management techniques and refresher training for operators using the new material. This effort will see the majority of operators trained in their area of activity to a standard that would qualify them for a Certificate III level qualification. All of the supervisors and support staff have been or are being trained to a Certificate IV level or better in Front Line Management.

### Production and Sales

During the quarter 441,700 tonnes of ore was mined from the Southern Operation, 3% above plan.

The combined (zinc & lead) grade of ore processed during the quarter was 7.7% (slightly down from 8.3% combined in the previous quarter).

### Production Statistics - Tables

**Table 1: Broken Hill Quarterly Production**

	Mar Qtr 2012	Dec Qtr 2011
<b>PRODUCTION STATISTICS</b>		
<b>Ore</b>		
Total Ore Mined (kt)	441.7	464.8
Total Ore Treated (kt)	442.9	469.0
<b>Zinc</b>		
Grade (%)	4.2	5.1
Concentrate (kt)	34.0	44.4
Contained Zinc (kt)	16.5	22.0
Payable Zinc (kt)	13.8	18.4
<b>Lead</b>		
Grade (%)	3.5	3.2
Concentrate (kt)	18.8	18.1
Contained Lead (kt)	13.1	12.7
Payable Lead (kt)	12.4	12.0
<b>Silver</b>		
Grade (g/t)	39.2	35.3
Contained Silver (Moz)	0.404	0.389
<b>CASH COST &amp; OPERATING MARGIN (US\$/lb zinc)</b>		
<b>Average Price Received</b>	<b>0.92</b>	<b>0.86</b>
Direct Cash Costs	1.47	1.06
By-product credits <sup>(*)</sup>	(1.05)	(0.75)
Zinc treatment charges	0.24	0.28
<b>Net Notional Cash Cost</b>	<b>0.66</b>	<b>0.59</b>
<b>Cash Operating Margin</b>	<b>0.26</b>	<b>0.27</b>

<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 net C1 cash costs of US\$0.66/lb of payable zinc for the quarter (YTD US\$0.66/lb) was within guidance of US\$0.60-0.70/lb of payable zinc despite the increase in direct cash costs over the period (due to lower metal production and unfavourable foreign exchange movement for the quarter).

The cash margin of US\$0.26/lb of payable zinc is comparable to the previous quarter mainly due to improved zinc prices over the period.

## MARKETS

Lead prices increased slightly during the quarter from its October low of US\$1,792/t to a high of US\$2,288/t during the quarter, with average prices quarter on quarter increasing by approximately US\$111/tonne.

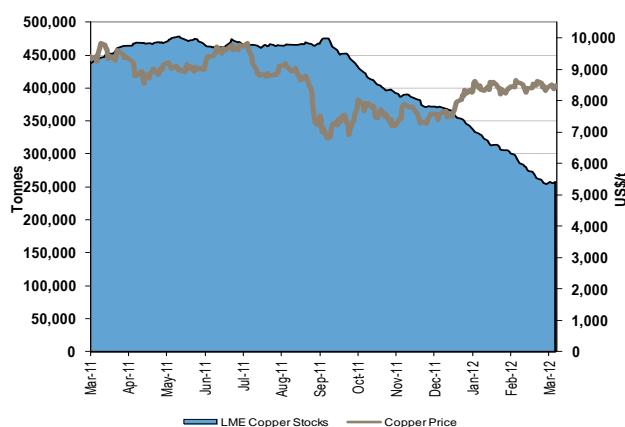
Zinc prices also increased during the quarter from its October low of US\$1,750/t to a high of US\$2,179/t during the quarter, with average prices quarter on quarter increasing by approximately US\$129/tonne.

Copper prices have increased during the quarter from its October low of US\$6,785/t to a high of US\$8,658 during the quarter, with average prices quarter on quarter increasing by approximately US\$818/tonne.

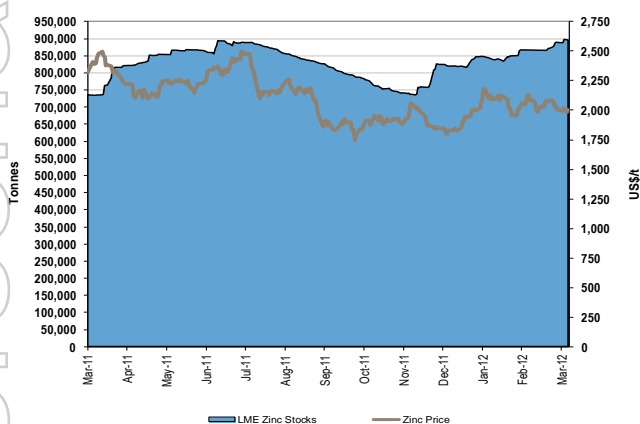
The AUD/USD exchange rate fluctuated between 1.0170 and 1.0816 over the March quarter, with an average of 1.0552 (December 11 quarter average of 1.0114).

