# Quarterly Activities Report

for the three months ended 31 March 2013

# HIGHLIGHTS

## Highlights

Perilya's Cerro de Maimón mine produced[1] 2,573 t of copper, while gold and silver production outperformed this period with a total production of 4,193 oz of gold (+35%) and 97,930 oz of silver (+24%). This quarter's copper production, after taking into account the effects of planned maintenance shutdowns of each of the oxide and sulphide circuits during the quarter, is in-line with annual guidance of 11,000-12,000 t copper, and ahead of annual guidance of 10,000-13,000 oz for gold and 300,000-330,000 oz for silver. Actual net C1 cash costs for the quarter was US$0.85/lb of payable copper in-line with full year guidance of US$0.80 – 1.00/lb of payable copper.

Broken Hill operations were impacted by geotechnical issues during the quarter, which resulted in reduced acccess to planned high grade production areas and a greater reliance on established lower grade ore blocks to achieve production volumes. The outcome was that, notwithstanding higher mining production than the previous quarter, metal production was lower than plan at 27,169 tonnes of combined zinc and lead, reflecting below-plan head grades. Silver production for the quarter was approximately 296,000 oz. Notional[2] net C1 cash costs (US$0.92/lb of payable zinc) were above annual guidance range (US$0.65-0.80/lb) due to lower head grades, particularly for by-product credits.

## Corporate

- During the quarter Perilya released its audited full year financial results showing a net profit after tax of $27.72 million, which was an outstanding result in the face of sustained appreciation of the Australian dollar and a weakening of metal prices, particularly for zinc, lead and copper.
- In light of the difficult economic circumstances evident during the quarter highlighted by a further significant weakening of metal prices and the continuing strength of the Australian dollar, management has focused on implementing further cost control measures at both its operations and a revised mine plan at the Potosi development to prudently manage cashflow. This will see a slower ramp up of mining production but will ensure that it is undertaken in a sustainable manner given the current economic climate.

## Broken Hill

- Metal production for the quarter totaled 27,169 tonnes of combined zinc and lead which was 13% lower than previous quarter reflecting below-plan head grades.
- Lower head grades were a consequence of an unanticipated need to alter mining priorities and transfer a larger proportion of the mine's development equipment onto rehabilitation of older sections in response to geotechnical issues during the quarter. This change reduced access to planned high grade production areas resulting in greater reliance on established lower grade ore blocks to achieve production volumes. Zinc head grade was 9% below plan at 4.55% and lead head grade was 28% below plan at 2.96%.
- The rehabilitation program is progressing as planned and a return to normal rates of new underground development and access to high grade ore blocks is anticipated during the June quarter.
- Concentrator throughput of 425,400 tonnes was 2% above previous quarter.
- Evaluation of drilling results from the upper portion of the Potosi and Silver Peak deposits during the quarter prompted a review of the project's development strategy and production start-up schedule to ensure that it was undertaken in an economically sustainable manner in the current metal price environment. Plans for early

[1] References throughout this report to Cerro de Maimón production volumes for the quarter are provisional, final assay results are pending

[2] Notional net C1 cash cost assumes that all production including by-product produced during the quarter are sold during the quarter.

stoping in the upper section of the orebodies have been scaled back and the development contractor has been demobilised and replaced by lower-cost Perilya mining crews. The latter decision is consistent with the long term operating strategy for the project.

- The Board approved a revised mine plan focussing on accessing the deeper portion of the Potosi deposit, which is indicated in recent in-fill drilling to have better continuity and width of economic mineralisation. Trial stope production and haulage of ore for treatment in the Southern Operations concentrator commenced in March and will continue at a limited scale during 2013 whilst this modified plan is being implemented.
- Quarterly notional net C1 cash costs (US$0.92/lb of payable zinc) were above annual guidance range (US$0.65-0.80/lb) due to lower head grades and the continued adverse effects of a strong Australian dollar and weak by-product metal prices. This was exacerbated by an unplanned shutdown of the main haulage shaft for 10 days during March, resulting in mining during that period moving to the lower grade upper level stopes to a facilitate haulage of mined material to surface via the decline.
- Management have instigated prudent cost reduction strategies across the entire business including a carefully considered reduction of the workforce, significant cut back in the number of contractor positions and renegotiation of key supply and services agreements in response to difficult economic conditions.
- These timely measures together with the change of operating strategy at the Potosi project are designed to maintain net cashflow against plan during a period when production will be building back up to target levels and the outlook for metals prices remains depressed.

## Dominican Republic

- Total metal production for the quarter of 2,574 t of copper (previous period: 2,638t), 4,193 oz of gold (Q4 2012: 3,377 oz Au) and 97,930 oz of silver (with 79,612 oz Ag Q4 2012).
- Production has been assisted by good availability in both milling circuits. The increased throughput rates have minimized the impact of lesser recovery in the sulphide circuit. Higher than planned feed grades have boosted the oxide circuit production.
- Net C1 cash costs of US$0.85/lb of payable copper is within annual market guidance of US$0.80 – 1.00/lb.
- Mining volumes for the period were ahead of plan with 1.7Mt mined (1.4 Mt in previous quarter), taking advantage of the dry period of the year to accelerate mining the lowest benches of the pit. To date, 20 kt of unscheduled oxide ore have been recovered at 1.26 g/t Au; in addition to a total of 183 kt of sulphide ore.
- The Cumpié Hill's Environmental Impact Assessment (EIA) was revised and resubmitted as requested by the regulator.
- Metallurgical test work and a characterisation project on transitional ore are underway with successful Cu and Zn separation being achieved. Further work on transition ore to be treated in the next 4 years is being initiated in the coming months. Flotation tests of the zinc after copper flotation are also being undertaken. Orders have been placed for long lead time equipment for the installation of this circuit.

