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26 July 2005

Dear Shareholder

Your Company has, over more than a decade, shown its capability to acquire quality assets at the bottom of the resource cycle and create shareholder value through a range of activities.

The acquisition of Broken Hill in 2002 and subsequent merger with Ranger Minerals substantially changed the nature of the business to that of a substantial base metals producer.

In this important next phase we will firstly consolidate and then improve the performance of the base business through strengthening our organisational capability and enhancing all of our business systems and procedures.

We have multiple options to extract value from our diverse asset portfolio in the current buoyant resource market. This will entail building our development capability, and then accelerating the assessment of existing organic exploration and project development opportunities.

We will also take the opportunity, presented by the change in leadership, to review our overall strategic business plan during the second half of 2005. This plan will provide the framework for assessing our operating performance and any future exploration, project development and corporate opportunities.

The June Quarterly Report highlights our progress towards achieving consistent operations at Broken Hill and the re-development of the Daisy Milano gold project.

6 Month Outlook

Key objectives during the next 6 months will be:

- strengthening our organisational capability;
- optimising existing production and reducing overall unit costs at Broken Hill;
- accelerating the definition of additional ore sources at Broken Hill;
- completing the Daisy Milano optimisation study and ramping up production;
- completing the strategic business plan; and
- prioritising and accelerating exploration and development activities.

I look forward to leading your Company during this next exciting phase, and keeping you informed on our progress.

Yours sincerely
PERILYA LIMITED

Len Jubber
CHIEF EXECUTIVE OFFICER
26 July 2005



PERILYA

Quarterly Report for the three months ended 30 June 2005

Highlights

- Improved operational consistency and cash cost at Broken Hill
- Daisy Milano on track to commence stoping and increase gold production
- Balance sheet strengthened through debt reduction
- Len Jubber commenced as CEO
- Commenced strengthening organisational capability

Broken Hill

Steady operations resulted in production of 32.6kt zinc {32kt}, 18.7kt lead {16.1kt}, 0.56 Moz silver {0.51 Moz} during the quarter. {Comparable statistics for the prior period}.

Cash cost/lb zinc decreased by 9.3% to US\$0.39/lb {US\$0.43/lb}*. A fourth development jumbo drill introduced at the South Mine to increase broken stocks. Highest quarterly output of lead concentrate production since Perilya commenced in July 2002.

* Refer Table 1 on page 2

Daisy Milano

Processed 20,059t @ 7.96g/t sourced from development activities. Completed lateral development on 12 Level and decline down to 14 Level. On track to start stoping in September quarter. Resource definition drilling and project optimisation study to be completed by end 2005 calendar year.

Exploration

Exploration activities focussed on Potosi and South Mine extensions at Broken Hill.

Corporate

Korea Zinc Group now the largest shareholder (Korea Zinc Company 5.17%, Young Poong Corporation 5.17%) following the issue of 19.2 million fully paid ordinary shares for \$19.4 million.

Len Jubber commenced as Chief Executive Officer in mid May.

Financial

Cash and deposits of A\$21.6 million as at 30 June 2005. Debt decreased to \$12.6 million following the repayment of the US\$15 million Korea Zinc convertible note loan.

Len Jubber
CHIEF EXECUTIVE OFFICER
26 July 2005

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OPERATIONS

Base Metals

19% increase in quarterly lead concentrate production

9.3% reduction in cash cost *

Project team to focus on North Mine performance

Broken Hill, NSW (100% owned by Perilya)

The Broken Hill operation experienced a solid quarter with a 9% increase in ore treated compared to the March quarter. Further ore production increases are expected following the introduction of a fourth development jumbo drill at the South Mine to increase the number of available production areas and therefore operational flexibility.

A 19% increase in lead concentrate production, due to increases in both ore grade and recovery, (refer Table 1) resulted in the highest quarterly output of lead concentrate production since Perilya commenced in July 2002. Zinc concentrate production was up 2% from the previous quarter.

Quarterly cash costs decreased by 9.3%* to US\$0.39 / lb zinc as a result of the increased concentrate production, especially lead, coupled with the benefit of focussed business improvement initiatives.

Production from the North Mine totaled 29,200t during the quarter, up 32% from 22,200t in the previous quarter. A project team has been established to focus on further improving the development advance rates to achieve the target 50,000t per quarter. Running in parallel with this initiative is the development of a Life of Mine Plan down to 15 Level, which will enable optimising the North Mine operations.

