Perilya Limited ABN 85 009 193 695

Quarterly Report

For the three months ended June 2004

HIGHLIGHTS

- Increased Broken Hill production for the June quarter, at lower production cost.
- Broken Hill business plan implementation commenced to facilitate improved mining flexibility and reduced costs.
- Potosi mining approvals progressed with underground development scheduled to commence in the December quarter.
- Evaluation commenced for the direct shipping and sale of Flinders high grade zinc ore.
- Daisy-Milano development and evaluation progressing to plan with initial gold production anticipated in the December quarter 2004.
- Promising gold exploration results at Honeymoon Well and Daisy Milano.

MANAGING DIRECTOR'S REPORT

Over the two years the Company has been at Broken Hill, substantial improvements have been made in the operating performance of the mine.

In the area of safety, the number of lost time incidents has been substantially reduced to a point where results are in line with industry averages. Rehabilitation and maintenance programs have been undertaken so that now more than 75% of all maintenance carried out is planned, which is at industry best levels. Improved recoveries and concentrate grades have been achieved in the mill. The equipment replacement program has led to an improvement in the underground operating performance, with development now exceeding target levels.

Mining from the South Mine over the past 12 months however has been disrupted by a number of "one-off" events which relate to the history, size and nature of the mine. During this period we have been deriving more than 95% of the ore feed from the South Mine at a target rate around 200,000 tonnes per month.

As a result, the Company's long term mine strategy of reducing the dependence on the South Mine and improving the mining flexibility and head grades has commenced. Production from the South Mine will reduce to approximately 140,000 to 150,000 tonnes per month by year end, whilst phasing in 20,000 tonnes per month of higher grade ore from each of the North Mine and Potosi. Total ore production levels will be maintained around 2.1 million tonnes per annum and this strategy will have the dual effect of reducing exposure to unplanned production disruption at the South Mine and through lowering production pressure, enabling a greater emphasis to be applied to mining quality which, in turn, will lead to improved head grades.

Although the Broken Hill Operation has been a net generater of cash over the last 18 months, management is focused on maximising the net margin, the difference between the sale price of metal and the unit cost of production, over the remaining mine life. To make the Broken Hill Operation internationally competitive for its six to seven year mine life, and with the objective of extending its life for an additional six years and beyond, we have embarked upon a business plan that not only includes reducing dependence upon the South Mine but improving the efficiency and cost of all activities associated with the operation from exploration through to marketing. The results will be recognised in reduced unit costs and progress will be provided in the coming Quarterly Reports.

At the Flinders Zinc Project in South Australia, a Project Manager has been appointed to evaluate the direct shipping and sale of high grade zinc ore.

During the quarter, Phil Lockyer, was elected Chairman of the Company, replacing Colin McIntyre who was Acting Chairman.

BASE METALS

Broken Hill Operations

Zinc and lead concentrate production increased on the previous quarter from a combination of increased ore production and increased zinc and lead head grades. Six percent, or approximately 10,000 tonnes, of the ore treated per month was sourced from the North Mine.

The underground mobile equipment replacement program, covering the purchase of three production and three development drill rigs, five loaders and three trucks was completed in early July. Productivity improvements are now being recorded, with monthly mine capital development rates nearly double those being obtained from the old equipment.

A seismic event towards the end of the quarter affected access to one of the larger stopes in the South Mine. This reduced the quantity of ore mined in the June quarter and will reduce the September quarter ore production by approximately ten percent.

The rate of underground development at the North Mine increased in June to enable greater than ten percent of the 2004/05 mill feed to be sourced from the North Mine. The planned increase in the North Mine ore production, which has higher grades than the South Mine, and the scheduling of higher grade ore from the South Mine during 2004/05, will lead to further increases in the zinc and lead head grades during the year.

Permitting for the mining of the Potosi mine is continuing with commencement of underground development scheduled for the December quarter.

