

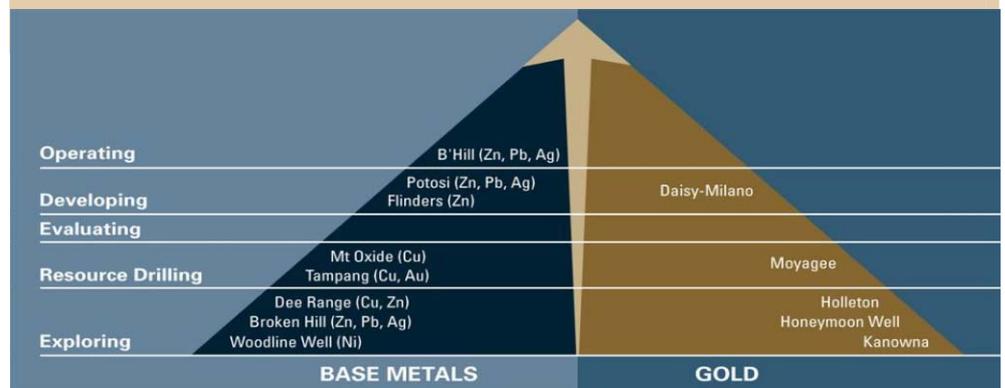
quarterly

report

For the three months ended 31 December 2004

Highlights for the Quarter

- Broken Hill returns a strongly improved operating performance with zinc and lead production up 25% and 13% respectively.
- Commitment to Daisy-Milano Gold Project with first pour in March 2005.
- Promising exploration drill results from Broken Hill regional (e.g. 5m @ 24.5% zinc) and Daisy Milano gold project (e.g. 8.2m @ 12.2g/t and 3m @ 156.2g/t)



Managing Director's Report

The December Quarter returned a progressively improving operating performance from the Broken Hill Mine with one of the highest monthly levels of metal production achieved in December. Zinc and lead production for the quarter exceeded the previous quarter by 25% and 13% respectively.

The improved performance at Broken Hill has come as a result of maintenance and rehabilitation programmes implemented over the past 24 months culminating in the strategy to reduce dependence on the South Mine, adopted in the previous quarter.

Improvements were seen in both underground and surface activities with increased zinc and lead recoveries in the processing plant and the production of above budget lead concentrate grades.

A focus on lowering operating costs continues to be vigorously pursued with several cost reduction projects underway. These projects hold the potential to have a significant impact on cash flows and profitability.

Exploration and evaluation programmes have been pursued both within the mine leases at Broken Hill and in the region. A shallow RAB drilling programme which is underway to test soil geochemical targets in the Broken Hill region has returned encouraging results with the best intercept to date being 5 metres at 24.5% zinc. Further drilling will take place in February to establish the significance of this and other promising results.

Evaluation of the mining and exploration records along the line of lode is progressing. As we continue this work and increase our understanding of the field and the controls on mineralization, the sheer size of this massive mineral system is highlighted and the potential that it offers for additional economic resources is emphasized. Targets for drilling are being developed and programmes to evaluate potential new mining opportunities are being initiated.

The Board approved the exercise of the option to purchase what will become our flagship gold project, Daisy-Milano, with effect from 31 January 2005. This is an important milestone in Perilya's growth strategy and marks the establishment of a second revenue source.

Operationally the Daisy-Milano Gold Project progressed as planned during the quarter with the decline development in January at the 12 level, one level below the deepest previous working level. Limited mining of ore occurred in the levels above the 11 level during the quarter with the stoping of the main ore body below the 11 level scheduled for later in the coming quarter. The first gold pour is scheduled for March with production ramping up to the forecast annual rate of around 50,000 ounces of gold.

With the commencement of mining at Daisy-Milano, further improvements in the operating performance at Broken Hill and with higher metal prices, a strong second half operating performance is expected.

Base Metals

Broken Hill Operation

Zinc production at the Broken Hill Operation was 25% above the previous quarter.

The result was achieved despite mill throughput being less than targeted. The reduction in ore processed came as a result of production delays at the North Mine incurred whilst primary surface and underground services were established to enable an increased mining rate going forward. Tonnages mined from the Southern Operations were at targeted levels.

Improvements undertaken in the concentrator over the last 12 months were reflected in increased lead and zinc concentrate grades and improved recoveries. Zinc recoveries of 91.7% and lead at 84.2% were achieved. Circuit rationalisation and improvement programmes continue.

As a result of the timing of shipments, concentrate sales for the quarter at 56,400 tonnes of zinc concentrate and 18,500 tonnes of lead concentrate were significantly below production. Accordingly, inventories as at 31 December were abnormally high at 29,500 tonnes of zinc concentrate and 1,500 tonnes of lead concentrate. These stocks will be reduced to normal levels during the current quarter.

Operating costs at Broken Hill were lower than the previous quarter. However, the lower costs were not reflected in the unit operating costs per pound of zinc because of higher treatment charges associated with the increased zinc price, higher unit shipping costs and the strengthening of the Australian dollar. The unit operating costs were US\$0.42/lb. The zinc price averaged US\$0.50/lb for the quarter. Broken Hill was cash flow positive on a notional basis during the quarter (after adjusting for the abnormal concentrate inventory build up).