World economic conditions remain volatile but appeared to have stabilised recently with metal prices generally stronger than the previous quarter. Perilya maintains the view that the base metal market fundamentals remain strong, particularly for zinc and lead with supply constraints in the medium term occurring due to the imminent closure of several large mines impacting production with few replacement options becoming available within the same timeframe.

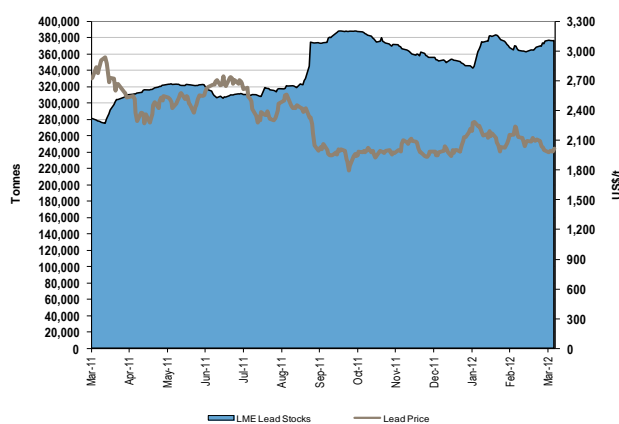
LME Copper Price (US\$ / tonne)



LME Zinc Price (US\$ / tonne)



LME Lead Price (US\$ / tonne)



## CERRO DE MAIMÓN OPERATIONS

The Cerro de Maimón mine delivered another consistent quarterly production performance. Metal production for the quarter was 3,058 t of copper (well ahead of annual guidance of 10,500-11,000 t), 3,519 oz of gold (within annual guidance of 14,000-15,000 oz) and 81,694 oz of silver (within annual guidance of 320,000-400,000 oz), recovered from a lower combined mill feed of 162 kt.

### Mining

Higher volumes were achieved from the open pit relative to the previous quarter with 1.6 Mt mined (1.4 Mt). The improved performance reflected the two week's voluntary suspension of mining activities for Christmas in the previous quarter. Mined volumes of oxide and sulphide ore also increased to 245 kt.

Staged embankment construction continued in the tailings co-disposal facility while water interception and diversion controls were upgraded and sediment ponds cleaned in preparation for the wet season. Discussions progressed with neighbouring landowners to select a suitable location for the second waste rock and tailings co-disposal facility.

Work continued on the underground mining study program to evaluate the technical and economic feasibility of extracting both the deeper and southern extensions of the Cerro de Maimón deposit. Geotechnical drilling was well advanced at the quarter's end while construction of mineralization and lithology models was completed.

For personal use only

Preliminary analyses were performed for potential decline access routes and mining method selection. Activities planned for the second quarter include the completion of the geotechnical drilling program, rock mass modelling, power demand estimation and preparation of an underground mining cost model.

**SULPHIDE CIRCUIT:** Ore processed through the sulphide circuit was 114 kt (126 kt) as a consequence of reduced plant operating time. A programmed major maintenance shutdown of 72 hours was successfully completed in early March. In addition, several unplanned electrical outages occurred during the quarter. These events were promptly rectified however the downtime duration was extended by the need to remove the mill charge prior to restarting the primary grinding mill. An inching drive was ordered in May 2011 to address this issue with the drive currently being freighted from Europe for installation in the second quarter.

The circuit feed grade increased marginally to 3.3% Cu while metallurgical recovery reduced to 82%. Gold feed grades were consistent with the previous quarter (0.9 g/t) while the silver feed grade decreased to 32 g/t. Quarterly copper concentrate production was 12,412 t (12,870 t) while 14,986 t of concentrate was exported in six shipments.

The metallurgical test-work program to improve copper and zinc separation from primary ores in the flotation circuit continued with consistent results obtained from laboratory trials. The test-work has demonstrated that separate copper and zinc concentrates can be produced using fine grinding and selective flotation reagents. Locked cycle trials will be performed in the second quarter so that the flow sheet can be validated for engineering design purposes. These results will be considered in conjunction with the current underground mining study and mineral resource update to determine the most appropriate life of mine production plan.

**OXIDE CIRCUIT:** The oxide circuit treated 48.5 kt of ore (53 kt) of ore during the quarter. Plant performance was affected by the reduced runtime caused by programmed maintenance and unplanned outages that impacted the sulphide circuit. The clayey nature of the ore continued to restrict throughput rates in the settling circuit despite trials of alternative flocculent chemicals.

