



Perilya Limited ABN 85 009 193 695

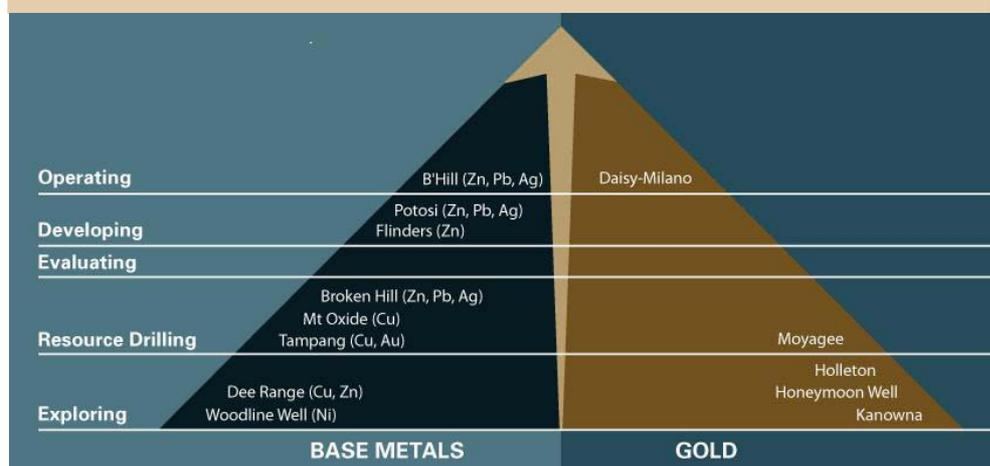
quarterly

report

For the three months ended 31 March 2005

Highlights for the Quarter

- Strong cash flow from operations at Broken Hill.
- Exploration success at Broken Hill confirms potential for new ore sources.
- Encouraging drill results returned from Broken Hill at Potosi near the Silver Peak Shaft include 10 metres @ 11.4% zinc, 10.8% lead and 6 metres @ 9.4% zinc, 17.4% lead.
- First production from Daisy-Milano high grade gold project.
- Appointment of Len Jubber as Managing Director.
- Establishment of closer association with the Korea Zinc Group and the appointment of Mr Chang Keun Choi, the Vice Chairman of Korea Zinc Co., to the Board of Directors.



Chairman's Report

Significant progress was made by the Company during the quarter. Broken Hill produced a strong cash flow from operations (approximately \$20 million including the sale of last quarter's carry over of zinc concentrate stocks).

The installation of mine infrastructure at North Mine during the quarter will result in an increase in higher grade ore feed and the consequential improvement in cash flow and profitability.

The successful results of exploration drilling at the Stirling Vale prospect, 10 kilometres south west of the Broken Hill Operations, together with the Potosi Mine, which has now received permitting approval, and the North Mine Deeps Project, which is to be progressed to pre-feasibility, have reinforced the potential for additional ore sources at Broken Hill.

Production from the high grade Daisy-Milano Gold Mine, our second source of income, commenced in the quarter with stockpiled ore scheduled to be treated over the next few weeks.

The Company has strengthened its position corporately through its association with the Korea Zinc Group, the world's largest zinc smelting and refining group, who will take up a 10% equity stake. The Korea Zinc Group will in addition provide a A\$20 million revolving standby financing facility which will be available for operational and capital requirements at Broken Hill.

New concentrate sales agreements for the next six years from 2006 will be formalised with the Korea Zinc Group and will provide a secure trading position for the Company into the future.

At the end of the quarter, the Company announced the retirement of Tim Clifton as Managing Director. Tim has made an exceptional contribution to the development of the Company from its inception, and the Board of Directors, and I am certain many shareholders, extend their sincere thanks and appreciation to Tim for his outstanding contribution over the years. Tim has successfully directed the development of the Company which now holds a strong position in both the operational and exploration fields of the mining industry. Tim will continue in a consulting role for the Company and will provide support to the new Managing Director.

Mr Len Jubber has been appointed to take the Company forward through its next stage of development. Len will commence with the Company as Chief Executive Officer in mid May and take over the Managing Director's role on the 1st July. Len, an engineer with a post graduate degree in business administration, was previously the Chief Operating Officer and Executive Director of Oceana Gold Limited, having worked at Oceana Gold for 7 years. Prior to Oceana Gold, Len had 8 years with Rossing Uranium Mining Limited, a subsidiary of Rio Tinto Limited in Namibia.