## Exploration & Development

- Surface electromagnetic geophysical surveying was completed over eleven priority VTEM targets generated from the 2012 Broken Hill airborne survey. A strong, relatively deep conductor has been identified in the Little Broken Hill area to the west of drilling completed in 2012 which intersected a broad zone low-grade base metal mineralization. Final interpretation and modelling of the remaining surveys is on-going with drilling scheduled for the second quarter.

## MD/CEO's COMMENTS

The March quarter presented a number of challenges to the Australian mining industry generally and base metal miners in particular. The quarter saw continuing strength in the Australian dollar, whilst at the same time a significant fall across the board in metal prices in the second half of the quarter. Perilya was not immune to these challenges. The impact was particularly felt at Broken Hill were the revenue received for by-product credits (lead and silver) has a significant impact on the net C1 cash costs of production.

Further, Broken Hill's production during the quarter was heavily impacted as a result of geotechnical issues in some of the older sections of the mine temporarily restricting access to planned higher grade production stopes. As a result, a larger than planned proportion of the mine's development equipment was utilised on rehabilitation and there was a greater reliance on established lower grade ore blocks to achieve production volumes. I am pleased to report that the rehabilitation program is progressing well and we anticipate progressively returning to normal production rates of new underground development and access to the higher grade ore blocks during the June quarter.

In response to the adverse economic environment that developed during the quarter Management implemented a number of costs reduction strategies throughout the Group generally and particularly at Broken Hill to mitigate the effects of lower metal prices. These include:

- demobilising the development contractor at the Potosi mine development and transferring to lower cost Perilya mining crews ahead of the planned transition;
- implementing a revised mining plan at Potosi to focus on accessing the deeper portions of the deposit, which recent in-fill drilling indicates has a better continuity and width of economic mineralisation than the upper portions of the deposit. This will result in a slower than plan ramp up to full mining, but ensures that mining will be developed and undertaken in a more economically sustainable manner that is more suitable to the current economic climate;
- a significant cut-back in the number of contractor positions at Broken Hill generally; and
- reviewing the terms of all key supply and services agreements across the group.

The revised operating strategy at Broken Hill has also involved the carefully considered reduction in the number of direct employees. Unfortunately, this has resulted in 17 staff positions becoming redundant. The affected employees are being provided with their full entitlements and supported in the transition. The decision to reduce our workforce has not been taken lightly and we are mindful of the impact upon individuals, their families and the community. We firmly believe that this is the best option to ensure the continued sustainability of operations and to preserve the mine for the long-term benefit of the community and the shareholders.

The change in mining plan at Potosi, which will see Perilya target development of the deeper portion of the deposit, will result in a slower, but more econmoically sustainable, production start up schedule more appropriate to the current metal price environment. This will result in a significant reduction in the monthly spend on the Potosi mine development thus preserving cashflow in the current climate. This does result in a reduced metal production against initial guidance for 2013 in the order of 20,000 tonnes of combined metal from Potosi.

In light of the changed mine plan at Potosi, Perilya is revising its full year production guidance for the two Broken Hill operations to produce a combined tonnage of approximately 125,000 to 140,000 tonnes of lead and zinc from Broken Hill, including Potosi at a scaled back level (previously 140,000-150,000 tonnes of combined zinc and lead).

Notional C1 cash costs for the quarter were above guidance, but these were primarily impacted by the lower head grades, particularly for lead and silver, as a result of the geotechnical issues experienced during the quarter. Broken Hill's C1 cash costs are heavily impacted by movements in both volume and price of by-product credits. As we return to normal production rates of new development and re-access the higher grade production stopes during the June quarter we will see an increase in head grades. Together with the impact of the cost reduction measures already implemented during the quarter, we anticipate we will see notional C1 cash costs falling in line with previous guidance. Accordingly, we are maintaining our full year guidance for net C1 cash cost of US$0.65 – 0.80/lb of zinc (net of by-product costs).

It is important to note that notwithstanding the adverse metal price environment and the unanticipated short term production issues experienced during the quarter, the operations remained cashflow positive. We anticipate that as we move back to normal rates of production and re-access the higher grade planned production stopes during the June quarter, net operational cashflow will improve.

Production at the Cerro de Maimón mine continues to be strong and we are maintaining full year guidance for both production and C1 cash costs of 11,000 to 12,000 tonnes of copper at a cash cost net of by-product credits of US$0.80 – 1.00/lb of payable copper.

Paul Arndt

Managing Director and CEO
30 March 2013

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## BROKEN HILL OPERATIONS

### Mining Operations

The March quarter saw production at the Broken Hill Operations fall below 2012 levels, primarily as a direct result of lower head grades at the Southern Operations. The below-plan head grade performance reflected changes to the mining sequence and slower than scheduled rates of development into new high grade mining blocks with a consequence of increased reliance on production from established but lower grade ore blocks. This poor development performance was exacerbated by a requirement to divert a significant proportion of the mine's development drilling fleet onto rehabilitation of older access headings during the quarter in response to a number of geotechnical issues.