The continued improvement in all areas of the concentrator is being seen in increased lead and zinc concentrate grades and improved recoveries. Both zinc and lead recoveries, at 90.9% and 85% respectively, were the highest levels for the year.

Zinc and lead concentrate treatment charges were agreed during the quarter for the 2004 calendar year. The zinc concentrate treatment charges reduced by approximately US$7 per tonne of concentrate and the lead concentrate treatment charges by approximately US$20 per tonne. Sea freight charges to South East Asia however, which have increased globally over the last 12 months in line with China's increased demand of raw materials, will increase by approximately US$10 per tonne from July 2004.

Unit cash costs per pound of payable zinc were US$0.36/lb for the quarter.

Production Results	**September 2003 Quarter**	**December 2003 Quarter**	**March 2004 Quarter**	**June 2004 Quarter**
Ore Treated 000's tonnes	567	518	477	546
Zinc grade %	7.9	8.0	6.8	7.0
Lead grade %	2.8	3.5	3.0	3.4
Silver grade grams/tonne	31	37	33	34
Zinc concentrate 000's tonnes	82.3	72.6	57.7	69.7
Contained Zinc metal 000's tonnes	40.7	36.3	28.7	34.8
Recovery %	90.0	87.2	88.9	90.9
Lead concentrate 000's tonnes	19.4	20.7	17.3	21.9
Contained Lead metal 000's tonnes	13.1	14.0	11.7	15.6
Recovery %	83.8	78.2	82.0	85.0
Cash cost/lb zinc US¢/lb	0.32	0.41	0.47	0.36

Development

Flinders Project (Zinc)

The Flinders Project in South Australia has a resource of approximately 1 million tonnes at 30% zinc, with potential for the discovery of additional high grade mineralisation.

Drilling at the Third Plain prospect confirmed the existing mineralisation but did not encounter additional resources. Drilling at the Reliance and Tom Thumb prospects is underway to test the down plunge extension of the defined high grade mineralisation.

Evaluation of the direct shipping and sale of the high grade zinc ore has commenced.

Exploration

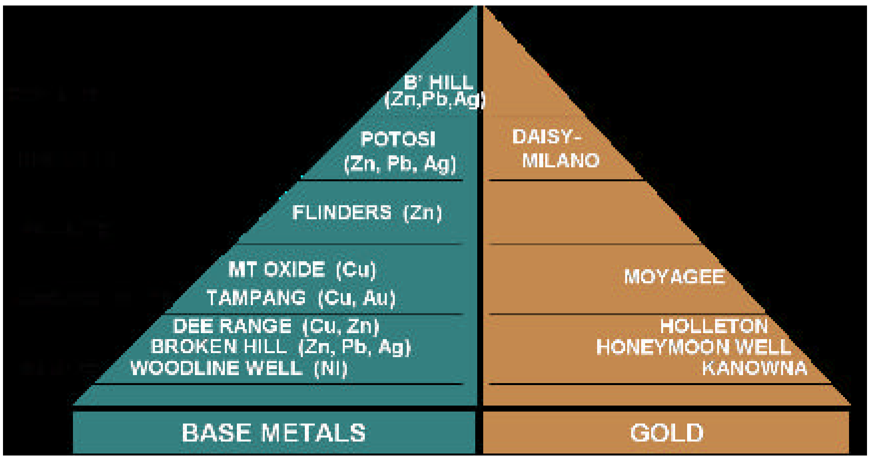
Woodline Well Project (Nickel)

The Woodline Well nickel project is located 14 km south-west of Windarra near Laverton, Western Australia and covers an ultramafic suite similar to that which hosts the Windarra nickel sulphide deposit.

Drilling was undertaken towards the end of the quarter to follow up on drilling undertaken in the 1970's which produced drill intercepts of 3.1 m @ 2.3% Ni and 6.2 m @ 3.0 % Ni. Sulphide bearing ultramafic was intercepted in three of the holes and assay results are pending. Additional drilling is planned for the September quarter.

