



PERILYA

Quarterly Report for the three months ended 31 December 2005

Highlights

- Inaugural Daisy Milano Resource Estimate of 323,000t at 25.0g/t for 259,300 oz of contained gold.
- Average zinc price received up 18% and lead price up 15% on prior quarter.
- Broken Hill operating margin increased by 28% to US\$0.23/lb.
- Production ramp-up at Daisy Milano proceeds to plan with 140% increase in gold produced to 8,957 oz.
- New exploration targets identified at Southern Operations, Broken Hill.

Broken Hill

Recent gains in ore production levels were maintained during the quarter at 516kt but contained metal was down 6% to 51.7kt due to lower grades in the first two months. Ore production from the North Mine has now reached the target of 10% of total concentrator throughput. Overall cash costs increased to US\$0.51 (SQ US\$0.45) largely due to an increasing zinc price driving price-linked smelting charges up a further US\$0.06/t during the quarter.

Daisy Milano

Ore production continued to ramp-up over the quarter, increasing 24% to 30,985 tonnes and achieving the monthly target of 12,000 tonnes in November. The commencement of toll treatment at the Greenfields plant increased recoveries to 98% (previously 94%). Average grade for the quarter was lower at 9.1g/t (SQ 12.19 g/t) due to development (80% of ore volume) activities centering on lower grade areas.

Development

Project team established to drive Flinders project to an early decision. Option to acquire the Beltana orebody exercised and parcel of ore shipped for smelting trial. Resource extension drilling to commence in the next quarter.

A resource extension drilling program commenced at Potosi and will be accelerated over the coming quarter.

Exploration

Drilling programs were conducted at Broken Hill, Mt Oxide and Kanowna West. Significant intersections were returned at Mt Oxide. Sourcing of new data relating to the historic operations at Mt Oxide will contribute to the understanding of the Mt Oxide project.

Corporate

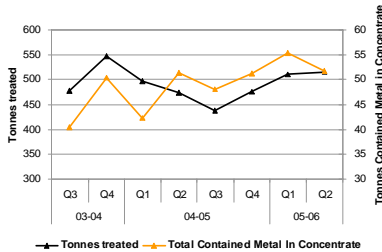
Cash and deposits of \$60.9 million. Total borrowings reduced to \$13.6 million and outstanding price and production linked obligations in respect of the Broken Hill acquisition reduced to \$16.2 million.

Len Jubber
CHIEF EXECUTIVE OFFICER
30 January 2006

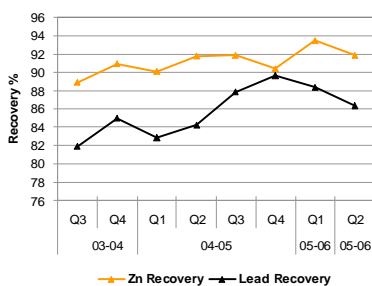
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Base Metals

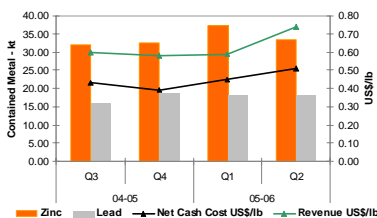
Total Ore & Metal Production



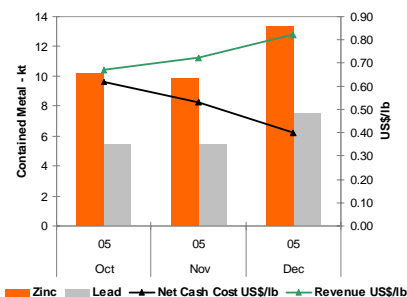
Metal Recovery



Quarterly Metal & Cash Operating Margin



Monthly Metal & Cash Operating Margin



Broken Hill, NSW (100% owned by Perilya)

The recent improvements in ore production levels have been maintained, despite two planned higher grade stopes not delivering to expectations during October and November. This did however have an impact on zinc grade for the quarter, notwithstanding a much stronger result in December. While this variation in grade within the quarter (from 9.5% combined in October to 13.5% combined in December) should not be seen as impacting on future grade expectations for the orebody overall, it does reflect the inherent short term variability, both positive and negative, in a remnant mining operation with a high stope count. As can be seen from the ore and metal production chart, continued improvement in the quarterly consistency of the operation is being achieved.