An intervention plan developed to deal with those issues is progressing satisfactorily however the head grade impact of reduced rates of new underground development will continue into the June quarter. A return to planned rates of development at Southern Operations is anticipated during the June quarter, with a commensurate improvement in average mined grades.

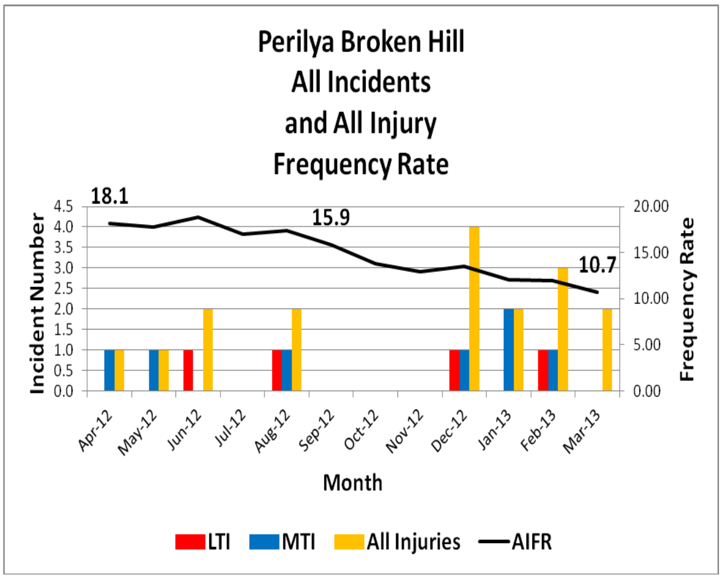
Total mined tonnage at Southern Operations was close to plan at 420kt for the quarter however grades were significantly below plan with zinc at 4.55% (plan 4.98%) and lead at 2.96% (plan 4.13%). The lower grades partially reflect a weak contribution to total production volume from development which would typically comprise 30% of the overall ore tonnage, making it necessary to increase production from existing, mainly low grade stoping blocks to offset this shortfall.

Mining and treatment of ore from the Potosi project commenced in March however volumes remain low at this stage with 14.2kt produced in the quarter. Following a review of the latest deposit in-fill drilling results and their implications for the mine plan Potosi is not expected to make a substantial contribution to combined ore production in the calendar year 2013. Following this review it has been decided to reduce the on-going level of expenditure and focus on accessing the deeper portion of the Potosi deposit, which is indicated in recent drilling to have better continuity and greater widths of economic mineralisation. This measure will have immediate, significant cashflow benefits whilst critical in-fill drilling continues and the long term mining schedule is re-optimised in the second half of 2013.

Concentrator throughput of 425,400 tonnes was 2% above previous quarter however this figure was below plan due to the limited volume of Potosi ore available for treatment in the quarter. Reduced head grades resulted in production of zinc and lead concentrates being below plan (-16% and -39% respectively). Metallurgical recoveries were also impacted adversely by the lower head grades, with zinc at 88.5% (plan 89.7%) and lead at 80.0% (plan 87.2%).

### Safety

The March quarter saw the All-Injury Frequency Rate fall to 10.7, its lowest level since August 2011.




During the quarter Broken Hill operations incurred one lost time injury and three medically treated injuries with only three minor injuries over the three months. This compares to a total of only four injuries in the December quarter. The proactive safety activities increased significantly in this quarter in an effort to reverse the trend in injuries. The All Injury Frequency Rate moved down from 13.5 to 10.7 and the Lost Time Injury Frequency Rate is steady falling from 2.6 to 2.5. There was one lost time injury and three medically treated injuries during the quarter. The Lost Time injury occurred when a storeman caught his finger between a conveyor idler and the rack causing bone fracture and tendon damage. The first of the Medically Treated injuries occurred when an operator caught his finger in a pinch point on the gate in a work basket. He attended hospital, received stitches and returned to work on normal duties. The second MTI occurred when a fitter working on a light vehicle caught the top of his finger between a leaf spring and the vehicle body requiring stiches but he was able to return to work on suitable duties. The third MTI resulted when drilling equipment pushed a spanner through the sole of his boot and into his foot requiring 3 stitches before returning to work.

The successful implementation of the roll out of 'hook and pull' of wagons directly from the site by the main line operator saw only one minor incident and acceptance of the Rail Safety regulator of the operational report for this quarter. The significant training effort continues with several focus points targeting leadership, trade expertise and operator skills.

**Production and Sales**

During the quarter 420,300 tonnes of ore was mined at Southern Operations and 14,200 tonnes of ore was mined in development and trial stoping at the Potosi mine.

The combined lead and zinc concentrate produced during the quarter was 49,645 tonnes, 7,655 tonnes down on the previous quarter due to lower head grades.

The combined (zinc & lead) grade of ore processed during the quarter was 7.5% (down from 8.5% combined in the previous quarter).