Zinc metal production in 2004/05 decreased by 6% to 132kt, lead metal production increased by 12% to 61.1kt and silver production increased by 12% to 1.9 Moz. The 2004/05 cash cost increased by 5% to US\$0.41/lb zinc and quarterly costs ranged from US\$0.39/lb zinc to US\$0.43/lb zinc.

The updated project reserve/resource estimates will be reported during the September quarter.

Broken Hill Quarterly Production Statistics

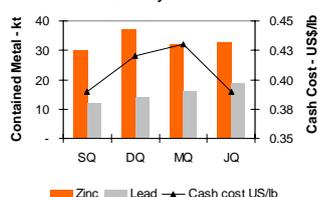


TABLE 1 : Broken Hill Quarterly Production and Cash Costs

	June Qtr 2005	March Qtr 2005	12 Months to 30 Jun 2005	12 Months to 30 Jun 2004
Ore Mined (kt)				
South Mine	450	414	1,792	2,020
North Mine	29	22	93	89
Ore Treated (kt)	476	437	1,884	2,109
Zinc				
Grade (%)	7.6	8.0	7.7	7.4
Recovery (%)	90.4	91.9	91.1	89.5
Concentrate (kt)	64.8	62.5	261.3	282.4
Contained Zinc (kt)	32.6	32.0	132.0	140.4
Lead				
Grade (%)	4.4	4.2	3.8	3.2
Recovery (%)	89.7	87.8	86.5	82.2
Concentrate (kt)	26.4	22.2	85.3	79.3
Contained Lead (kt)	18.7	16.1	61.1	54.2
Silver				
Grade (g/t)	44.9	46.3	40.8	33.7
Recovery (%)	81.1	78.9	77.4	74.1
Contained Silver (Moz)	0.56	0.51	1.9	1.7
Cash cost/lb zinc (US\$/lb) (net of by-product credits)	0.39	0.43*	0.41	0.39

* Correction : March Quarter cash cost/lb zinc erroneously reported at US\$0.50/lb instead of US\$0.43/lb.

DEVELOPMENT

Gold

Daisy Milano, WA (100%)

Redevelopment of the Daisy Milano mine, acquired in January 2005, has reached the significant milestone of producing its first gold from ore sourced during the development activities.

First gold production

The first batch of ore processed in the quarter comprised approximately 12,692 at 6.81 g/t sourced from the lower grade remnant stopes above 11 Level and development ore from 12 Level. The second batch of ore processed comprised approximately 7,367 tonnes at 9.95 g/t sourced from development ore from 12 and 14 Levels. Development expenditure for the quarter totaled A\$3.2 million.

TABLE 2 : Daisy Milano Quarterly Gold Production

	June Qtr 2005	March Qtr 2005	12 Months to 30 Jun 2005	12 Months to 30 Jun 2004
Ore Mined (t)	13,674	8,138	21,812	581
Ore Mined Grade (g/t)	8.84	6.82	8.09	8.12
Contained Gold (oz)	3,888	1,785	5,672	152
Ore Processed (t)	20,059	-	20,059	-
Ore Processed Grade (g/t)	7.96	-	7.96	-
Gold sales (oz)	4,827	-	4,827	-

Stoping to commence in September quarter

A short term ore sales agreement with New Hampton Goldfields Limited allows for the treatment of batches of ore at their Jubilee plant. This agreement, or other similar competitive arrangements, will continue until confirmation of the mine life and the economic benefit of a process plant at the Daisy Milano site.

The decline has reached a depth of 350 metres following development of 324 metres over the past six months.

Lateral development of 12 Level, the first level below the old workings, has confirmed a strike of approximately 300 metres with an additional 100 metres of sub-parallel mineralisation to the hanging wall. Mineralisation displays robust continuity along strike and is open at depth.

Targeted completion of project optimisation study by end 2005

Development of the 13 Level access and 14 Level ore drives commenced in June. Strong mineralization has again been observed on 14 Level with development ore averaging over 10 g/t. The mine historically produced at 16.7 g/t. Mining of the first stopes on 12 Level is expected to increase production to approximately 10,000 tonnes per month by the end of the September quarter. The first batch of higher grade stoping ore is expected to be processed in August.

Routine reporting of cash costs will commence in the September quarter.