Development at the Southern Operations is progressing into the Lower Lead Lode which will see a continuation of the solid grade performance of December through into January before returning to a forecast combined grade of around 11.5% for the balance of the March Quarter.

The North Mine production rate rose slightly above the targeted level of around 10% of total concentrator throughput. Development has advanced to the 9 Level, with diamond drilling to test down to the 10 sub level to commence shortly.

The quarter saw a range of intensive leadership and organisational development activities undertaken. These activities, including 1 week residential programmes involving 28 senior managers from the Broken Hill operation, form part of a broader Capability Building Project aimed at delivering substantial efficiency and productivity gains across the organisation. These benefits are now being delivered but, because of the need to build initial change momentum and the consequential number of senior management involved, some operational disruption during the quarter was expected. This disruptive impact was most evident in the performance of the concentrator where it was a factor in reduced metal recoveries this quarter. Other contributing factors were lower zinc head grades, and some cement contamination which caused circuit pH to rise. However, these issues have now been addressed and a lead recovery trial incorporating a third stage of cleaning has produced positive results.

The delay of one concentrate shipment, originally scheduled for December, into January drove the lower sales volume for the period and the 50% increase in inventory levels. Agreements have now been reached with Perilya's principal customers such that production volumes are fully committed for the next 3 years. Annual smelting charge negotiations are currently underway against the backdrop of a tight concentrate market. It is expected that these negotiations will ultimately yield significant savings over the now prevailing treatment cost structure.

While the recent escalation in the zinc price enhanced net cash operating margins by 28%, it did also have the consequential effect of increasing price linked treatment charges by US\$0.06/lb to US\$0.27/lb. This was the dominant factor in the increase in C1 costs from US\$0.45/lb in the September quarter to US\$0.51/lb. The Direct cash costs per pound also increased, but solely as a consequence of the lower metal production, with costs having been tightly controlled.

Broken Hill celebrated 100 days lost time injury free in October. One lost time injury was sustained in the quarter.

The quarter saw the commencement of the first two of a planned suite of performance improvement projects. The first of these is aimed at developing and improving techniques for limiting the impact of the inherent mine scheduling variability referred to above, with the objective of increasing the effective metal production capacity and efficiency of the Broken Hill operations. The second project is focussed on securing cost reductions through the more effective use and management of external service providers. The benefits of these projects would be expected to start flowing in the June quarter.

TABLE 1 : Broken Hill Quarterly Production and Cash Costs

	Dec Qtr 2005	Sept Qtr 2005	1 st Half 05/06	2 nd Half 04/05
<u>PRODUCTION STATISTICS</u>				
Ore Mined (kt)				
South Mine	454.3	472.0	926.3	863.7
North Mine	54.6	45.1	99.7	49.9
Ore Treated (kt)	516.0	511.0	1027.0	913.6
Zinc				
Grade (%)	7.0	7.8	7.4	7.8
Recovery (%)	91.9	93.5	92.7	91.2
Concentrate (kt)	66.3	73.3	139.6	127.4
Contained Zinc (kt)	33.4	37.3	70.7	64.6
Payable Zinc (kt)	28.1	31.4	59.5	54.4
Lead				
Grade (%)	4.1	4.0	4.1	4.3
Recovery (%)	86.7	88.4	87.4	88.8
Concentrate (kt)	24.7	24.5	49.2	48.5
Contained Lead (kt)	18.3	18.1	36.4	34.8
Payable Lead (kt)	17.4	17.2	34.6	33.8
Silver				
Grade (g/t)	45.8	43.0	44.4	45.5
Recovery (%)	73.1	74.9	74.0	80.1
Contained Silver (Moz)	0.537	0.510	1.048	1.036
Concentrate Inventory '000 t				
Zinc	24.7	16.7	24.7	7.2
<u>PRODUCTION COSTS</u>				
Cash cost/lb zinc (US\$/lb)				
Direct Cash Costs	0.48	0.45	0.47	0.46
By-product credits	(0.24)	(0.21)	(0.23)	(0.22)
Zinc treatment charges	0.27	0.21	0.24	0.20
Net Cash cost /lb Zinc	0.51	0.45	0.48	0.44
Average Price Rec (US\$/lb)	0.74	0.63	0.67	0.56

Volume gains maintained

Operating margin increases by 28%

Gold

Daisy Milano, WA (100%)

Operations

Development of the Daisy Milano project continued to progress to plan, with production rates progressing to the targeted 12,000 tonnes per month in November. Ore mined increased by 24% to 30,985 tonnes but with in excess of 80% of the ore coming from development activities and operations being centred in a lower grade zone, average mined grades for the quarter were down at 9.1g/t.