**Production Statistics – Tables**

**Table 1: Broken Hill Quarterly Production**

| | Mar Qtr 2013 | Dec Qtr 2012 |
|---|---|---|
| **PRODUCTION STATISTICS** | | |
| **Ore** | | |
| Total Ore Mined (kt) | **420.3** | **406.4** |
| Total Ore Treated (kt) | **425.4** | **416.0** |
| **Zinc** | | |
| Grade (%) | **4.6** | **5.2** |
| Concentrate (kt) | **35.3** | **41.2** |
| Contained Zinc (kt) | **17.1** | **20.0** |
| Payable Zinc (kt) | **14.3** | **16.7** |
| **Lead** | | |
| Grade (%) | **3.0** | **3.3** |
| Concentrate (kt) | **14.4** | **16.1** |
| Contained Lead (kt) | **10.1** | **11.2** |
| Payable Lead (kt) | **9.6** | **10.7** |
| **Silver** | | |
| Grade (g/t) | **31.5** | **34.3** |
| Contained Silver (Moz) | **0.296** | **0.318** |
| **CASH COST & OPERATING MARGIN (US$/lb zinc)** | | |
| **Average Price Received** | **0.93** | **0.89** |
| Direct Cash Costs | **1.47** | **1.21** |
| By-product credits (*) | **(0.83)** | **(0.73)** |
| Zinc treatment charges | **0.28** | **0.24** |
| **Net Notional Cash Cost** | **0.92** | **0.73** |
| **Cash Operating Margin** | **0.01** | **0.16** |

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

**Key performance indicators for the quarter**

- Average notional net C1 cash costs per pound of payable zinc at US$0.92 was significantly above last quarter and above 2013 annual guidance of US$0.65-0.80/lb of payable zinc.
- The All Injury Frequency Rate reduced from 13.5 to 10.7.
- Southern Operations development advance of 1,831 was 21% below plan for the quarter.
- Additionally some 1,620m of development rehabilitation was completed at Southern Operations which was 44% above plan.
- Potosi development advance of 1,065m was 21% below plan.
- Concentrator throughput of 425,400 tonnes was 7% below plan for the quarter.
- The combined (zinc & lead) grade of ore processed during the quarter was 7.5% versus a plan of 9.1%.

**Net Cash Costs of Production**

The notional net C1 cash costs of US$0.92/lb of payable zinc for the quarter is above our guidance of US$0.65 - $US0.80/lb of payable zinc due to lower zinc metal production, and also lower lead and silver metal production which caused lower by-products credits.

## CERRO DE MAIMÓN OPERATIONS

Plant availability, increased mill throughput and feed grades resulted in good quarterly metal production from Cerro de Maimón. Gold and silver production exceeded the planned production. Sulphide and oxide combined mill feed was 187 kt (191 kt in Q4 2012). During the quarter the operation produced 2,574 t of copper (-2.5% vs. previous quarter), 4,193 oz of gold (+24%) and 97,930 oz of silver (+23%).

**Mining**

Total mined volumes exceeded the previous period with 1.7 Mt (1.4 Mt in Q4 2012), including 20kt of oxide ore which, according to mine plan, was to be depleted September last year. Sulphide ore volumes also exceeded forecast by 43% with 183 kt with average Cu head grade of 2.99% (compared to 2.57% budgeted).

Rain fall for the period has been minor and this has allowed mining operations to deepen the pit in the south-eastern sections of the pit ahead of the rainy season in May.

To ensure operational continuity, several projects were started including the earthworks for the new co-disposal facility. The design and stability analysis was finalised for this structure in the previous quarter. An environmental permit was granted in Q1 and preliminary roadwork was completed and stockpiling of top soil was commenced.

Various options for underground mining are being evaluated as part of the feasibility of mining the deeper and southern extensions of the Cerro de Maimón deposit.

**Sulphide circuit**

124 kt of ore was processed in the sulphide circuit (127 kt - Q4 2012). The only significant delay occurred in the month of February when the plant suffered reduced operating time resulting from 107 hours of programmed and unplanned maintenance downtime. Despite this issue, Cu Concentrate production was higher than guidance by 8.2% with 4,921 tonnes, and this was achieved with increases in throughput rates. Actions to enhance process control and mechanical availability which started in 2012 continue.

The feed grade of 2.6% Cu remained stable relative to the previous quarter while metallurgical recovery decreased from 80% to 77%. Actions have been undertaken to increase recovery including trials with new reagents and increasing residence time in the flotation cells. The gold feed grade remained steady compared with the previous quarter at 1.0 g/t. Silver feed grades also remained constant at 29.9 g/t (29.4 g/t last period). Quarterly copper concentrate production was 12,058 t (12,463 t - Q4 2012) with 12,000 t of concentrate exported in six shipments. Cadmium levels were within marketable parameters and no high cadmium shipments were executed during the period. Metal production was 2,574 t Cu (2,638 t - Q4 2012), 1,518 oz Au (1,592 oz - Q4 2012) and 61,070 oz Ag (65,880 oz - Q4 2012).

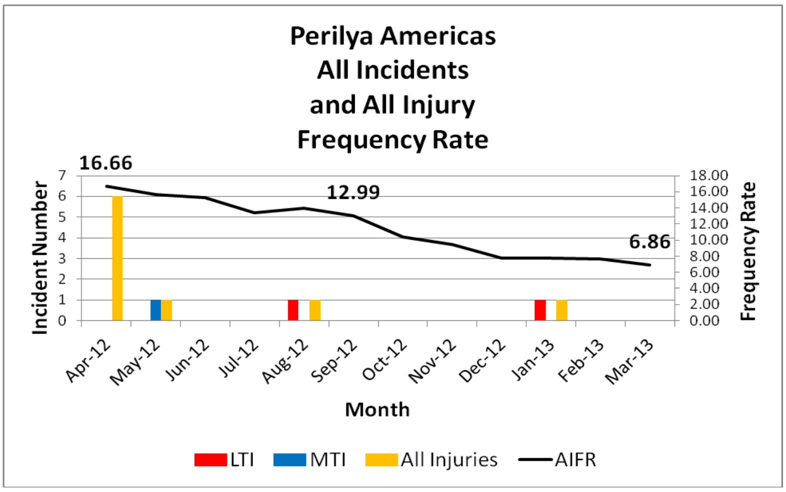
Metallurgical test work and characterisation project on transitional ore has progressed well. The samples provided of Primary and Transition ore have been tested and the separation of Cu and Zn achieved successfully. Flotation testing of the zinc after copper flotation is also being undertaken.