Mt Oxide Project (Copper)

The Mt Oxide Project, located 25km north of the Mt Gordon copper mine in North West Queensland, has an inferred resource of 2.8 million tonnes at 2.9% copper located below the old Mt Oxide open pit. Drilling to the north of the Mt Oxide resource area, planned for the June quarter, has been rescheduled to late in the current quarter.



GOLD

Development

Daisy-Milano Project

Decline development continued as planned during the quarter. Development is scheduled to reach the 11 level, the deepest part of existing workings, by mid November, at which time the development of the unmined extension of the orebody will commence. An underground exploration drilling program to delineate the ore body below the 11 level will be undertaken during the September quarter. This program will define the structure and strike length of the lodes to enable optimal decline and development design, and the estimation of resources and reserves.

The upgrade of the site infrastructure is almost complete. The mine has been converted from 415 volt to 1000 volt supply. Ventilation, dewatering and mine services have been upgraded in preparation for the commencement of gold production from the upper levels of the mine in the December quarter.

Negotiations are underway for the toll treatment of the ore. Studies are also being undertaken on the possible construction of a treatment plant at the mine site.

The underground mining contract, which has been in place since the commencement of the project in the last quarter of 2003, will be replaced in September with the dry hire of mining equipment.

Exploration

Honeymoon Well Project

The Honeymoon Well Project covers approximately 10km of strike length of the Agnew-Wiluna greenstone belt between Mt Keith and Wiluna, Western Australia.

Drilling was undertaken during the quarter on the Capital prospect with the results being reported to the ASX during the quarter. Better results included 15 metres at 8.6 grams per tonne gold from 102 metres.

The results are encouraging and indicate that the Capital mineralisation may be part of a larger gold system with strike extent in excess of 1 kilometre. Further drilling is scheduled for the September quarter to test plunge extensions at the Capital prospect, and the larger gold system at depth.

Daisy-Milano area

Exploration drilling was undertaken during the quarter at several targets on the Daisy Milano leases. Encouraging results were encountered at Caledonian, 330 metres north and along strike of Daisy-Milano, with an intersection of 3 metres at 9.6 grams per tonne gold from 139 metres. This mineralisation is open at depth and to the south towards Daisy-Milano.

CORPORATE

Initial Public Offer by Strike Oil Limited

Strike Oil Limited (35.7% owned by Perilya Limited) is raising $12 million through its initial public offer of 60 million shares at 20 cents per share. Perilya's interest in Strike Oil will reduce to 20.65% following the issue of the new shares.

Strike Oil has assembled an extensive exploration portfolio focussing on the near shore Carnarvon Basin, Australia's most prolific offshore oil producing area and onshore in the prospective Cooper/Eromanga Basin.

Drilling in the Carnarvon basin is scheduled to commence in September/October 2004.

Proceeds from the sale of the Casino Gas Field

During the quarter Perilya received $7.1 million from Strike Oil Limited, in the form of a capital return and unfranked dividend, following the $23.5 million sale of its interest in the Casino gas field in the Otway Basin offshore Victoria.

Cash and debt position

At 30 June 2004 cash and short term deposits totalled approximately $40 million. The Company also holds listed, and liquid unlisted, investments totalling approximately $10 million. Borrowings, including convertible notes, totalled approximately $35 million.