On track to full production in June quarter

Ore production during the quarter was hampered by some subsidence in an ore stope immediately below the historical workings. This required a greater reliance on development ore whilst the stope design in this area was revised to avoid a similar occurrence. The availability of the resource model and better definition of the boundaries of the mineralisation will enhance stope design and certainty of mine schedules. Ore production levels are expected to continue the ramp-up towards the next target of 15,000 tonnes per month by the end of the June quarter.

Toll treatment commences

Ore sales to Harmony for treatment at their Jubilee plant were limited to 23,000 tonnes. Late in the quarter, toll treating at Barminto's Greenfields plant commenced - an arrangement that generates substantial benefits in recovery and overall cost reduction. Processing of the initial parcel of 20,300 tonnes, was completed after quarter-end, producing 5,425 ounces at a 98% recovery

The \$30 higher cash operating cost per ounce during the quarter was a consequence of the impact of the 25% reduction in grade more than offsetting the benefits of the increases in ore volumes. A scheduled return to representative grades and further improvements in production volumes should drive a significant improvement in the March quarter.

TABLE 2 : Daisy Milano Quarterly Gold Production Statistics

	Dec Qtr 2005	Sep Qtr 2005	Jun Qtr 2005
Ore Mined (t)	30,985	24,907	13,674
Ore Mined Grade (g/t)	9.1	12.19	8.84
Contained Gold (oz)	9,065	9,765	3,888
Ore stockpiles (t)	13,743	17,237	-
Ore Processed (t)	34,479	10,208	20,059
Ore Processed Grade (g/t)	8.42	12.09	7.96
Gold Produced (oz)	8,957	3,730	4,827
Gold Sales (oz)	5,077	3,730	4,827
Total Cash Operating Cost (A\$/oz sold)	444	414	-

Development

The main decline was advanced 105 metres and had reached below the 15 Level by the end of the quarter. The decline advance was slowed by requirements for the 15 Level drill drive that was advanced 72 metres to facilitate the completion of the resource drilling program which was commenced in the September quarter. Lateral development was confined to a series of ventilation links, while ore drive development continued on the 12, 13, 14 and 15 Levels. Grade profiles were as expected, the orebody displaying consistent down-plunge continuity.

Infrastructure near complete

The December quarter saw the installation of the high voltage power supply and additional ventilation fans underground to expand operating flexibility and capacity. Construction of the surface workshop facility commenced and is planned to be operational in the March quarter.

Resource Definition

The down plunge continuity of the high grade mineralisation at the Daisy Milano Gold Mine has been successfully defined by the diamond drilling program. The orebody remains open at depth and along strike to the south. Diamond drilling to define the southern extent is continuing.

Inaugural Daisy Milano resource estimate of 259,300 oz

Drill and development results to date have been used to derive an inaugural Mineral Resource Estimate of 323,000t at 25.0g/t for 259,300 ounces of contained gold.

87% indicated resource category

TABLE 3 : Daisy Milano Mineral Resource Estimate

	Tonnes	Indicated		Tonnes	Inferred		Tonnes	Total	
		Au (g/t)	Au (oz)		Au (g/t)	Au (oz)		Au (g/t)	Au (oz)
# 12 to 15 Level	130,885	23.69	99,700	-	-	-	130,885	23.69	99,700
* Below 15 Level	149,182	26.18	125,572	42,882	24.68	34,026	192,064	25.84	159,598
Total	280,067	25.01	225,272	42,882	24.68	34,026	322,949	24.97	259,298

12 to 15 Level is top cut of 250g/t AU

* Below 15 Level is top cut of 540g/t AU

Geotechnical and metallurgical data has been collated during the quarter in preparation for the completion of the mining optimisation study, including the reserve estimate and life of mine plan in the coming quarter.

A more detailed release in relation to the project's development status will be made during March quarter.