Feed grades were 1.6 g/t Au and 9 g/t Ag while gold and silver recoveries improved to 86% and 49% respectively. Gold grade was above plan and silver grades were below plan due to the open pit face positions and lower than expected silver grade from stockpiled ore.

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

Cerro de Maimon	Mar Qtr	Dec Qtr
Quarterly Production & Cash Cost	2012	2011
<b>PRODUCTION STATISTICS</b>		
<b>Sulphide Plant</b>		
Sulphide ore processed (tonnes)	113,487	125,908
Copper grade (%)	3.3	3.2
Gold grade (g/t)	0.9	0.9
Silver grade (g/t)	32.2	33.8
Copper concentrate produced (tonnes)	12,412	12,870
Copper concentrate grade (%)	24.6	26.3
Copper in concentrate (tonnes)	3,058	3,387
Gold in concentrate (ounces)	1,476	1,767
Silver in concentrate (ounces)	74,699	95,082
<b>Oxide Plant</b>		
Oxide ore processed (tonnes)	48,517	53,447
Gold grade (g/t)	1.59	1.82
Silver grade (g/t)	9	10
Gold (ounces)	2,127	2,506
Silver (ounces)	6,995	8,324
<b>CASH COST (US\$/lb copper)</b>		
Net cash cost (US\$/lb Cu)	0.44	0.56

#### Net Cash Costs of Production

The actual net C1 cash costs of US\$0.44/lb of payable copper for the quarter is below the market guidance of US\$0.60 - \$US0.80/lb of payable copper for the year. The decrease in net C1 cash costs for the quarter, despite a decrease in by-product (gold and silver) prices, is due to improvement in copper grade, lower site costs relative to plan during the quarter and a reduction in treatment, refinery and freight costs in the quarter.

## Safety

The March quarter has seen a continued focus on proactive elements of Perilya's safety management system, especially 'fitness for work' testing, work place inspections and Tool Box talks. The Lost Time Injury was a highly significant incident where an open pit haul truck rolled over without the operator receiving and significant injury. There has only been one Minor Injury for the quarter when a driller's assistant suffered a laceration to his finger. He was able to return to work on the same day. There has been a focused effort on fatigue management following the investigation of the haul truck incident. Practices reflecting those in Australia have been implemented across the whole operation.

## Other

Sustainable development programmes continued in the local communities with the primary focus being the continuation of the microfinance and municipal institutional strengthening programs that commenced in 2011.

A series of initiatives were implemented to further improve business performance. These included the establishment of formal supply agreements for critical components, reduced material delivery times, lower realisation costs for metal concentrates and realisation of export industry entitlements available to local companies.

## POTOSI MINE

Work has continued on the underground development on both the Silver Peak and Potosi declines. During the quarter continued excavation work. 565m of development was completed in the Silver Peak decline and 484m were completed in the Potosi decline during the period.

On two occasions work was delayed on the Potosi Decline due to rainfall events. None of these delays were significant in that they did not delay the Silver Peak Decline which is on the critical path.

Other work on the site included the drilling of an internal ventilation rise in the Potosi decline, fit-out of a combined workshop and store building, upgrading of surface electrical supply and various environmental improvements.

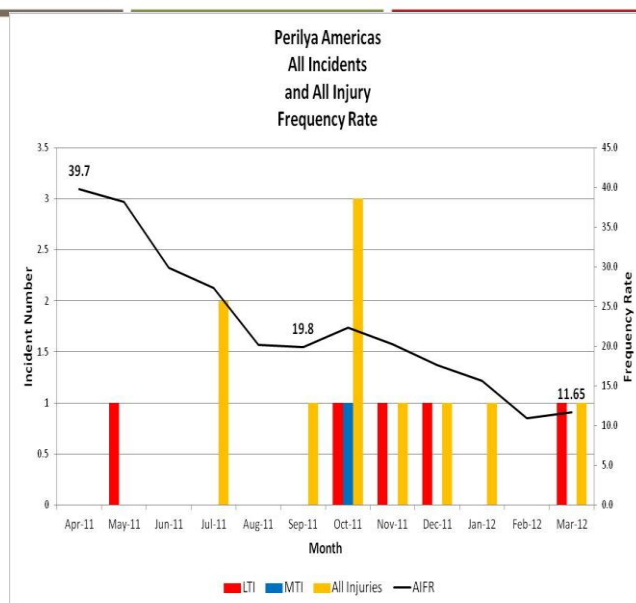
Compliance with noise and vibration limits which were established for the project has been difficult to achieve. A combination of blast design and the use of the blast doors at the Potosi Portal have proven effective in consistently achieving the noise and vibration limits. Firing is now permitted around the clock at both the Potosi and Silver Peak declines.

Approximately 70 persons are now employed on the site by the contractor and Perilya.