The Board is also pleased to announce the appointment to the Board of Directors of Mr Chang Keun Choi, Vice Chairman of Korea Zinc Co., Ltd., and Chairman of Korea Energy Co., Ltd and Korea Heavy Equip. Co., Ltd.



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Base Metals

Broken Hill Operation

A positive cash flow from operations, of approximately \$20 million for the quarter, reflected the sale of 83,000 tonnes of zinc concentrate.

The Broken Hill Operation produced the second highest quarterly production of lead concentrate since we commenced mining at Broken Hill in July 2002. The higher lead head grade is forecast to continue at these levels. The slightly lower zinc head grade, and reduced ore mined, decreased zinc concentrate production. The reduction in mine throughput was attributed to the slower than planned ramp up in ore production from the North Mine along with access and backfill delays in the South Mine.

The installation of the mine infrastructure at the North Mine was near complete at the end of the quarter enabling the future contribution of the mine to be around the forecast 15% of concentrate feed to the concentrator.

Concentrator performance improved for another quarter with gains in both zinc and lead concentrate grades and recoveries, despite the slightly lower zinc feed grade. The operation of the concentrator was successfully changed during the quarter from a continuous operating process to a campaign basis with 10.5 days operating and 3.5 days down per fortnight; improving the overall cost structure through the reduction in the roster panels from four to three.

The feasibility study for the Potosi Mine progressed during the quarter. Permitting for the Potosi Mine was granted. Follow-up drilling is continuing near the Silver Peak Shaft, to determine the optimal portal site. Drill results are reported in the Exploration section below.

Although cash operating costs decreased in absolute terms for the third quarter in a row, this reduction in on-site production costs was offset by increased concentrate treatment costs associated with the higher zinc price, and reduced zinc concentrate production.

Planned improved zinc concentrate production will reduce unit costs going forward.

Subsequent to the end of the quarter, agreement has been reached on a reduction in the zinc concentrate treatment charges amounting to a savings of approximately \$7.0 million over the full year. The impact will commence in the June quarter.

Production Results	Previous Quarter	Current Quarter
Ore Treated 000's tonnes	474	437
Zinc grade %	8.6	8.0
Lead grade %	3.6	4.2
Silver grade %	39	46.2
Zinc concentrate 000's tonnes	73.7	62.5
Contained zinc 000's tonnes	37.5	32.0
Recovery %	91.7	91.9
Lead concentrate 000's tonnes	19.6	22.2
Contained lead 000's tonnes	14.1	16.1
Recovery %	84.2	87.8
Cash cost / lb zinc US\$/lb	0.42	0.50

Development

Flinders project (Zinc)

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

Steps taken to establish a mining operation at the Beltana open pit, through the export of the high grade Beltana ore on a direct shipping basis, have progressed with permitting and environmental approvals secured.

Negotiations have commenced with contractors for the open pit mining and transport of material to Port Pirie.

A decision to proceed with the project will be made once details of potential sales contracts with smelters located in Thailand, Brazil and China are finalised.

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Base Metals

Exploration

Broken Hill (Zinc, Lead, Silver)

High grade zinc mineralization was encountered during the quarter in RAB drilling at several prospects in the vicinity of the Stirling Vale Schist Zone, 10 kilometres to the west of Broken Hill.

The prospects lie within an area of 3.5 kilometres by 2.0 kilometres and are part of an under explored mineralised centre. The results demonstrate the exploration opportunity in the Broken Hill district and reinforce the potential to secure additional ore supplies to the Broken Hill operation.

Significant RAB Results are tabulated in Table 1. Follow-up reverse circulation drilling is underway at present.

During the quarter Perilya entered into a joint venture with CBH Resources, covering the Stirling Vale Synform, 10 kilometres to the west of Broken Hill. Perilya has the right to earn a 70% interest. A large and high-order soil geochemical anomaly (>1000 ppm zinc) has been defined extending over 1 kilometre of strike. The anomaly is associated with lode rocks and garnet altered amphibolite on a low ridge with no previous drilling and several minor workings. Follow-up drilling is planned.