TABLE 4 : Daisy Milano Significant Diamond Drill Intersections

Hole ID	Northing (m)	Easting (m)	RL (m)	Azimuth	Dip	From (m)	Interval # (m)	Grade* (g/t Au)
MIL602	19232	10337	-338	73	-61	66.44	3.54	6.18
MIL608	19220	10305	-362	145	-42	160.07	0.71	21.17
MIL609	19220	10305	-363	121	-56	105.18	0.36	13.70
						127.1	0.16	65.80
MIL613	19081	10424	-386	268	-3	82.93	0.29	56.50
MIL614	19080	10425	-386	242	-18	88.47	0.4	66.40
						97.08	0.61	79.12
MIL615	19081	10424	-387	268	-40	92.19	0.87	6.96
						83	1.04	108.31
MIL616	19079	10425	-387	228	-27	104.22	1.16	30.18
MIL617	19080	10425	-387	239	-49	110.95	0.95	12.50
						100.65	3.88	5.25
MIL618	19079	10425	-387	224	-48	140.23	2.11	9.87
MIL619	19079	10425	-387	214	-31	138.03	6.92	9.57
MIL621	19079	10425	-386	225	-1	119.33	0.26	20.00
						131	0.61	54.07
MIL622	19078	10425	-386	208	-1	221	2.7	10.49
MIL623	19078	10425	-387	202	-23	244.94	2.96	26.99
MIL624	19078	10425	-386	209	-18	164.13	1.62	37.40
MIL625	19078	10425	-386	213	-12	149.28	7.09	16.83
						158.19	3.93	60.21
MIL627	19082	10423	-387	294	-20	80.95	0.81	6.39
						70.03	1.25	37.38
MIL628	19081	10424	-388	283	-52	103.85	1.91	3.38
						90.69	3.06	3.40

down hole lengths

* gold grades uncut

Base Metals

Potosi, Broken Hill, NSW (100%)

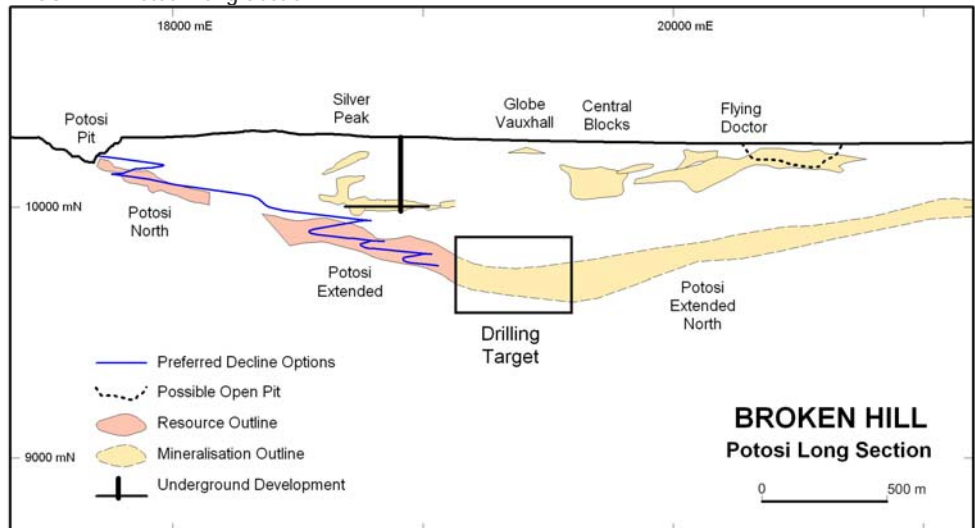
With the pre-feasibility study having previously demonstrated the project viability on a larger resource base, extensional drilling commenced in mid November. The current commodity price outlook has dramatically improved the economics of the Potosi resource and consequently the drilling program is being accelerated.

A total of 4 diamond drill holes targeting both length and width extension of the Potosi Extended mineralisation were drilled in the keel position of the northern extension during the quarter. Hole 3442A was a wedge testing up-dip of an earlier intercept of 4.0m @ 4.0%Pb, 30ppmAg, 16.0%Zn in hole 3442. Two significant intercepts were recorded (see Table 5). The results confirmed continuity but did not materially influence the geometry nor the tenor of the mineralisation.

TABLE 5 : Potosi - Significant DD Results (greater than 2 metres at 7% Pb + Zn cut off)

Hole	Prospect	From (m)	To (m)	Interval (m)	Zn (%)	Pb (%)	Ag (g/t)
3442A	Potosi Ext North	518.6	521.6	2.0	3.6	4.6	44.4
3442A	Potosi Ext North	528.8	533.0	4.2	8.6	5.8	41

FIGURE 1 : Potosi Long Section



Drilling will continue in the next quarter with the focus extending to the area between the Potosi North and Potosi Extended mineralisation. Modest mineralised intercepts recorded in previous drilling within this zone are open at depth, giving potential to close the gap interpreted between these two areas

North Mine, Broken Hill, NSW (100%)

Tenders for the scoping study have been received and the contract will be awarded by mid February. The study will investigate the various options for accessing and mining the resource below the 15 Level, which comprises a mixture of pillars and un-mined blocks located 800 to 1,760 metres below surface.