During the quarter further results were received from the resource definition diamond drilling programme completed in the December Quarter. This program is aimed at further defining ore shapes for mining purposes. Highlights include:

- PD11913: 6.25m @ 5.1% Pb, 24.5% Zn and 62g/t Ag.
- PD11924: 2.3m @ 1.3% Pb, 14.6% Zn and 40g/t Ag & 1.85m @ 8.0% Pb, 10.9% Zn and 57 g/t Ag
- PD11925: 2.3m @ 7.9% Pb, 6.6 % Zn and 97g/t Ag

Further resource definition drilling is planned as the Silver Peak decline progresses.



For personal use only

**Table 3: Potosi Definition Drilling Intercepts**

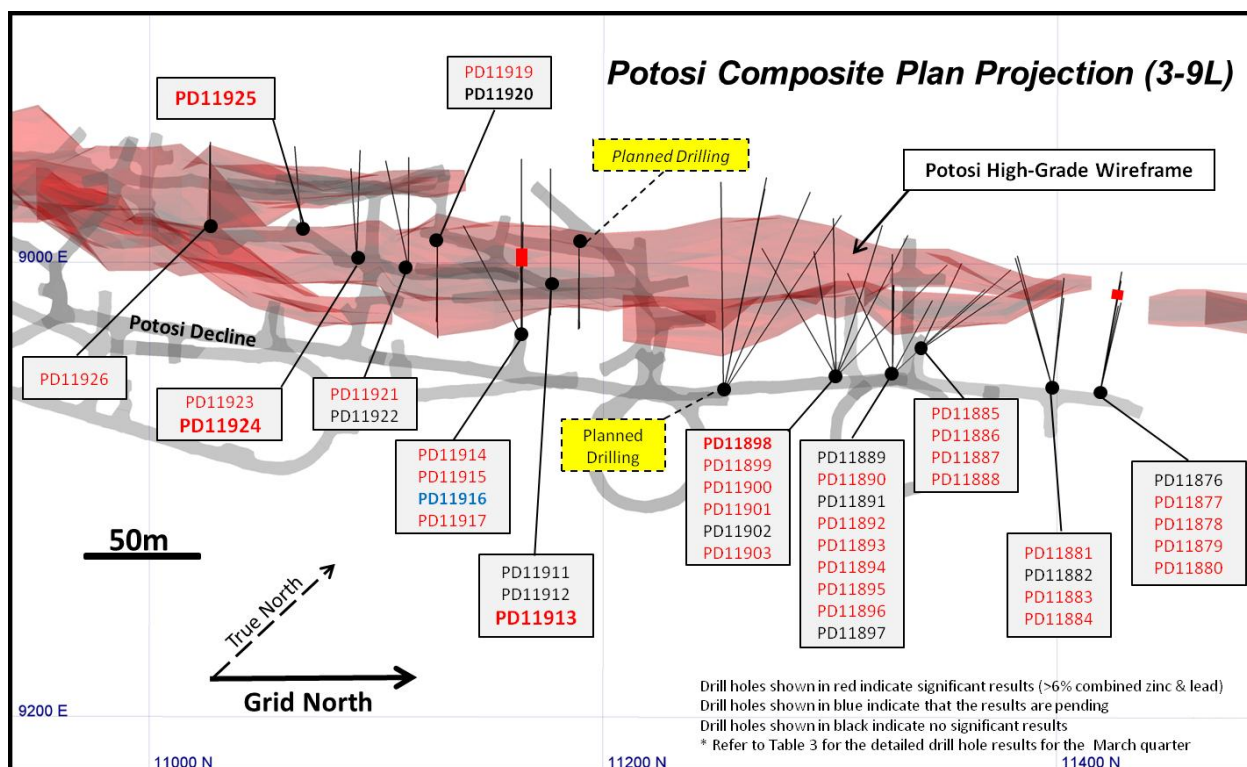
Hole ID	Northing	Easting	Elevation	Bearing	Dip	Length (m)	From (m)	To (m)	Interval (m)	Pb %	Ag g/t	Zn %
PD11898	11301.2	9043.9	10061.2	315	7	70	54.25	59.00	4.75	4.2	46	2.9
PD11912	11175.5	9008.0	10097.9	270	-17	119	No significant Intersections					
PD11913	11174.4	9002.0	10095.5	270	5	50.2	0.00	6.25	6.25	5.1	62	24.5
PD11919	11123.3	8985.1	10100.4	270	-7	44.7	11.55	15.30	3.75	0.1	3.6	5.1
PD11920	11122.7	8985.0	10097.6	270	-35	44.7	No significant Intersections					
PD11923	11088.6	8992.8	10115.0	266	-11	40.4	28.60	32.00	3.40	1.6	37	6.2
PD11924	11088.8	8992.9	10116.9	272	22	51.0	4.70	7.00	2.30	1.3	40	14.6
PD11924	11088.8	8992.9	10116.9	272	-12	51.0	29.15	31.00	1.85	8.0	57	10.9
PD11925	11065.5	8978.5	10115.4	270	-12	35.2	15.65	17.95	2.30	7.9	97	6.6
PD11925	11065.5	8978.5	10115.4	270	-12	35.2	19.45	21.65	2.20	0.6	3.1	3.5
PD11926	11042.9	8981.2	10116.0	221	-8	36.0	19.60	22.00	2.40	1.3	44	7.2