Eleven RC drill holes were completed on the northern mine leases at Silver Peaks and Central Blocks. The results indicate that the Silver Peaks site is a potential portal location for the Potosi Decline. Better drill results are shown in Table 2.

At the North Mine, where production is currently being sourced from the upper levels, a pre-feasibility study has commenced to determine the viability of mining the lower levels of the mine.

Geological interpretation of the North Mine mineralization in the vicinity of the old No. 3 shaft continued during the quarter, with the aim of completing a resource estimate by the end of the September quarter.

Table 1 : Stirling Vale - Significant RAB Results (3% Pb + Zn cut off)

Hole ID	Prospect	North	East	Azi	Dip	From (m)	Interval (m)	Zn (%)	Pb (%)	Ag (ppm)
PB0538	Esmeralda	8152	2536	090	-65	51	5	5.7	-	2
PB0570	1130	9498	2361	090	-60	34	5	24.9	0.2	6
PB0572	1130	9498	2380	090	-60	20	3	18.7	0.5	27
PB0572	1130	9498	2380	090	-60	27	2	21.7	-	3
PB0574	1130	9549	2352	090	-60	25	2	11.0	-	3
PB0577	1130	9402	2340	090	-60	22	4	11.1	-	1
PB0604	Smiths	8952	2555	090	-60	34	6	9.9	-	1
PB0605	Smiths	8952	2544	090	-60	22	6	9.5	-	-
PB0621	Sam Deeds	8152	2073	270	-60	21	13	4.3	0.1	11
PB0656	Henry George	6002	3028	090	-60	39	2	17.8	1.3	65
PB0657	Henry George	6002	3038	090	-60	27	5	6.4	0.1	13

Table 2 : Potosi - RC Drilling Results (7% Pb + Zn cut off)

Hole ID	Prospect	North	East	Azi	Dip	From (m)	Interval (m)	Zn (%)	Pb (%)	Ag (ppm)
PTC0060	Silver Peak	6467420	548097	139	-68	277	7	5.5	16.5	169
PTC0061	Silver Peak	6467412	548103	138	-62	204	10	11.4	10.8	93
PTC0063	Silver Peak	6467430	548159	138	-66	191	7	5.7	7.2	75
PTC0064	Silver Peak	6467427	548162	139	-60	98	6	9.4	17.4	136
PTC0065	Silver Peak	6467322	548085	139	-74	260	4	10.5	6.0	99
PTC0066	Central Blocks	6468021	548951	149	-62	201	5	5.7	5.3	79
PTC0068	Silver Peak	6467405	548059	139	-57	169	3	1.7	5.9	48

Mount Oxide project (Copper)

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

Further geological interpretation is in progress and drilling is planned to recommence in June / July.

Gold

Daisy-Milano Operation

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

At the end of January 2005, Perilya exercised its option to purchase the Daisy-Milano Mine from the Ridgeview Group of Companies.

The purchase will give Perilya ownership of the mine and several highly prospective exploration tenements.

Mine development continued during the quarter with decline access to the 12 level completed. Development along strike of the 12 level commenced on the footwall and hanging wall lodes and high grade gold mineralization (abundant visible gold) is being developed. By the end of March, 200 metres of strike had been developed on the 12 level and was continuing north and south. Previously completed diamond drilling has indicated strike length in excess of 300 metres.

At the end of the quarter approximately 9,000 tonnes of development ore was stockpiled on the ROM pad.

Toll treatment arrangements are being finalized with the first parcel of approximately 12,000 tonnes of ore currently being crushed for treatment in the current quarter. Designs for on site treatment facilities are being progressed, however it is planned to toll treat the ore for the remainder of the current calendar year.

Exploration

Moyagee project

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

Recent broad spaced aircore drilling, targeting the northern extent to the Lena Shear, tested the eastern edge of a gold bearing quartz granophyric dolerite. End of hole results from the two aircore holes that partially tested this dolerite include 6 metres @ 0.47 g/t gold (end of the hole) in MAC 304 and 2 metres @ 0.57 g/t gold in MAC 303.

These results are encouraging and further drilling is planned.



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Corporate

Cash and short term deposits

As at 31 March 2005, cash and short term deposits totalled \$26.3 million, up from \$13.4 million in December. In addition, the Company has an undrawn A\$20 million, standby finance facility with the Korea Zinc Group.