**Oxide Circuit**

Mill feed totalled 63 kt (64 kt - Q4 2012) at grades of 1.6 g/t Au (1.1 g/t Au - Q4 2012) and 31 g/t (13 g/t Ag - Q4 2012). Gold and silver metallurgical recovery of 82% and 58%, respectively, were similar to recoveries in the previous quarter. Higher feed grades meant that metal production was above previous period's levels and budget at 2,675 oz Au (1,785 oz - Q4 2012) and 36,860 oz Ag (13,731 oz- Q4 2012). Production was also boosted by good availability levels and increased throughput rates resulting from an ongoing of process improvements in the oxide circuit.

**Safety**

The continuing focus on proactive elements of Perilya's safety management system, especially 'fitness for work' testing, work place inspections and Tool Box talks has seen the continued downward trend in the All Injury Frequency Rate. The injury Frequency Rates continue to fall even though there was one Lost Time Injury during the quarter. A labourer was cutting lines for a planned geophysical survey when he lost his footing and fell approximately 2 metres down a steep slope and dislocated his shoulder. He returned to normal duties after eight days off.




**Production Statistics - Tables**

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

| Cerro de Maimon<br>Quarterly Production & Cash Cost | Mar Qtr<br>2013 | Dec Qtr<br>2012 |
|---|---|---|
| **PRODUCTION STATISTICS** | | |
| **Sulphide Plant** | | |
| Sulphide ore processed (tonnes) | **123,907** | **127,238** |
| Copper grade (%) | **2.7** | **2.6** |
| Gold grade (g/t) | **1.0** | **1.0** |
| Silver grade (g/t) | **29.7** | **32.0** |
| Copper concentrate produced (tonnes) | **12,058** | **12,463** |
| Copper concentrade grade (%) | **21.3** | **21.2** |
| Copper in concentrate (tonnes) | **2,574** | **2,638** |
| Gold in concentrate (ounces) | **1,518** | **1,592** |
| Silver in concentrate (ounces) | **61,070** | **65,880** |
| **Oxide Plant** | | |
| Oxide ore processed (tonnes) | **62,837** | **63,526** |
| Gold grade (g/t) | **1.60** | **1.08** |
| Silver grade (g/t) | **31** | **13** |
| Gold (ounces) | **2,675** | **1,792** |
| Silver (ounces) | **36,860** | **13,857** |
| **CASH COST & OPERATING MARGIN (US$/lb copper)** | | |
| **Average price received** | **3.60** | **3.59** |
| Direct cash cost | **2.36** | **2.16** |
| By-products credit | **(1.51)** | **(1.65)** |
| **Net cash cost*** | **0.85** | **0.52** |
| **Cash operating margin** | **2.75** | **3.07** |

* March 2013 quarter shows a notional net cash cost.

**Net Cash Costs of Production**

The notional net C1 cash costs of US$0.85/lb of payable copper for the quarter was above the previous quarter's US$0.52/lb of payable copper due to lower copper production and lower by-products credits due to lower gold and silver prices for the quarter but within guidance of US$0.80 - $US1.00/lb of payable copper.

**Other**

During this period, Cormidom, Perilya's wholly owned subsidiary, through its Foundation has been focused in starting projects for communities for 2013. Training courses and lectures are being conducted with the attendance of members from mine's surrounding communities. These include sustainable chicken breeding, and water and environment management. The Foundation has started the construction of water supply project in one of the communities.

## POTOSI MINE

A total of 1,065m of lateral development was completed at the Potosi/Silver Peak project in the quarter. 177m of advance was achieved in the Potosi decline and 93m of advance was completed in the Silver Peak decline before this heading was halted in March following review of development priorities. 549m of additional capital development was completed in the quarter consisting of access crosscuts, stockpiles and ventilation connections.

A further 246m of deposit development was carried out in the upper levels of the Potosi deposit during the quarter. Stope design and production drilling was carried out on the top two levels (5 and 6) in the Potosi deposit and limited scale trial stoping commenced on 5 level at the end of March.

Resource definition drilling resumed in February with a single underground diamond drill targeting the central portion of the Potosi deposit, below 11 level, and the lower portion of the Silver Peak deposit from drill sites in the declines. Remodelling of the upper portion of the Potosi deposit based on 25m spaced drilling data was finalised and revealed a significant down-grading of the inferred resource tonnage above the 12 level. Management has responded to this disappointing result with a scale-back of planned production in 2013 and a rationalisation of project activities and expenditure, to focus primarily on gaining access to the mid-level and lower portions of the Potosi deposit which exhibit better continuity and width of mineralisation.

Updating of the resource model will be carried out progressively during the following quarters as sufficient new data is obtained to upgrade portions of the model from an inferred to indicated resource classification which will allow a comprehensive review of project options and economics in H2 2013.

## MARKETS

Lead prices increased during the quarter from its October low of US$2,002/tonne to a high of US$2,448/tonne. Average prices quarter on quarter increased by US$103/tonne.