An Inferred Resource of 4.2 million tonnes at 11.2% zinc, 13.7% lead and 214g/t silver has been estimated for the North Mine below the 15 Level, including the Fitzpatrick area.

Base Metals

Structural and stratigraphic review of orebody identifies new conceptual targets

Broken Hill (zinc/lead/silver), NSW (100%)

Southern Operation

A detailed structural and stratigraphic review of the Southern Operations geology, alteration and mineralisation has identified the potential for extensions to known lodes.

The Broken Hill orebody is a stratiform exhalative Pb-Zn-Ag deposit, with the 'C Lode' horizon at the centre of the Southern Operations interpreted to be a siliceous feeder fault and the centre of the Broken Hill mineralising system. Specifically the portion of the Southern Operations between sections 23 and 70 was seen as offering the greatest potential for additional mineralisation, being characterised by:

- the greatest vertical extent and thickness of the 'C-Lode' ore body;
- the largest number of ore lenses, (nine separate definable lenses);
- the greatest volume of both Mn and Fe-rich garnet quartzite alteration and siliceous lode;
- approximately 45% of the ore body mass over 13% of its strike.

A number of conceptual targets have been identified between the Southern Operations and surface which have not previously been drilled. A six hole diamond drill programme to test the Parnell, 'C Lode' Fault and 'B Lode Upper' targets is planned to commence in early February.

Regional

Drilling of soil chemistry anomalies

A Mise-A-La-Masse (MALM) electrical geophysics survey has commenced over mineralised RC drill holes in the Stirling Vale Schist Zone. The aim of the survey is to confirm potential plunge extensions of the high grade zinc intersections reported in the June 2005 quarter.

RAB drilling has commenced north along the Potosi trend, around significant drill intercepts from previous drilling. RAB drilling is also planned around the Stirling Vale Schist Zone and at Little Broken Hill during the current quarter. In addition, a diamond drilling program is planned to test a large area of extensive 'Broken Hill style' alteration and geochemistry at the Little Broken Hill prospect.

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

Project team established

A project team was established to conduct a review of the potential development paths for the Flinders Project with the objective of accelerating progression to a decision point. The review has already identified key areas for potential resource extension with sourcing of a drill rig currently underway to progress an initial program of 3,000 metres. The Flinders Project currently comprises a resource of 941,000 tonnes at 30% zinc.

A trial parcel of Beltana ore was shipped to the Padaeng hydrometallurgical plant in Thailand with the results of the processing and smelting trial expected towards the end of the March quarter.

With project economics being significantly enhanced at current prices, the option to acquire the Beltana project area from Zinifex Limited was exercised at an initial cost of \$1 million. A further \$1 million is payable upon commencement of production.

Mt Oxide (copper), QLD (100%)

Drilling of the Mara Breccia commenced late in the December 2005 quarter. However, with monsoonal rains forcing the postponement of drilling until later in the March quarter, only 2 holes were drilled. These holes, MOX028 and MOX029, were drilled at a shallow angle into mineralised and brecciated sandstone on the side of a hill directly north of the Mt Oxide workings. Best results from the drilling to date are:

