Quarterly Activities Report

for the three months ended 30 June 2009

HIGHLIGHTS

The three months ended 30 June 2009 represented a consolidation of the new operating plan at Broken Hill, which has resulted in a vastly improved performance over the corresponding period last financial year. This improved performance under the new operating plan coupled with the post end of quarter termination of Perilya's silver sale arrangements has helped build a platform for Perilya to now pursue new growth opportunities. Highlights for the quarter include:

Corporate

- Increase in free cash reserves from $27.1 million to $36.9 million during the quarter.
- Post end of quarter Perilya reached agreement with Coeur d'Alene Mines Corporation and CDE Australia Pty Ltd terminating Perilya's obligations to deliver a further 11.2 million ounces (approximately) of silver under the Silver Sale Agreement between the parties executed in 2005.
- The payment to extinguish the agreement of US$55 million will enable Perilya to sell those previously committed ounces into the spot market. The 11.2 million ounces have a face value of approximately US$145 million (basis US$13.00/oz).
- The transaction will further underpin the viability of the Broken Hill operations, with the additional silver credits expected to reduce Broken Hill's cash operating costs (C1) by approximately US$0.10-US$0.12 per pound of payable zinc at current silver price and USD/AUD exchange rates.

Broken Hill

- Cash Costs (C1) for the quarter were US$0.59/lb zinc which, despite appreciation of the USD/AUD exchange rate, were ahead of targeted cash costs of US$0.60-US$0.65/lb (and well ahead of the comparative period last year of US$1.01/lb).
- Broken Hill remains cashflow and earnings positive at current zinc and lead prices.
- Production levels above market guidance with quarterly combined metal production of 33,100 tonnes of contained zinc and lead. This represents a production increase of 11.0% over previous quarter.
- Continuous improvement in operating costs (in AUD terms) and productivity (tonnes mined per employee) achieved in the quarter.
- Average combined grade for zinc and lead ore milled for the quarter of 9.4%.
- Continued improvement in safety performance for the quarter with the All Injury Frequency Rate dropping to the lowest level in the Company's history.
- Post end of quarter termination of Silver Sale Agreement allows Perilya to reassess the potential for mining high silver grade deposits in the region, including North Mine, Potosi and North Mine Deeps projects.

Beltana

- Positive cash flow contribution from sales of 35,369 tonnes of DSO during the quarter, at an average grade of 32.1%, containing 11,346 tonnes of zinc, an increase of 52.7% on the previous quarter.
- Establishment of improved contract terms for the sale of Beltana zinc silicate DSO, with shipments under the improved terms having commenced in July.
- Decision to commence targeted exploration in the Flinders region to replace the Beltana ore.

Mount Oxide Copper and Cobalt Project

- A plan is being developed for a further exploration drilling program to increase the current resources. This may include re-examining the potential for earlier access to ore through the proving up and development of oxide resources.

CEO's COMMENTS

"The June quarter saw a continuation of improved performance across the board at our Broken Hill Operations. This is clearly demonstrated when comparing the second six months of the financial year to the first, which shows the Company has almost halved its cash-costs of production (down by 46.3%).

Cash costs of production of zinc for the quarter were US$0.59 compared with US$1.01 for the same period last year, leading to a positive cash operating margin for the quarter of US$0.07/lb. Further, with the recently announced transaction to terminate the Silver Sale Agreement with Coeur d'Alene Mines Corporation and CDE Australia Pty Ltd, the Company anticipates a further decrease in its cash costs by approximately US$0.10 – US$0.12/lb of zinc. Following completion of this transaction and based on current metal prices and USD/AUD exchange rates the Company's previous market guidance of a targeted cash cost will decrease from between US$0.60 - US$0.65/lb to US$0.50 - US$0.55/lb.

During the quarter, the Company received approval from the EPA in South Australia for the export of lead concentrates out of its ship loading facility at Port Pirie. As previously announced, the Company's off-take agreement for lead concentrates with Nyrstar expires 31 December, 2009. With the EPA approval now in place, the Company is in a position to commence exports of its lead concentrates to other potentially better return markets with effect from 1 January, 2010.