Note: All bearings and coordinates in Potosi Mine Grid

Tabled results are greater than 4% Pb+Zn

Values have been rounded off to appropriate significant figures

**Figure 1: Potosi Definition Drilling Intercepts**



## EXPLORATION REPORT

### BROKEN HILL AREA

Exploration in the Broken Hill area during the quarter saw the completion of a VTEM airborne electromagnetic (AEM) survey over the near entirety of Perilya's exploration tenements in the region. A total of 7,179 line kilometres of surveying was completed over an area of approximately 940km<sup>2</sup>. Initial review of the geophysical data has noted stark contrasts between previous AEM surveys and the recently completed VTEM survey.

Anomalies identified by the surveying have been ranked and prioritized with an initial 15 high priority areas selected for field reconnaissance and potential drill testing. Field checks and review of historic work commenced in March and will continue through the quarter. Detailed geophysical modelling including inversions of the EM and magnetic data will also be completed during the second quarter. Diamond drilling of selected targets, where warranted, is scheduled to commence in late May.



## FLINDERS ZINC PROJECT

The scoping study being conducted on the North Moolooloo resource continued during the quarter focusing on pit optimizations incorporating geotechnical data collected in the September quarter. The study demonstrates that the zinc metal price influences the amount that could be economically extracted via an open pit. The mineralization does have the potential to be economic at a zinc price with work on going to fully understand at what zinc price Perilya could potentially mine the North Moolooloo resource.

Limited exploration on the Flinders project was completed during the quarter. Work consisted primarily of target generation efforts utilizing recently purchased Aster multispectral satellite imagery and a re-sampling of historic drill holes in order to develop vectors to potential mineralization based on the results of recent trace element geochemical studies on the North Moolooloo mineralization. Regional handheld XRF soil surveying was also completed over several high priority target areas during the quarter.

## MOUNT OXIDE COPPER PROJECT

The Mt Oxide Copper Project study program continued during the quarter with the main wet season water sampling now completed.

An ongoing mining review indicates that the best net value is for a hybrid open cut and underground mine focused on extraction of the high grade areas of copper mineralisation. A review of the mining method is progressing; which has included a review of the geotechnical data for Mt Oxide. This work indicates that further geotechnical drilling is required to assist the underground mining assessment.

Work on the environmental impact assessment has been scaled back until a preferred mining method has been determined to ensure that the environmental impact study is targeted and tailored around the proposed mining method. Whilst this may impact on the ultimate project development timeline for the environmental and mining lease approvals, this approach will avoid the risk of carrying out unnecessary work and thus avoid incurring significant unnecessary expenditure.

Other opportunities for the Mt Oxide deposit are also being reviewed.

## THE AMERICAS

### DOMINICAN REPUBLIC

#### Cerro de Maimón Mine Exploration

Resource definition drilling at the Cerro de Maimón mine continued throughout the March quarter to confirm extensions of massive sulphide mineralisation outside the previous mineral resource model. Both the infill and extensional drilling along strike and at depth has now successfully extended and confirmed the previous model. The new data, together with the 2011 results will be incorporated into an updated mineral resource update that will be completed in mid-2012.

March quarter drilling production used four diamond drill rigs producing a site quarterly record total of 10,735m from 36 completed drill holes being (CM-336 to CM-366, CM-369 and CM370) with three holes in progress at March 31 (CM-367, CM-368, CM-371).

The drilling results, as summarised in Table 4 demonstrate excellent grade continuity both outside and within the massive sulphide envelope. The March Quarter intercepts are displayed in Figure 2.

An evaluation study is also underway to examine the potential for the development of an underground mine to compliment the open pit and the establishment of a separate zinc recovery circuit to benefit from the higher zinc grades at depth.

An updated geological model of the Cerro de Maimón stratigraphic-structural horizon is being finalised. After the current extensional resource drilling program is completed in the June quarter, drilling will concentrate on testing the potential along strike of the 6 km fertile Maimón horizon outside of the pit environs.