The orebody reconciliation results derived through the development and early stope mining, coupled with resource drilling to be commenced during the September quarter, will allow completion of the project optimisation study by end 2005. The outcome of this study and the resource/reserve estimates will be reported in the December 2005 quarterly report.

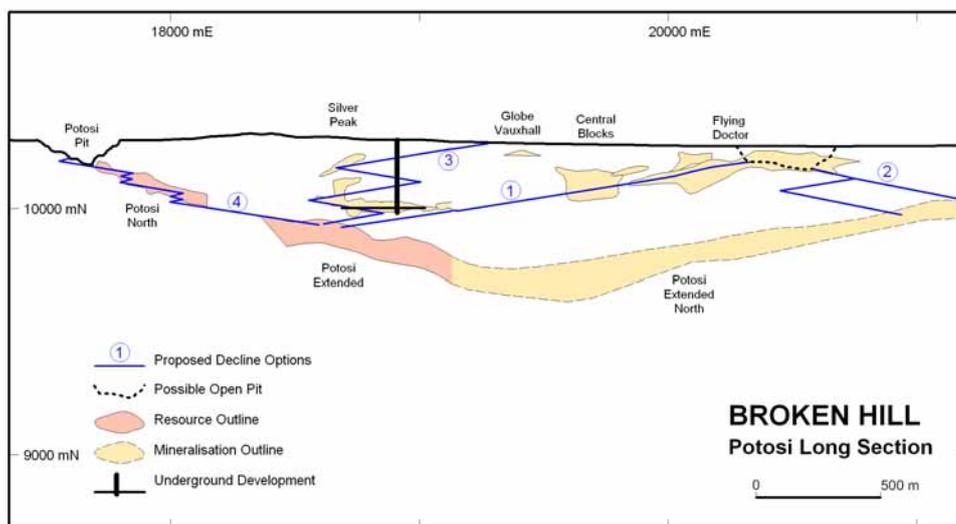
DEVELOPMENT

Base Metals

Narrowing down development options for Potosi

Potosi, Broken Hill, NSW (100%)

Feasibility study activities focussed on determining the optimal decline configuration for access to the existing North and Extended mineral resource and the Extended North mineralisation. Four practical options were identified and, to assist in the economic evaluation, drilling was conducted to test for extensions to mineralisation in the vicinity of the Silver Peak Shaft. The drill results confirmed the tenor of the mineralisation but failed to elevate Option 3 in the rankings. The route via the existing Potosi pit (Option 4) has been identified as the preferred option. Pending a favourable outcome of the pre-feasibility study on the economics of the potential resource at Potosi Extended North, a drilling program and resource update will be completed during the latter half of 2005.



Significant results from the diamond drilling (DD) program completed in the Silver Peak and Potosi area are shown in Table 3.

TABLE 3 : Potosi - Significant DD Results (greater than 2 metres at 7% Pb + Zn cut off)

Hole	Prospect	Northing	Easting	Azimuth grid	Dip	From (m)	Interval (m)	Zn (%)	Pb (%)	Ag (g/t)
PTC0071	Silver Peak	6467417	548054	090	-60	232	2	1.0	6.8	68
PTC0092	Silver Peak	6467110	547569	090	-55	274	2	2.5	4.7	37
PTC0093	Silver Peak	6467107	547568	090	-55	287	2	29.5	4.2	55
PTC0103	Silver Peak	6467754	548497	090	-60	224	2	4.7	11.5	103

Flinders (zinc), SA (85%-100%)

5,000t samples to be tested by short listed parties

Negotiations with potential offtake parties has shortlisted smelters capable of treating the high grade zinc silicate from the Beltana open pit. Perilya is currently arranging for 5,000t bulk ore samples to be tested by the respective parties.

Negotiations with mining and transport contractors have been postponed pending the outcome of the offtake negotiations.

In addition to the evaluation of the Beltana direct ore shipment option, Perilya will also consider options for progressing the Flinders project as a whole. Exploration to date in the Aroona and Reliance areas has established a potential resource of approximately 1 million tonnes.

EXPLORATION

General

Exploration Review

A comprehensive review of the exploration strategy has commenced, with the view of prioritising and accordingly funding future exploration activities.

Base Metals

Total exploration expenditure of \$1.5 million (MQ: \$1.6 million) was primarily focussed on the Broken Hill leases.