Mining studies at the Potosi Project continued during the quarter. Two alternative mine plans are being evaluated. Permitting for the Potosi Mine is expected to be granted in the current quarter.

| Production Results | Previous Quarter | Current Quarter |
|-------------------------------|------------------|-----------------|
| Ore Treated 000's tonnes | 497 | 474 |
| Zinc grade % | 6.7 | 8.6 |
| Lead grade % | 3.0 | 3.6 |
| Silver grade % | 34 | 39 |
| Zinc concentrate 000's tonnes | 60.1 | 73.7 |
| Contained zinc 000's tonnes | 30.1 | 37.5 |
| Recovery % | 90.1 | 91.7 |
| Lead concentrate 000's tonnes | 17.2 | 19.6 |
| Contained lead 000's tonnes | 12.3 | 14.1 |
| Recovery % | 82.9 | 84.2 |
| Cash cost / lb zinc US\$/lb | 0.39 | 0.42 |

Development

Flinders project (Zinc)

The Flinders project is a high grade (greater than 30%) zinc oxide/silicate project situated in the northern Flinders Ranges, South Australia, 250 rail kilometres from Pt Pirie.

Mining and marketing studies to evaluate the feasibility of establishing a mining operation based upon the direct shipment of ore mined from the Beltana Open Pit continued during the quarter.

Permitting and environmental approvals are expected to be granted in the coming quarter together with the settlement of agreements with aboriginal land claimants.

The sale product is currently being evaluated by a number of smelters. Because of the unique nature of the product, pricing is set on a negotiated basis.

Exploration

Broken Hill (Zinc, Lead, Silver)

At the end of the quarter a 20,000 metre RAB drilling programme to test regional soil geochemical anomalies generated in recent Perilya exploration programmes was partially completed. Some encouraging results have been achieved (best result, 5 metres at 24.5% zinc). Follow up Reverse Circulation drilling, scheduled for early February, will establish the significance of these results.

Mount Oxide project (Copper)

At Mount Oxide, located 15 kilometres to the north of the Mt Gordon copper mine, north west Queensland, a large iron oxide/copper system has been defined by surface sampling and previous drilling.

Drilled resources stand at 2.8 million tonnes at 2.9% copper.

Drilling, which was planned for the December quarter was not undertaken because of the lack of availability of suitable drill rigs. The programme has been deferred until the end of the northern wet season, and is now scheduled to commence early in the June quarter.

Gold

Development

Daisy-Milano project

The Daisy-Milano project is a high grade underground gold project located 52 kilometres south east of Kalgoorlie, Western Australia.

During the quarter the decline development being undertaken by Perilya accessed the previously mined workings on several levels and reached the 11 level, the lowest level previously mined. An air-leg stoping campaign was initiated in the upper level of the mine with stoping blocks on the 450 level being extracted and ore stockpiled.

A broadly spaced diamond drilling program to define the ore body on the 12 level was completed during the quarter as suitable drill access became available. Drilling confirmed the continuity of the high-grade gold structure, returning assay results consistent with previous underground sampling and deeper drilling (see Table). The ore body remains open at depth and along strike to the south.

Gold production is scheduled for the coming quarter. A toll treatment agreement is being negotiated, with the initial parcel of ore planned to be processed in early March 2005.

A final mine plan will be prepared based upon the results of mining and development activities to be undertaken on the 12 level together with further underground diamond drilling. Gold production at more than 50,000 ounces per annum is currently forecast for a minimum of 5 years.

Table 1 : Underground Drilling Below 11 level

| Hole ID | Northing (m) | Easting (m) | RL (m) | Dip | Azimuth | From (m) | Interval # (m) | Grade * (g/t Au) |
|----------|--------------|-------------|--------|-----|---------|------------------------|----------------|------------------|
| MIL_504A | 19227 | 10301 | -227 | -51 | 52 | 164.30 | 8.18 | 12.19 |
| MIL_506 | 19223 | 10308 | -227 | -61 | 67 | 117.35 | 2.76 | 5.75 |
| | | | | | | 131.97 | 4.99 | 15.79 |
| MIL_508 | 19223 | 10308 | -227 | -68 | 99 | 123.87 | 1.63 | 98.59 |
| | | | | | | 137.90 | 3.53 | 40.05 |
| MIL_509 | 19222 | 10308 | -227 | -68 | 114 | 130.00 | 0.70 | 250.10 |
| | | | | | | 152.14 | 3.03 | 156.17 |
| | | | | | | 160.80 | 0.82 | 18.65 |
| MIL_510 | 19221 | 10308 | -228 | -65 | 129 | 154.80 | 5.85 | 7.31 |
| MIL_512 | 19221 | 10307 | -227 | -56 | 149 | 120.15 | 2.60 | 38.91 |
| MIL_513 | 19220 | 10307 | -227 | -49 | 168 | No significant results | | |
| MIL_514 | 19220 | 10307 | -227 | -50 | 172 | 299.85 | 2.66 | 16.92 |

* gold grades uncut

down hole lengths

Exploration

Honeymoon Well project

The Honeymoon Well project covers approximately 10 kilometres of strike length of the Agnew-Wiluna greenstone belt between Mount Keith and the Wiluna gold mining centre in Western Australia.