Current inferred resource of 2.81 Mt at 2.9% Cu

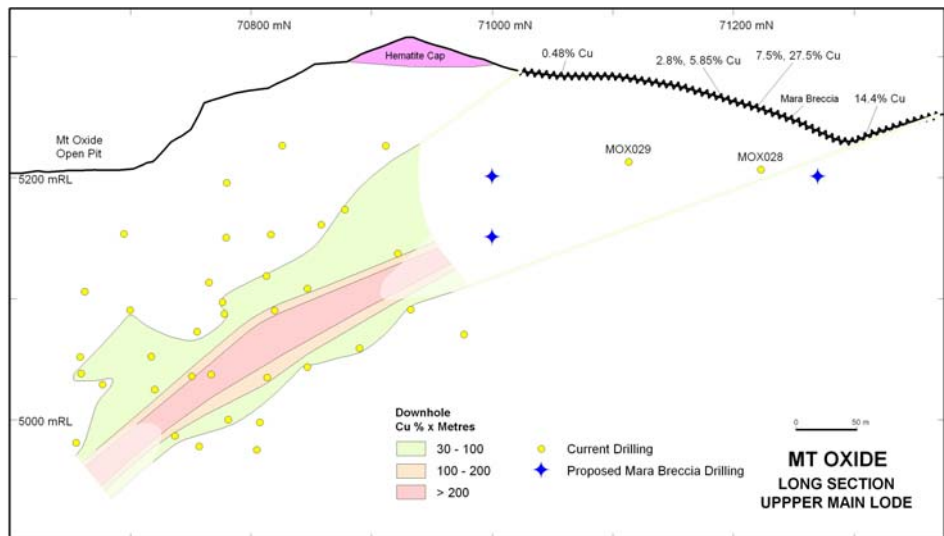
TABLE 6 : Mt Oxide Significant DD Results (>1% Cu)

Hole	Prospect	From (m)	To (m)	Interval (m)	Cu (%)
MOX028	Mara Breccia	146	148	2	3.8
MOX029	Mara Breccia	38.7	44.5	5.8	4.7
(Incomplete)	Mara Breccia	50.4	52.0	1.6	11.5

The mineralisation in MOX028 was associated with primary bornite and chalcopyrite. Mineralisation in MOX029 related to near surface secondary copper mineralisation.

Significant Cu intercepts

Figure 3 : Mt Oxide Long Section



Perilya has gained access to historic Mt Oxide mine plans, sections and grade control data. These contain data that has not been available to Perilya previously. The integration of this historic data into the existing database will improve the understanding of the geometry of the mined resource, and has the potential to accelerate the progression to indicated resource status. The improved understanding of the geological setting of Mt Oxide will allow better targeting of other known mineralised prospects along strike from the Mt Oxide resource.

New data from historic database

Dormant assets re-activated

Rockhampton (zinc, lead, copper, gold), QLD (90%)

Joint venture partner Minocqua's exploration activities has been directed at testing the potential of alteration zones, in particular the Lux/Ajax/Surf alteration zones at Dee Range South and the Mount Alexander/UNMC Footwall alteration zones 10 kilometres to the northwest.

Drill targeting through a program of gridding, geological mapping, soil sampling, rock chip sampling, ground IP geophysical surveying and aeromagnetic and radiometric surveying has been completed in the period September to December 2005.

A programme of RC and diamond drilling will commence in the March quarter

Gold

Kanowna West, WA (27.5% – 30.5%)

Joint Venture partner Placer Dome received one significant result from the 2 diamond holes drilled during the September quarter in the southeast of the Project.

TABLE 7: Kanowna West Significant DD Result

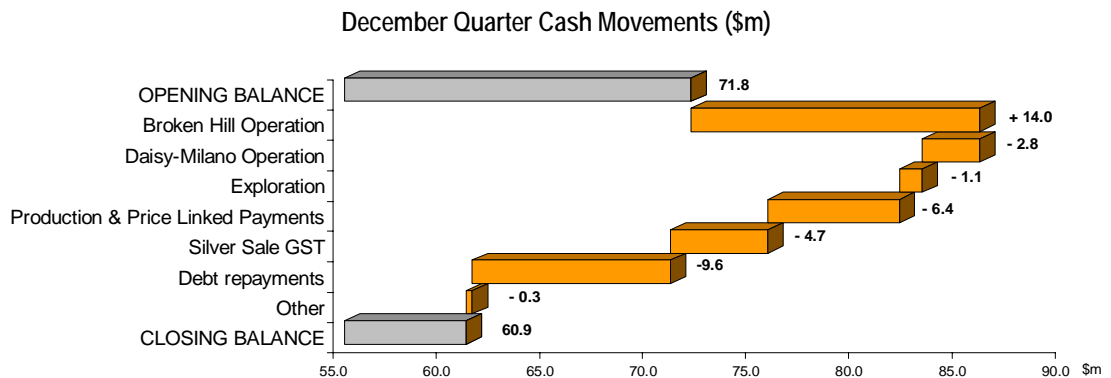
Hole	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)
GVD137	Hargreaves	123	131	8	4.7

The mineralisation is zone silica-arsenopyrite-pyrite veins in bleached sericite-carbonate altered siltstone and sandstone. Nine RC holes for 1,338m were drilled as follow-up to GVD137 and results are awaited.