Borrowings totalled \$31.7 million as at 31 March, down from \$33.6 million in December, and included \$10.8 million of hire purchase commitments and \$19.4 million for the Korea Zinc Loan Facility. The total borrowings will reduce to approximately \$12 million in the current quarter with the repayment of the Loan Facility.

Korea Zinc Group

During the quarter agreement was reached with the Korea Zinc Group for the issue of 19.2 million fully paid shares at \$1.01 per share. The Korea Zinc Group has provided the Company with a A\$20 million revolving standby finance facility for working capital purposes. Perilya will execute new concentrate off-take agreements with Korea Zinc, for both zinc and lead concentrate, out to 2011. The current US\$15 million loan with Korea Zinc, will be repaid prior to maturity in May 2005.

Market Conditions

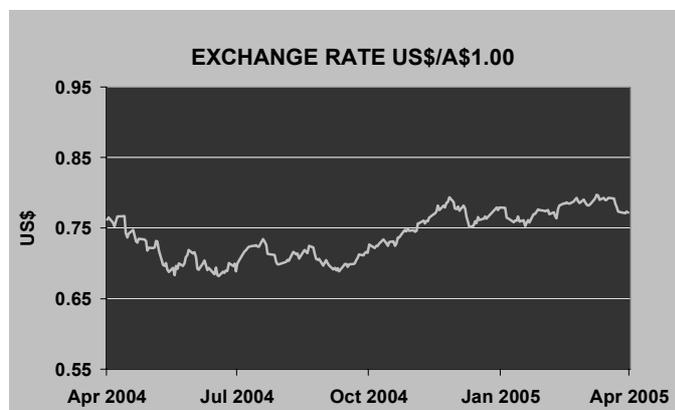
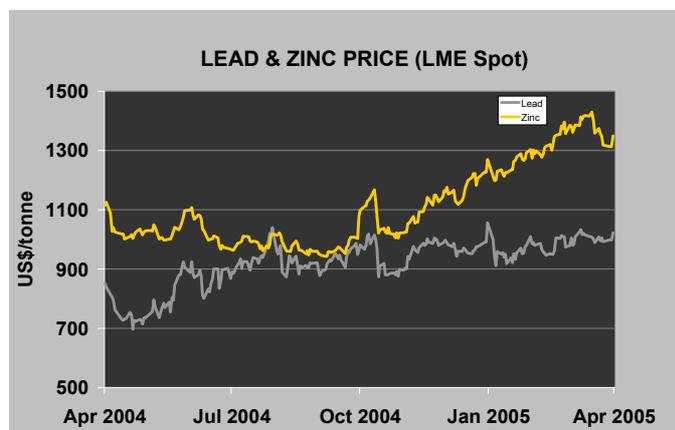
Higher zinc, lead and silver prices during the quarter were again offset by a corresponding increase in the value of the Australian Dollar against the US Dollar. The LME zinc cash settlement price averaged US\$1,310 per tonne for the quarter, up US\$200 per tonne on the previous quarter and closed on 31 March 2005 at US\$1,382 per tonne.

The LME lead cash settlement price averaged US\$973 per tonne for the quarter, up US\$15 per tonne for the quarter and closed on 31 March 2005 at US\$1,023 per tonne.

Spot silver prices averaged US\$6.96 per ounce during the quarter, a decrease of approximately US\$0.30 per ounce on the previous quarter.

Subsequent to the end of the quarter, the metal prices have generally drifted lower.

The Australian dollar remained around US\$0.7800 for the quarter.



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 has commenced production from its Daisy-Milano gold project located in Western Australia. It also has interests in exploration for gold and base metals and investments in the energy sector.



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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
Chang Keun Choi	Non-Executive Director

Capital Structure:

Ordinary Shares	166,323,489
Unlisted Options	8,470,000

Major Shareholders:

Acorn Capital	9.1%
Equity Trustees	4.9%

Principal & Registered Office:

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West Perth Western Australia 6005

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Telephone:	(61 8) 9423 1700
Facsimile:	(61 8) 9423 1787

Shareholder Enquiries

Alan Knights	Chief Financial Officer
John Traicos	Company Secretary

Share Registry:

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Facsimile:	(61 8) 9323 2033
Email:	perth.services@computershare.com.au

Stock Exchange Listing

Australian Stock Exchange

ASX Code: **PEM**