Additionally field work has been initiated to evaluate other oxide (Au/Ag) opportunities in the immediate vicinity of the Cerro de Maimón Mine and overall district potential. This work will contribute to the already completed inventory of potential gossanous (oxide gold) resources, with best targets to be prioritised for drill testing in 2012.

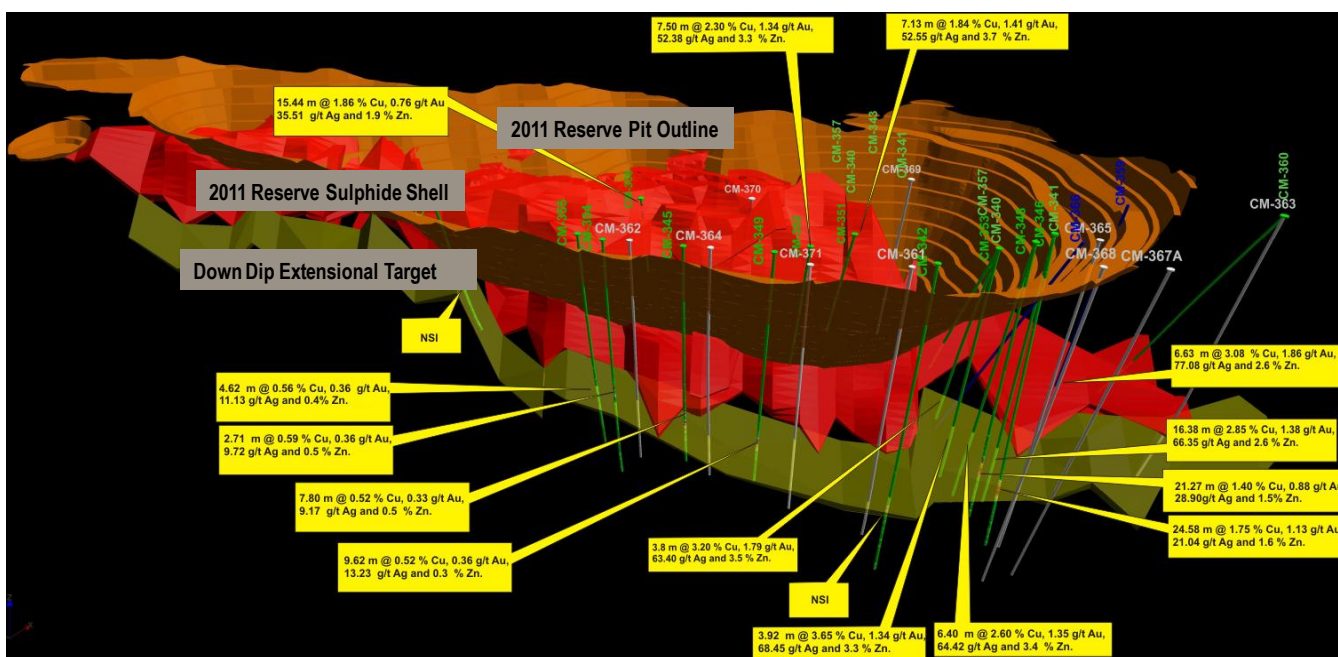
**Table 4: Latest Cerro de Maimón Drilling Intercepts**