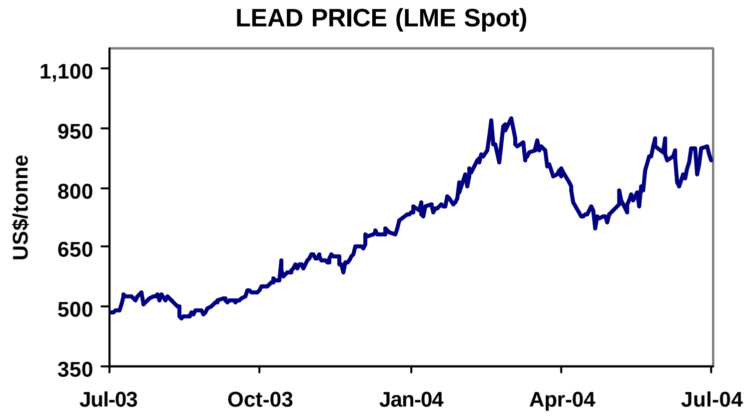
MARKET CONDITIONS

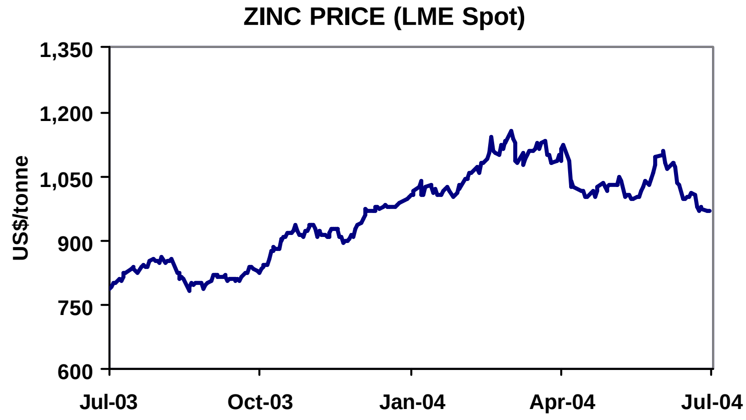
Metal prices generally moved in a downward direction during the quarter as demand from China and the US weakened. The slowdown in Chinese consumption of raw materials is a result of the government's policy of tightening credit supply in key sectors of the economy. The LME zinc cash settlement price was US$967 per tonne on 30 June 2004 down from US$1,086 on 31 March 2004.

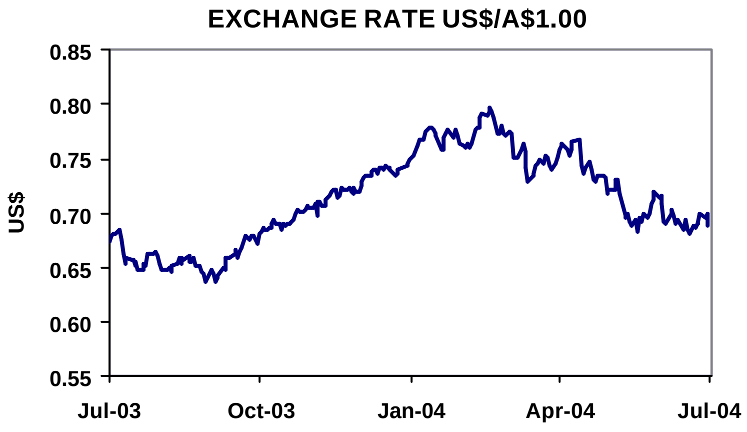
The LME lead cash settlement price increased during the quarter from US$829 per tonne on 31 March 2004 to US$868 per tonne on 30 June 2004, in line with a steady reduction in the lead stocks in LME warehouses from over 100,000 tonnes at 31 December 2003 to below 50,000 tonnes at 30 June 2004.

Spot silver prices retreated from their highs of US$7.96 per ounce in the March quarter to finish the June quarter at US$5.91 per ounce.

The Australian dollar depreciated against the US dollar during the quarter from US$0.7589 per A$1.00 at 31 March 2004 to US$0.6889 per A$1.00 at 30 June 2004. Since the end of the quarter the Australian dollar has appreciated to around US$0.7300 per A$1.00.


LEAD PRICE (LME Spot)
US$/tonne
1,100
950
800
650
500
350
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04


ZINC PRICE (LME Spot)
US$/tonne
1,350
1,200
1,050
900
750
600
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04


EXCHANGE RATE US$/A$1.00
US$
0.85
0.80
0.75
0.70
0.65
0.60
0.55
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04