An analysis of the results of earlier drilling, which included high grade gold intercepts, was completed during the quarter. Drilling to further evaluate this promising gold system is planned.

Moyagee project

The Moyagee project is located within the Mt Magnet - Meekatharra Greenstone Belt in the Murchison Province of Western Australia.

A 3 kilometre extension to the Lena Shear has been defined by aircore drilling beneath the salt lake to the north of the Lena prospect, which contains an inferred resource of 820,200 tonnes at 8.5 g/t gold.

Drilling was completed on traverses 400 to 800 metres apart. The drilling confirmed favourable stratigraphy with anomalous gold assays (>100ppb) recorded from drilling directly overlying the postulated position of the Lena Shear on several traverses. Further exploration drilling is planned.

Corporate

Cash and liquid investments

As at 31 December 2004, cash and short term deposits totalled \$13.4 million. After adjusting for an abnormal build up of concentrate inventory as at 31 December (\$7.2 million) and the early payment of creditors (\$6.8 million) due in January, cash and short term deposits on a normalised basis would have totalled approximately \$27.4 million. Investment expenditure at the Daisy-Milano Gold Project amounted to \$3.1 million for the quarter.

Listed securities were valued at \$10.1 million as at 31 December 2004. Cash and short term deposits and listed securities would have totalled \$37.5 million on a normalised basis as at 31 December 2004. The planned sale of Perilya's interest in its Olympic Dam geothermal energy project to Mokuti Mining Limited later this quarter, will add approximately \$3 million to the value of the listed securities. Borrowings totalled \$33.6 million as at 31 December 2004 and included \$11.8 million of Hire Purchase commitments and \$19.3 million for the Korea Zinc Convertible Notes.

Market Conditions

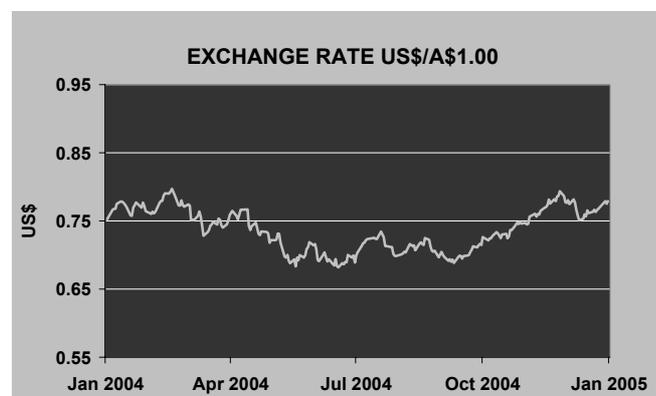
Higher zinc, lead and silver prices during the quarter were offset by a corresponding increase in the value of the Australian Dollar against the US Dollar.

The LME zinc cash settlement price averaged US\$1,113 per tonne for the quarter, up US\$134 per tonne on the previous quarter and closed on 31 December 2004 at US\$1,270 per tonne.

The LME lead cash settlement price averaged US\$958 per tonne for the quarter, up US\$27 per tonne for the quarter and closed on 31 December 2004 at US\$1,056 per tonne. Subsequent to the end of the quarter, the price has averaged around US\$950 per tonne.

Spot silver prices averaged US\$7.25 per ounce during the quarter, an increase of approximately US\$1.00 per ounce on the previous quarter.

The Australian dollar continued to appreciate against the US dollar during the quarter from US\$0.7147 at 30 September 2004 to US\$0.7790 at 31 December 2004.



About Perilya

Perilya Limited is an expanding diversified mining and exploration company. The Company owns and operates the Broken Hill lead, zinc and silver mine in New South Wales, Australia making it one of Australia's largest base metal miners. The Company is commencing production from its Daisy-Milano gold project located in Western Australia in the March quarter of 2005. It also has interests in exploration for gold and base metals and investments in the energy sector.



Perilya Limited ABN 85 009 193 695

quarterly

report

For the three months ended 31 December 2004

Perilya Limited

Board of Directors:

Phillip Lockyer Non-Executive Chairman
 Timothy Clifton Managing Director
 Colin McIntyre Non-Executive Director
 Guy Travis Non-Executive Director
 Peter Harley Non-Executive Director

Capital Structure:

Ordinary Shares 164,070,332
 Unlisted Options 10,145,000

Major Shareholders:

Acorn Capital 9.1%
 Equity Trustees 5.4%
 Golden Prospect PLC 5.3%

Principal & Registered Office:

Level 2, 31 Ventnor Avenue
 West Perth Western Australia 6005

Contact Details:

Email: perilya@perilya.com.au
 Website: www.perilya.com.au
 Telephone: (61 8) 9423 1700
 Facsimile: (61 8) 9423 1787

Shareholder Enquiries

Alan Knights Chief Financial Officer
 John Traicos Company Secretary

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

Stock Exchange Listing

Australian Stock Exchange

ASX Code: **PEM**