Perilya is now positioned with a long-life cash positive asset in Broken Hill and a desire and capability to pursue growth options as they arise. This represents a tremendous turnaround both in performance and the prospective future of this company."

Paul Arndt

Paul Arndt
Managing Director and CEO

27 July, 2009

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BROKEN HILL OPERATIONS

Mining Operations

The June quarter showed a continuation of the good results highlighted in the March quarterly Report and is an endorsement of the Company's new operating plan.

The June quarter saw a sustained improvement in mine development, both in terms of advance achieved and in the adherence to planned development activities. Productivity measured in terms of tonnes hoisted per man shift continues a strong upward trend. The average for the quarter was 365 tonnes per man shift, which is an increase of 17.8% over the March quarter. Development performance continues to improve, with an 8% increase over the March quarter with an average development rate of 767 metres per month.

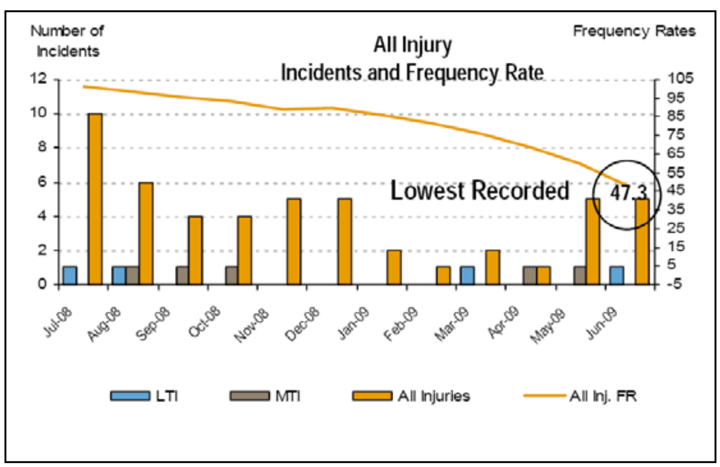
Concentrator operations continued to match the increased mine production treating all of the ore mined in the June quarter plus the stock on hand at the end of the March quarter. The Company treated 419,000dmt during the quarter which exceeded plan by 41.1%. The overall performance exceeded the March quarter performance by 26.7%.

Key performance indicators for the June quarter showed:

- Mining rates 32.2% above plan;
- Development advance 30.7% above plan;
- Milling throughput 41.1% above plan;
- Combined metal production on plan; and
- Average net cash costs per pound of payable zinc at US$0.59 ahead of targeted cash costs of US$0.60-US$0.65/lb.

Safety

The June quarter continued the positive trends in both lead and lag indicators. This continued improvement in safety performance has seen the All Injury Frequency Rate drop to the lowest level in the Company's history. There was one lost time injury and two medically treated injuries of a minor nature recorded during the quarter.



Safety interactions, "Take Time Take Charge", hazard reporting, incident notification and investigations all showed significant improvements in both quality and quantity. Each month during the quarter has progressed the implementation of the proactive safety programmes and the identification and control of hazards becoming part of the organisational culture. The impact on reduced incidents and injuries is also reflected in a significant reduction in equipment damage incidents resulting in lower numbers and severity of incidents and lower repair costs.

Regular auditing of the Broken Hill operations' mine safety management plan elements continue with ongoing in-house auditing of shop floor processes and major audits of both Emergency Response and Injury Management systems planned for the September quarter.

Production and Sales

During the quarter 398,900 tonnes of ore was mined from the Southern Operation, which was 34.1% above plan.

The combined grade of ore processed this quarter was 9.4% (zinc & lead) which, whilst slightly down on the long term plan, was a reflection of the individual stopes that were being mined in the schedule.