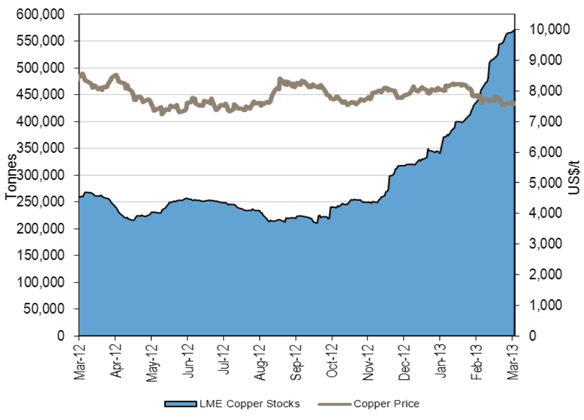
Zinc prices increased during the quarter from its October low of US$1,785/tonne to a high of US$2,187/tonne. Average prices quarter on quarter increased by US$86/tonne.

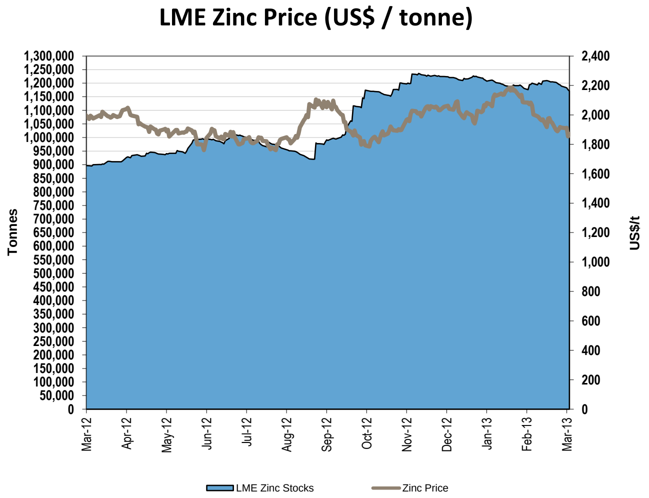
Copper prices also increased during the quarter from its November low of US$7,573/tonne to a high of US$8,221/tonne. Average prices quarter on quarter increased by US$23/tonne.

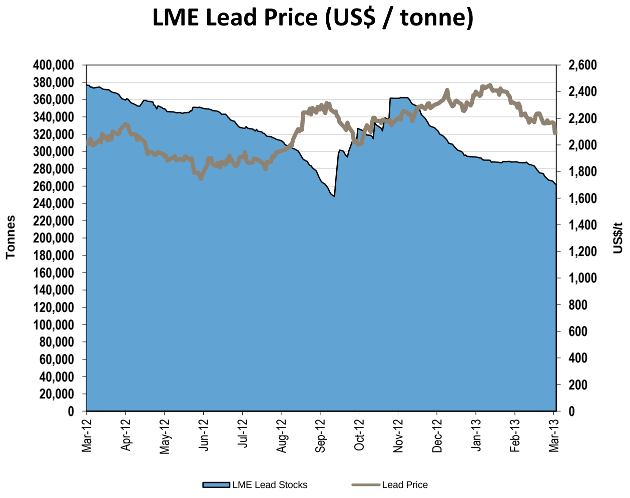
The AUD/USD exchange rate fluctuated between 1.0124 and 1.0583 during the March quarter, with an average of 1.0385 (December 12 quarter average of 1.0387).

In general commodity prices were higher in this quarter compared to the previous quarter particularly in January and February with prices drifting much lower in March due to the uncertainty arising once again in Europe this time over Cyprus. Perilya still maintains that the fundamentals for both zinc and lead are positive in the medium term with the proposed closure of several large mines in 2015 and 2016 with limited alternatives available to increase production within the same timeframe, which are expected to impact the current record inventory levels in Zinc in particular.

**LME Copper Price (US$ / tonne)**






## EXPLORATION REPORT

## BROKEN HILL AREA

No exploration drilling was completed during the quarter with work concentrating on the completion of surface electromagnetic surveys over 11 priority VTEM targets in order to more clearly define the responses for potential drill testing. A total of 11 surveys were completed including both fixed loop and moving loop configurations. Included in the surveying was a small survey over the western end of the LB-002 target where previously reported drilling in 2012 intersected a broad zone of base metal mineralization including intersections of 2.15m @ 6.34% Pb, 0.12% Zn & 39ppm Ag from 128.55m in drill-hole LBH106 and 0.40m @ 32.33% Zn, 0.61% Pb, 2ppm Ag from 55.50m in LBH104. Combined with the results of bore-hole electromagnetic surveying completed in late 2012, a strong, relatively deep conductor has been defined to the west of previous drilling which represents a high priority target for follow-up. Final interpretation and modelling of the remaining surveys is on-going with drilling currently planned for the second quarter on targets in the prospective Little Broken Hill and Pinnacles areas.

## FLINDERS ZINC PROJECT

No exploration drilling was completed during the quarter. Final assays were received from the 2012 drilling program but no significant zinc results were returned. Work completed during the quarter included reconnaissance mapping and sampling over several targets on Perilya's regional tenements. Additional work for 2013 will similarly concentrate on regional prospects with the aim of rationalizing the large tenement package. Bulk samples of remaining stockpiled material at Beltana were also collected and shipped to an outside 3rd party lab for testing of a proprietary acid leach process for zinc recovery. Successful results at lower zinc grades could significantly impact on the Flinders area resource base.