Hole ID	Collar Co-ordinates			Azimuth	Dip	Down hole Interval		Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	Infill/ Extension
	East	North	RL			From	To					
CM-322	369147.8	2087226	130	55	-90	250.35	260.60	10.25	1.35	1.18	12.6	Extension
CM-323	369318.9	2087040	175	55	-60	NSI						Extension
CM-324	369499.9	2086862	185	55	-90	NSI						Extension
CM-325	369376.2	2087268	162	55	-90	NSI						Extension
CM-326	369500.6	2086862	185	55	-70	310.20	314.25	4.05	0.54	0.73	4.6	Extension
CM-327	369078.7	2087269	121	55	-78	221.85	231.20	9.35	0.66	0.57	11.6	Extension
and						231.85	237.75	5.90	1.80	1.02	18.3	Extension
CM-328	369140.1	2087290	115	55	-64	162.60	171.03	8.43	2.45	1.37	46.2	Infill
CM-329	369078	2087271	135	55	-90	NSI						Extension
CM-330	369284.9	2087065	163	55	-60	263.45	270.90	7.45	0.64	0.58	0.4	Infill
CM-331	369412	2087230	162	55	-90	NSI						Extension
CM-332	369140.5	2087291	115	55	-83	185.25	190.85	5.60	0.90	0.44	12.7	Extension
CM-333	369284.9	2087065	163	55	-71	258.40	261.70	3.30	2.25	2.06	67.9	Infill
and						322.95	326.45	3.50	1.34	1.99	8.7	
CM-334	369124.1	2087279	115	55	-90	210.70	223.65	12.95	1.53	0.75	18.3	Extension
CM-335	369284.9	2087065	166	55	-90	309.65	312.30	2.65	1.62	1.07	26.9	Extension
CM336	369187	2087191	137	55	-90	256.70	271.30	14.60	1.34	0.63	18.2	Extension
and						275.85	278.20	2.35	0.79	0.60	34.5	
CM-337	369184	2087158	184	55	-62	249.65	252.60	2.95	2.28	1.21	42.0	Infill
CM-338	369084	2087208	155	55	-77	283.63	289.23	5.60	2.16	0.89	32.9	Extension
CM-339	369032	2087263	155	55	-77	NSI						Extension
CM-340	369188	2087190	137	55	-65	220.50	224.30	3.80	3.20	1.79	63.4	Infill
CM-341	369213	2087150	155	55	-84	263.52	279.90	16.38	2.85	1.38	66.3	Extension
CM-342	369084	2087208	155	55	-84	NSI						Extension
CM-343	369184	2087158	154	55	-75	255.05	261.45	6.40	2.60	1.35	64.4	Infill
CM-344	368884	2087651	159	55	-60	NSI						Extension
CM-345	368966	2087402	157	55	-75	220.00	227.80	7.80	0.52	0.33	9.2	Extension
CM-346	369213	2087150	154	55	-90	287.21	311.79	24.58	1.75	1.13	21.0	Extension
CM-347	369104	2087192	155	55	-90	NSI						Abandoned
CM-348	369183	2087157	155	55	-83	274.31	295.58	21.27	1.40	0.88	28.9	Extension
CM-349	369009	2087331	157	55	-76	237.57	240.28	2.71	1.34	0.71	16.1	Extension
and						248.43	258.05	9.62	0.52	0.36	13.2	
CM-350	369123	2087582	109	55	-57	8.17	23.61	15.44	1.86	0.76	35.5	Infill
CM-351	369186	2087341	111	55	-62	107.55	114.68	7.13	1.84	1.41	52.6	Infill
CM-352	369131	2087362	110	55	-53	128.65	136.15	7.50	2.30	1.34	52.4	Infill
CM-353	369188	2087190	137	55	-75			Assay Pending				Infill
CM-354	368931	2087469	157	55	-76	195.24	197.95	2.71	0.59	0.36	9.7	Extension
CM-355	368926	2087495	158	55	-90	194.04	198.66	4.62	0.56	0.36	11.1	Extension
CM-356	369183	2087157	155	55	-79	NSI						Extension
CM-357	369188	2087190	137	55	-85	234.23	238.15	3.92	3.65	1.34	68.4	Infill
CM-358	368931	2087469	157	55	-75	NSI						Infill
CM-359	369295	2087110	167	53.6		244.87	251.50	6.63	3.08	1.86	77.1	Infill

Note: Results displayed are based on a 0.5 % Cu cut-off.

For personal use only

Figure 2 - Cerro de Maimón Deposit – Showing Recent Extensional Intercepts



### Cumpié Hill Nickel Laterite Deposit

The Cumpié Hill deposit is located within the Cerro de Maimón mining concession and 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 scoping study is being undertaken to evaluate the technical and economic viability of direct shipping nickel laterite ore for downstream processing to nickel metal and/or nickel pig iron. The external scoping study programs were concluded during the quarter and this information is being integrated into the financial model, study report and environmental assessment. The study will be concluded in the second quarter to allow a decision on the project. A scoping study outcome that demonstrates the project’s economic viability will trigger resource definition drilling to test for mineralised extensions and validate the resource to a JORC compliant mineral resource.

Additional environmental monitoring work was conducted to ensure that community concerns were adequately addressed in the environmental report which is due to be submitted to the regulator in May. A second community consultation meeting is planned for late April.

### 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 significant copper and gold deposits. The concessions contain a number of prospective targets with the largest being the Doña Amanda deposit.

March quarter exploration focused on the evaluation of prospective porphyry targets within the Bayaguana District. For the Loma Managua prospect, the recently completed new lithological, alteration and structural surface mapping and core re-logging was integrated into a 3D geological model constrained by new geophysical inversions carried out in March quarter. The inversions include induced polarization, magnetic and electromagnetic data. The main result from the March quarter modelling has been the definition of a zoned pattern within the Dona Amanda argillic lithocap. Surface structural zones have been followed in depth using drilling data and the geophysical modelling.

Land and environmental permitting were initiated in the March quarter for drilling program to commence later this year.

For personal use only

## 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"). The Moblan West deposit 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.