Broken Hill (zinc/lead/silver), NSW

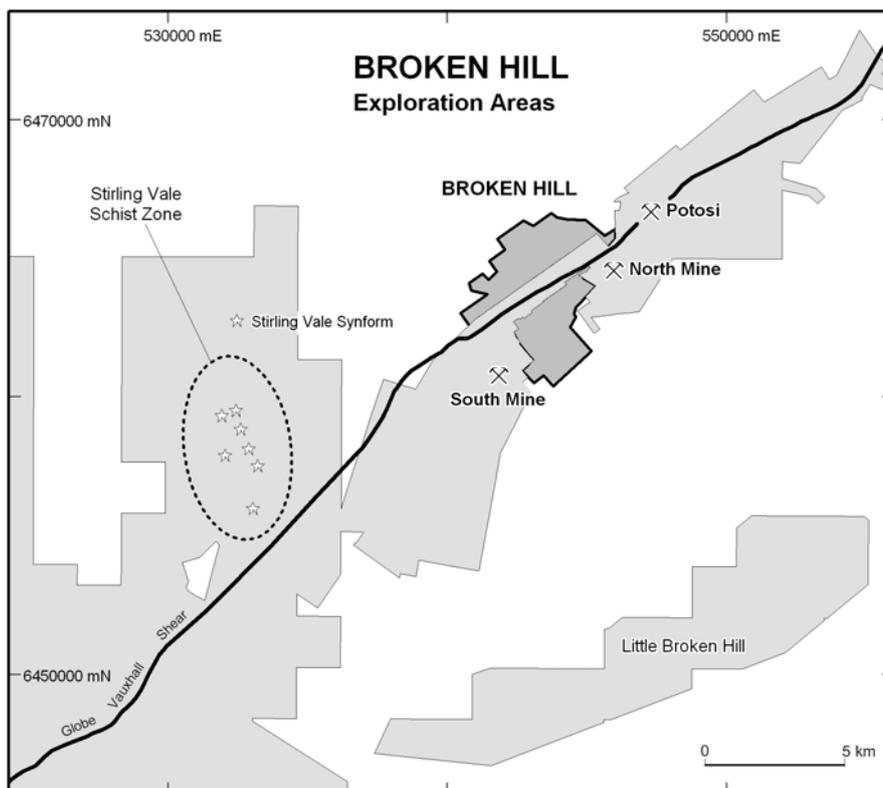
Stirling Vale, Schist Zone (100%)

Reverse Circulation (RC) drilling (14 holes) was completed at Henry George, Smiths, Two Trees and 1130 to follow up on RAB results reported in the previous quarter. Results confirmed the style and tenor of the mineralisation encountered in the RAB drilling, however, to date the continuity of mineralisation has been unfavourable.

TABLE 4 : Stirling Vale - Significant RC results (greater than 2 metres at 3% lead plus zinc)

Hole	Prospect	Northing	Easting	Azimuth grid	Dip	From (m)	Interval (m)	Zn (%)	Pb (%)	Ag (g/t)
PTC0074	1130	6459496	532360	090	-60	33	6	18.5	0.1	1
PTC0077	1130	6459550	532256	090	-60	121	3	12.3	0.1	3
PTC0078	Two Trees	6459340	531974	090	-60	54	5	2.6	0.9	10
PTC0078	Two Trees	6459340	531974	090	-60	62	2	2.5	2.8	17
PTC0079	Smiths	6458950	532505	090	-60	66	4	3.5	0.0	0
PTC0079	Smiths	6458950	532505	090	-60	91	3	9.6	0.0	0
PTC0083	Sam Deeds	6458050	532190	270	-60	135	3	3.8	0.1	12
PTC0084	Henry George	6456000	533000	090	-60	63	5	5.1	0.5	10
PTC0086	Henry George	6456100	532920	090	-60	108	3	6.6	0.0	0

Further drilling in this area will be undertaken in conjunction with the drilling planned at the Stirling Vale Synform prospect.



Stirling Vale, Synform (70%)

The Stirling Vale Synform prospect remains to be tested, however exploration is subject to gaining land access in the December quarter.

EXPLORATION

Base Metals

North Mine (100%)

Geological interpretation of mineralisation in the vicinity of the old North Mine No 3 Shaft was completed during the quarter. A geological model, to be completed during the September quarter, will enable a feasibility study on the potential redevelopment and extension of the North Mine beyond Level 15, to be commenced by early 2006.

Mt Oxide (copper), QLD (100%)

A 1,000m diamond drilling program at Mara Breccia, located along strike of the existing resource of 2.8Mt at 2.9% Cu at Mt Oxide, will commence in the September quarter.