## DEE RANGE PROJECT

### Farmin and Joint Venture

A Farmin and Joint Venture agreement was signed with Hammer Metals Limited for the Dee Range Project, Rockhampton, Queensland. Pursuant to this agreement, Perilya grants Hammer a right to acquire, by way of a farm-in an undivided 60% interest in the project by incurring expenditure of A$4,000,000 over a period of 4 years on exploration and evaluation activities. Hammer intends to commence a VTEM survey in the June Quarter.

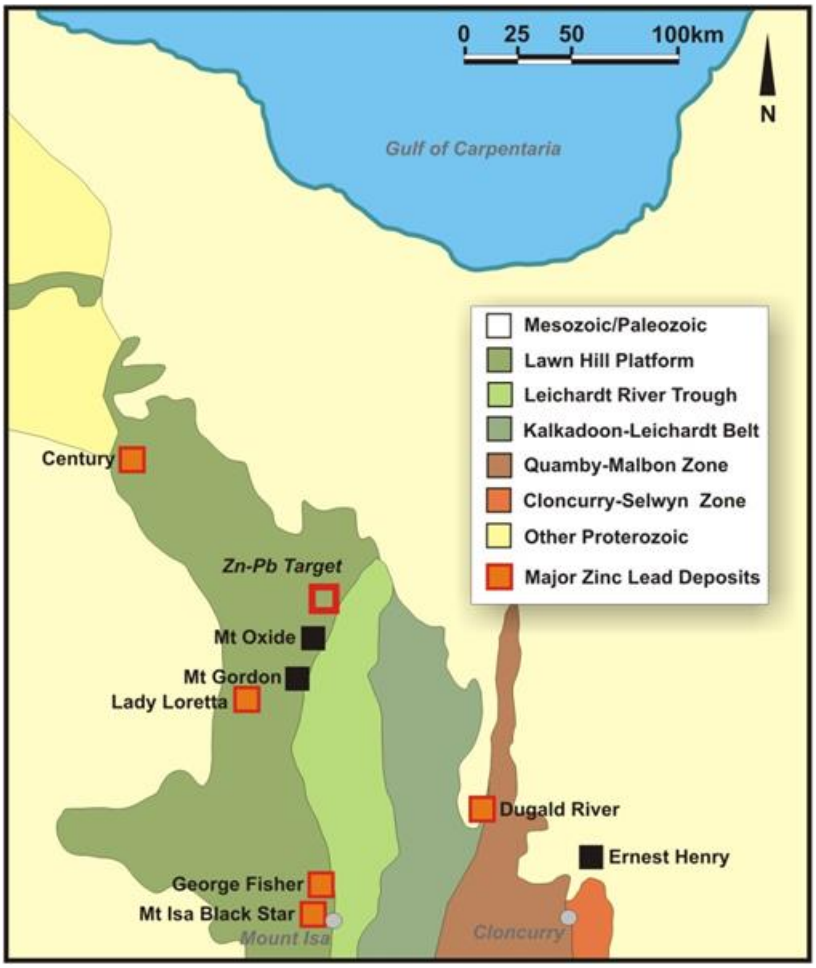
## MOUNT OXIDE COPPER PROJECT

The Mt Oxide Copper Project study program is currently on hold as a number of opportunities for the Mt Oxide deposit are being reviewed.

Perilya's Theresa zinc target located 20 km north east of the Mt Oxide deposit is contained within the same Mid-Proterozoic sediments that host the Century, Mount Isa, George Fisher, MacArthur River giant zinc-lead deposits (see Figure 1). Work during the quarter included 3D modelling over the Theresa target area which provides a better understanding of the potential location of zinc mineralisation.

To better define drilling targets in the June Quarter, it is planned to carry out reconnaissance geological mapping and additional soil geochemistry using a hand-held XRF (Niton) over a number of widespread zinc anomalies that were outlined in late 2011.