Perilya, as Joint Venture manager, advanced the scoping study to evaluate the development of an open pit mine and ore processing facility to produce a spodumene concentrate with at least 6% Li<sub>2</sub>O. The metallurgical and engineering programs were completed at the quarter's end while environmental monitoring activities continued.

The metallurgical test work concluded that a lithium concentrate could be produced through either a standalone dense media separation (DMS) circuit or a combined DMS and flotation circuit. Importantly, laboratory scale hydrometallurgical test work demonstrated that lithium carbonate could be produced from the Moblan lithium concentrate and provided parameters that were used to develop a processing flow sheet.

A substantial design and engineering program was completed during the quarter. Mine planning activities were finalised to provide the open pit design, waste dump layout, production schedule and mobile fleet specification. Concentrator and hydrometallurgical plant designs were prepared using the flow sheet developed from the metallurgical test work program. Initial capital and operating cost estimates were prepared at the end of March and are currently being reviewed.

A range of environmental assessment studies were performed including the installation of a remote weather monitoring station and winter animal tracking. The proposed site layout and environmental controls have been guided by these results. The site environmental monitoring program will continue to gather baseline data for the seasonal conditions.

The JV partners continued their regular meetings with representatives of the Cree Nation of Mistissini to advance the Pre-Development Agreement (PDA) which is now expected to be signed jointly with the First Nations in the second quarter of 2012.

The scoping study findings will be evaluated and reviewed with SOQUEM and a report finalised during the second quarter prior to a decision on the future of the project.

## CORPORATE

### Cash and Investments at 31 March 2012

At 31 March 2012, the Company held cash, deposits and investments totalling \$73.4 million (31 December: \$62.2 million), represented by:

- Free cash of \$47.4 million (31 December: \$36.4 million);
- Secured cash deposits of \$24.6 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 \$1.4 million (market value).

### Debt

At 31 March 2012 Perilya has US\$116.6 million of corporate debt (being debt other than equipment finance in the ordinary course of business) which comprises:

- US\$86.6 million 5-year funding for GlobeStar acquisition from China Development Bank (CDB); and
- US\$30 million working capital funding from Industrial and Commercial Bank of China (ICBC).

Perilya also has approximately \$6.8 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 31 March 2012)

		2012 Quarter Ending			TOTAL POSITIONS
		Jun-12	Sep-12	Dec-12	
<b>ZINC:-</b>					
Tonnes	Tns	-	-	-	
Price	A\$/tn	-	-	-	
<b>LEAD:-</b>					
Tonnes	Tns	-	-	-	
Price	A\$/tn	-	-	-	
<b>SILVER:-</b>					
Ounces	Ozs	195,000	195,000	195,000	<b>585,000</b>
Price	US\$/oz	18.33	18.33	18.33	<b>18.33</b>

#### Competent Persons Attribution Statement:

The information in this release that relates to Mineral Resources for the Cerro de Maimón mine is based on information compiled by Mr Geoff Bullen who is a full-time employee of Perilya and is a member of the Australian Institute of Geoscientists. Mr Bullen 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 Bullen consents to the inclusion in this release 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 Ore Reserve for the Cerro de Maimón mine is based on information compiled by Mr Arnt Eric Olson who is a full-time consultant to Perilya and is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Olson 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 Olson consents to the inclusion in this release 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 the Mineral Resource at the Moblan Lithium Project and the exploration results for the Dominican projects are based on information compiled and/or reviewed by Dr. Sergio Gelnich., PhD, P.Geo., Regional Exploration Manager – Americas, who is a full-time employee of Perilya and is a member of the Association of Professional Geoscientists of Ontario. Dr. Gelnich has visited the projects on a number of occasions during development of the exploration programs and has validated all relevant data. Dr. Gelnich 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 Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Dr. Gelnich 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 report that relates to Mineral Resources for Silver Peak and Potosi mines are based on information compiled by Mr Noel Carroll who is a full-time employee of Perilya and is a member of the Australian Institute of Geoscientists. Mr Carroll has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Carroll consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

For personal use only

## CORPORATE DETAILS

### Board of Directors:

Zhang Shuijian	Non- Executive Chairman
Patrick O'Connor	Non- Executive Deputy Chairman
Paul Arndt	Managing Director/CEO
Wang Wen	Non-Executive Director
Anna Liscia	Non-Executive Director
Minzhi Han	Executive Director

### Principal & Registered Office:

Level 8  
251 Adelaide Terrace  
Perth Western Australia 6000  
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	769,316,426
Unlisted Options	7,837,177
Performance Rights	53,900

### Major Shareholders:

Shenzhen Zhongjin Lingnan	
Nonfemet Co. Ltd	53.37%
L1 Capital Pty Ltd	10.38%
Accorn Capital Limited	5.35%

### 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 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 to approximately 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 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 53.37% 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)