Technical information in the report is based on information compiled by Mr T.Blyth, Mr C.Mroczek and Mr J.Ion (all full-time employees of Perilya) who are members of the Australasian Institute of Mining and Metallurgy. They all have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which is undertaken to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr T.Blyth, Mr C.Mroczek and Mr J.Ion consent to the inclusion in the report of the matters based on their information in the form and context in which it appears

Cash and Deposits

As at 31 December 2005, cash and short term deposits totalled \$60.9 million (SQ \$71.8m), including \$9.6 million of deposits supporting rehabilitation bonds.



Operations

Net cash flow produced from Broken Hill operations (after sustaining capital expenditure) increased from \$4.9 million to \$14.0 million. The Daisy Milano operation incurred a net operating cash outflow of \$2.8m for the quarter, primarily as a result of the transition to toll treatment, with the processing of the majority of Decembers production taking place in January. On a notional sales basis (i.e. the sales of all quarterly production), the adjusted net cash outflow from the Daisy Milano operation equates to \$650,000.

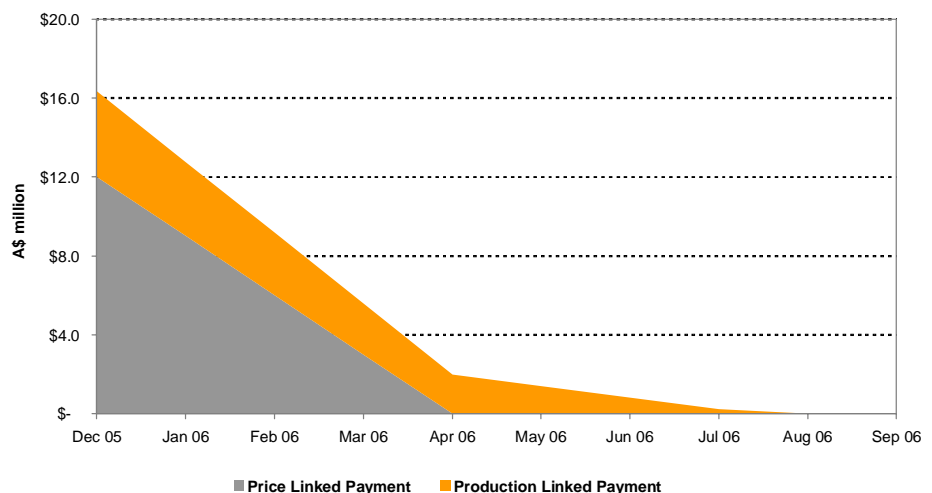
Debt

The total borrowings of \$13.6 million at 31 December 2005 comprised hire purchase commitments of \$9.6 million and short term insurance premium funding of \$4.0 million. The outstanding balance on the standby facility of \$7 million was repaid during the period.

Broken Hill Price and Production Linked Obligations

Price and production linked payments totalling \$6.4 million, (\$4.2 million in previous quarter) were made during the quarter. On the basis of current commodity prices and scheduled production, the price and production linked obligations are expected to be fully paid out by April 2006 and July 2006 respectively.

Forecast Production and Price Linked Obligation



Investments

As at 20 January 2006, the market value of Perilya's portfolio of listed investments was \$13.7 million.

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 also producing from its Daisy Milano gold project located in Western Australia. It has an extensive portfolio of gold and base metal exploration properties, and investments in the mining and energy sectors.



	BASE METALS	GOLD
OPERATING	1 Broken Hill (Zn, Pb, Ag)	2 Daisy Milano
EVALUATING	3 Potosi (Zn, Pb, Ag)	
	4 Flinders (Zn)	
RESOURCE DRILLING	5 Mt Oxide (Cu)	7 Moyagee
	6 Tampang (Cu)	6 Tampang
EXPLORING	8 Dee Range (Cu, Zn)	10 Holleton
	9 Woodline Well (Ni)	11 Honeymoon Well
		12 Kanowna

Corporate Details

Board of Directors:

Phillip Lockyer	Non-Executive Chairman
Len Jubber	CEO & Managing Director
Guy Travis	Non-Executive Director
Peter Harley	Non-Executive Director
Chang Keun Choi	Non-Executive Director

Capital Structure:

Ordinary Shares	188,622,239
Unlisted Options	9,170,000

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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