Gold

Kanowna West , WA (27.5% – 30.5%)

Joint Venture partner Placer Dome completed sixteen RC drill holes continuing the testing of priority targets at the Debernales and Beatty prospects.

Two significant assay results were reported from this drilling.

TABLE 5 :

Hole	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)
KRCO156	Debernales	38	43	5	4.3
KRCO165	Beatty	38	40	2	4.3

Additional holes testing various regional targets were also completed. Assessment of work to date and generation of targets is planned for the September quarter.

Technical information in this section of the report is based on information compiled by Mr P Cranney (a full-time employee of Perilya) who is a member of the Australasian Institute of Mining and Metallurgy. Mr P Cranney has sufficient experience which is relevant to the style of mineralisation and the 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr P Cranney consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CORPORATE

Cash and deposits
\$21.6 million

Cash & Short Term Deposits

As at 30 June 2005, cash and short term deposits totaled \$21.6 million (MQ: \$26.3m) including \$9.6 million of deposits supporting environmental rehabilitation bonds. Net Debt was \$0.6 million with available cash largely offsetting the total borrowings of \$12.6 million.

Perilya also has a A\$20 million facility with Korea Zinc, of which A\$2 million has been drawn down.

Cash Flow

Net cash flow from operations (after capital expenditure) at Broken Hill was \$6.0 million. This was principally offset by Price and Production Linked Payments of \$4.9 million associated with the Broken Hill purchase arrangements, \$1.8 million on exploration, \$3.6 million undertaking development at Daisy Milano and \$0.9 million stamp duty on the acquisition of Daisy Milano, resulting in a net outflow of \$4.7 million for the quarter.

Balance sheet strengthened

Debt

Debt was reduced by 60% to A\$12.6 million following repayment of the US\$15 million Korea Zinc convertible note loan.

The borrowings principally comprise the hire purchase commitments relating to underground mobile equipment at the Broken Hill and Daisy Milano operations.

Investments

As at 30 June 2005, the market value of Perilya's holdings in listed entities totaled \$8.8 million.

Perilya sold its 50% interest in the Olympic Dam geothermal energy project to Mokuti Mining Limited, renamed Green Rock Energy Ltd, for 15 million Green Rock Energy Limited shares valued at \$3 million on 30 June 2005.

186.5 million shares as at
30 June 2005

Issued Capital

Issued capital as at 30 June 2005 increased by 20.2 million shares to 186.5 million shares following the issue of 19.2 million shares valued at \$19.4 million to the Korea Zinc Group and the exercising of 1.0 million share options.

The Korea Zinc Group are now the largest shareholder in Perilya with a 10.34% holding.

INVESTMENTS

Energy

Oil and gas explorer holding substantial interest in the Carnarvon and the Cooper Eromanga Basins in Australia and more recently in the onshore exas Gulf Coast of the USA.

Strike Oil Limited (20.5%)

www.strikeoil.com.au

Strike Oil is pursuing an active program of prospect generation and drilling in the Carnarvon Basin where two wells are programmed over the next six months and additional prospects are under development for drilling in 2006. Exploration in the Cooper Basin will commence in the next six months, once native title negotiations are finalised.

The recently executed joint venture with Cypress E&P Corporation, an independent Houston based exploration and production company, provides Strike with the opportunity to accelerate its growth by participating in 4 wells in the Texas Gulf Coast over the next 12 months and a further 6 - 10 wells in the following year.

Coal seam gas explorer focused on projects in Australia and more recently in the United States. At the Tipton West project in South East Queensland, Australia (20% interest), a 406 Petajoule 3P gas reserve has been established with the opportunity to fulfil gas supply contracts to the Eastern States.

Comet Ridge Limited (16.2%)

www.cometridge.com.au

Comet Ridge is currently pursuing the development of its 20% interest in the substantial Tipton West coal seam gas (CSG) project located in South East Queensland and is earning a 40% interest in the Mahalo project (operated by Santos and which is adjacent to the world class Fairview coal seam gas field acquired by Santos) near Blackwater in Queensland, where a significant contingent reserve has been established.

In the USA, Comet Ridge together with Strike Oil Limited and AJ Lucas Group Limited (a well established infrastructure technology company listed on the Australian Stock Exchange) has executed a joint venture heads of agreement to pursue conventional oil and gas projects together with coal seam gas projects in several states.