**Figure 1 – Location of the Zn – Pb Target**




# THE AMERICAS

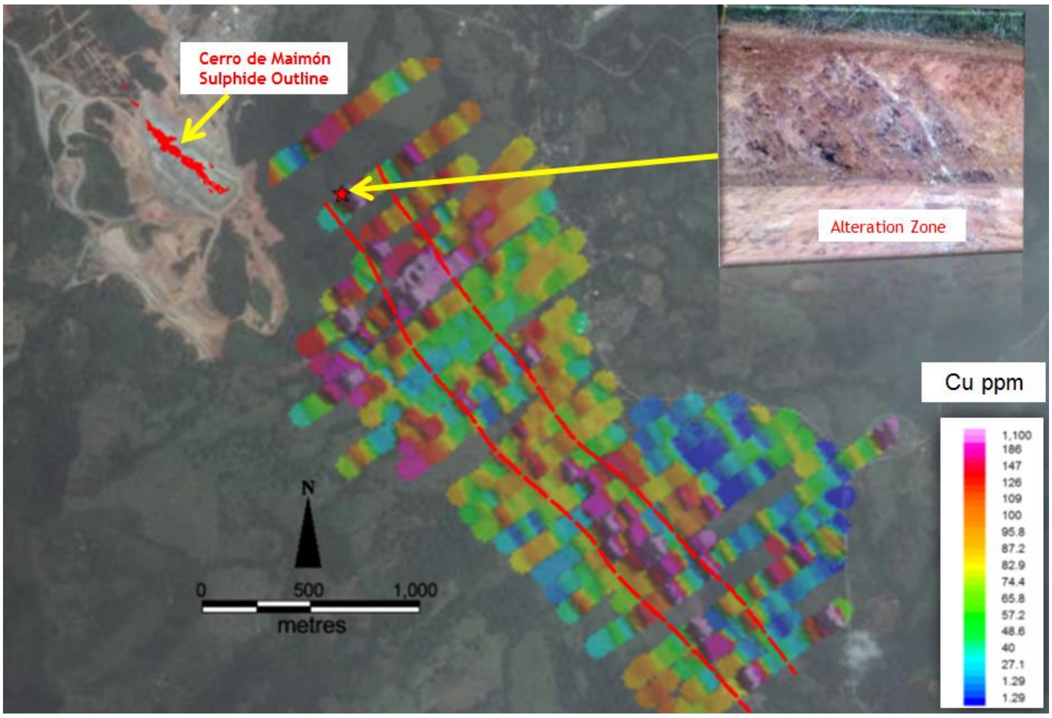
## DOMINICAN REPUBLIC

### Cerro de Maimón Exploration

The Cerro de Maimón mine environment is relatively underexplored with field work continuing to target oxide (Au-Ag) and Volcanic Massive Sulphide (VMS) opportunities and extensions in the immediate vicinity of the Cerro de Maimón Mine and on nearby concessions.

To assist targeting soil geochemistry sampling continues in the area north of Cerro de Maimón and in the south eastern Rio Sin prospect areas where both copper and gold anomalism have been outlined. The copper anomalism south east of the Cerro de Maimón mine is shown in Figure 2 with the location of mapped alteration. Additional soil sampling will continue in the June Quarter with infill sampling prioritised to better define the extent of the anomalism.

### Figure 2- Cerro de Maimón Area – Showing Cu Soil Results




Geophysical surveys planned to commence early in the June Quarter will initially focus on the Cerro de Maimón mine environment with grids shown in Figure 3. No diamond drilling was completed during the Quarter with drilling to resume pending the outcomes of the geochemistry and geophysical surveys.

To assist the current Cerro de Maimón underground study the interpretation and modelling of structural features was completed.

### Figure 3 - Cerro de Maimón Area – Showing Ground IP Grids

**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 porphyry deposit.

The drilling plan for the Dona Amanda Prospect was completed with commencement of drilling subject to receiving permitting approvals. All Landowner authorisations have been completed. Geological and alteration mapping to the North of the Doña Amanda Prospect was carried out. Environmental permitting for one of the concessions was issued during the quarter and a deep IP survey is planned for the June quarter, to confirm the interpreted deep geophysical anomaly at the Doña Amanda Prospect produced from an earlier survey.

During the quarter efforts have been made in reorganizing and validating all data bases, with this work scheduled for completion by the end of the June quarter.

**Cumpié Hill Nickel Laterite Deposit**

The Cumpié Hill deposit is located within the Cerro de Maimón Block C1 mining tenement 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.

The project's EIA was submitted to the Ministry for Environment and Natural Resources in July. The regulator has provided initial feedback relating to the EIA report content. Early in the quarter, a revised report was issued to the Ministry in response to its requirements and Perilya is currently awaiting environmental permission.

At the present time, other works or studies have been paused while development or sale options are considered.

## CANADA

**Moblan Lithium Deposit (60% Owned)**

The Moblan West lithium deposit, located in northern Quebec, is 60% owned by Perilya and 40% by SOQUEM Inc. ("SOQUEM"). Perilya is the Joint Venture manager. Activities during the quarter focussed on project enhancement opportunities identified in the 2012 scoping study.

Transmission line route selection and preliminary costing to connect the Moblan site to the Quebéc electricity grid has been completed.

Planning of an exploration field campaign to determine the extent and orientation of pegmatite outcrop exposures at Moblan is underway. This field work will guide the design of a future drilling program to expand the mineral resource amenable to lower cost open pit mining.

Continued assessment of lithium production routes and market conditions is ongoing.

## CORPORATE

**Cash and Investments at 31 March 2013**

At 31 March 2013, Perilya held cash, deposits and investments totalling $47.9 million (31 December 2012: $62.5 million), represented by:

- Free cash of $23.0 million (31 December 2012: $37.6 million);
- Secured cash deposits of $24.4 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 (31 December 2012: $24.4 million);
- Other investments of $0.5 million (market value) (31 December 2012: $0.5 million).

During the quarter, Perilya has spent AUD$11.3 million on the continued development of the Potosi mine.

**Debt**

At 31 March 2013 Perilya has US$147.5 million of corporate debt (being debt other than equipment finance in the ordinary course of business) which comprises:

- US$77.5 million 5-year funding for GlobeStar acquisition from China Development Bank (**CDB**);
- US$30 million working capital facility from Industrial and Commercial Bank of China (**ICBC**); and
- US$40 million working capital facility from China Development Bank (**CDB**).

Perilya also has approximately $11.0 million in operating debt solely related to mobile equipment financing which is payable over a three to five year period.

### Hedging Policies

During the quarter, lead and zinc hedges for shipments with January and February 2013 Quotation Period matured. There were no new hedges entered during the quarter.

## 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 |

**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 | 11.28% |
| 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 |
| Website: | www.perilya.com.au |
| Telephone: | +61 8 6330 1000 |
| Facsimile: | +61 8 6330 1099 |

**Principal & Registered Office:**

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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

## *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*