Geothermal energy explorer holding interests around the Olympic Dam copper and uranium operation in South Australia.

Green Rock Energy Limited (27.0%)

www.greenrock.com.au

Green Rock are currently drilling in the immediate vicinity of the Olympic Dam copper and uranium operation in central South Australia to confirm temperature and rock properties at depth, to enable the interpretation of the geothermal energy anomaly in granite rocks. The aim is to establish a geothermal power plant that will produce environmentally friendly power that could link into the South Australian power grid. The target is relatively close to end user markets compared to geothermal exploration targets sought by other explorers in Australia.

Gold

Gleneagle Gold is working towards recommissioning the Fortnum Gold Project.

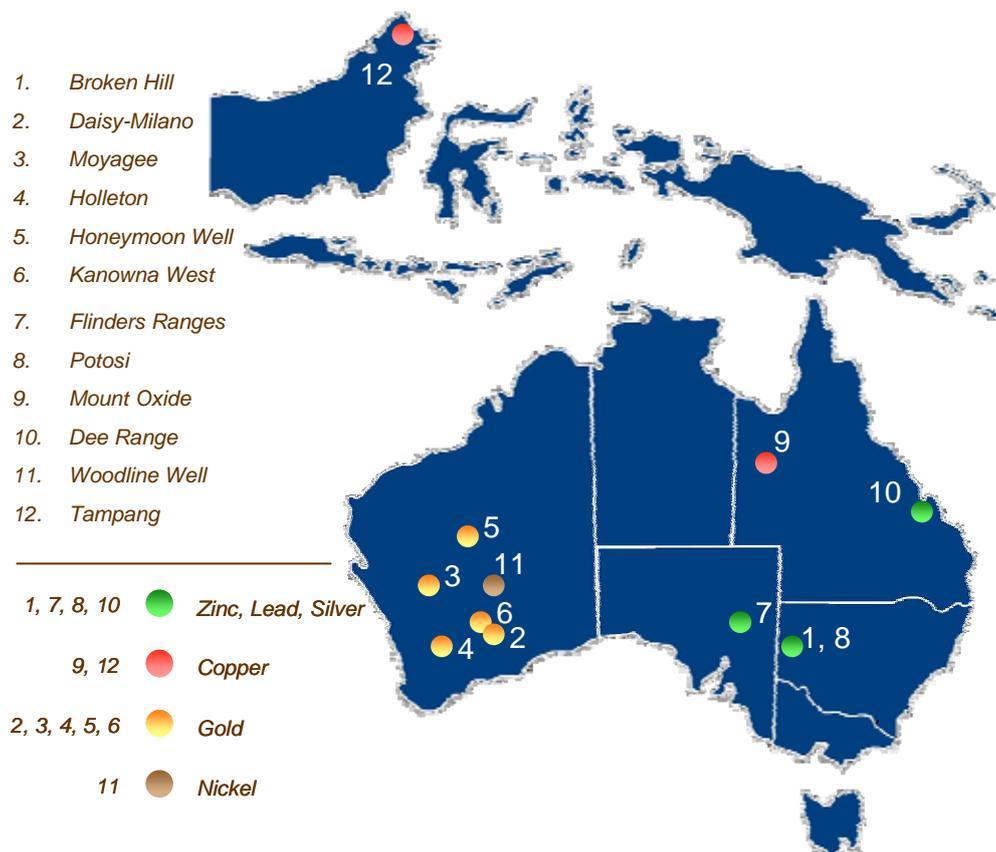
Gleneagle Gold Limited (8.2%)

www.gleneaglegold.com.au

During the quarter Gleneagle released exploration results at the Eastern Jasperoids deposits which provide scope for the discovery of further shallow mineralisation within the proximity of the Fortnum treatment plant. Perilya will receive \$500,000 upon commencement of production at Fortnum plus a \$10 per ounce royalty from production (capped at \$2 million) after the first 50,000 ounces have been produced.

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 recently 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.



CORPORATE DETAILS

Board of Directors:

Phillip Lockyer	Non-Executive Chairman
Len Jubber	CEO & 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	186,522,239
Unlisted Options	12,470,000

Major Shareholders:

Acorn Capital	9.16%
Korea Zinc Company	5.17%
Young Poong Corporation	5.17%

Stock Exchange Listing

Australian Stock Exchange
ASX Code: PEM

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