Production Statistics - Tables

Table 1: Broken Hill Quarterly Production

	Jun Qtr 2009	Mar Qtr 2009	H2 Jun 09	H1 Dec 08
PRODUCTION STATISTICS				
Ore				
Total Ore Mined (kt)	**398.9**	338.7	**737.6**	788.9
Total Ore Treated (kt)	**419.6**	331.3	**750.9**	839.1
Zinc				
Grade (%)	**5.2**	5.7	**5.4**	5.3
Concentrate (kt)	**39.2**	33.6	**72.8**	81.5
Contained Zinc (kt)	**18.7**	16.5	**35.2**	40.1
Payable Zinc (kt)	**15.6**	13.8	**29.4**	33.6
Lead				
Grade (%)	**4.2**	4.7	**4.4**	3.0
Concentrate (kt)	**21.1**	19.1	**40.2**	28.7
Contained Lead (kt)	**14.4**	13.3	**27.7**	20.4
Payable Lead (kt)	**13.7**	12.7	**26.4**	19.4
Silver				
Grade (g/t)	**48.8**	50.3	**49.5**	30.7
Contained Silver (Moz)	**0.487**	0.422	**0.908**	0.607
CASH COST & OPERATING MARGIN (US$/lb zinc)				
Average Price Received	**0.66**	0.50	**0.57**	0.73
Direct Cash Costs	**0.92**	0.78	**0.85**	1.11
By-product credits (*)	**(0.60)**	(0.43)	**(0.51)**	(0.25)
Zinc treatment charges	**0.27**	0.21	**0.24**	0.22
Net Cash Cost	**0.59**	0.56	**0.58**	1.08
Cash Operating Margin	**0.07**	(0.06)	**(0.01)**	(0.35)

(*) Silver and Lead production net of treatment charges, freight and handling and lead hedging gains and losses

(**) Under the Silver sale Agreement with Coeur d'Alene Mines Corporation and CDE Australia Pty Ltd, Perilya received a cash by-product credit for silver of US$2.22/oz. Following termination of the Silver Sale Agreement, with effect from 1 July, 2009 the Company will see a significant increase in the silver by-product credit. At current spot silver prices, the increased silver by-product credit will equate to a further reduction in cash costs of production of approximately US$0.10/lb-US$0.12/lb.

Net Cash Costs of Production

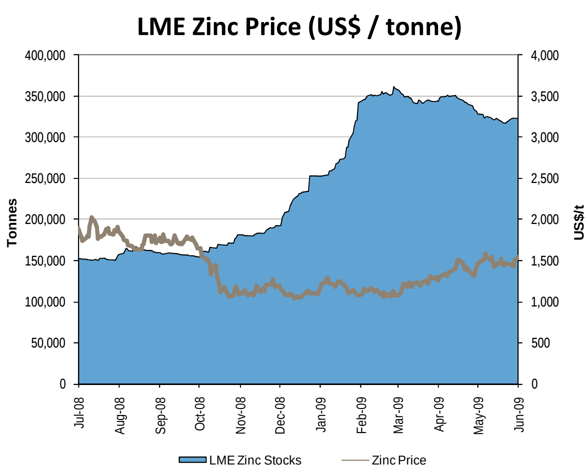
The net cash costs of production of US$0.59/lb was an excellent result for the period and remained lower than the target range of US$0.60 - $US0.65/lb. The net cash costs of production (measured in A$/lb) reduced by 8% from the prior quarter, which is an outstanding achievement by the Broken Hill operation.

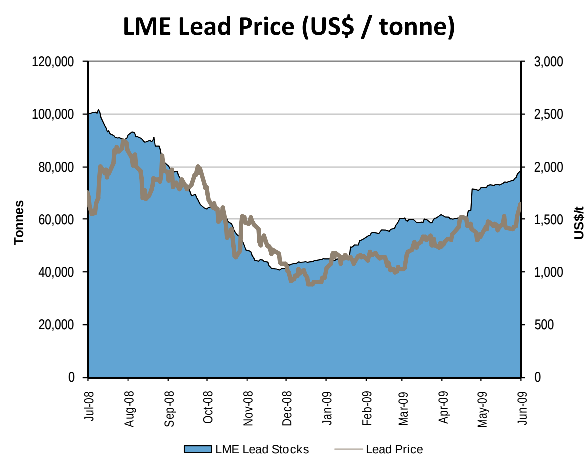
This result continues to demonstrate the capability of the Broken Hill operation to not only withstand periods of weak metal prices but for it to be extremely well positioned to benefit from expected increases in metal prices when the global economic conditions start to improve.

Markets

Both zinc and lead prices had a strong quarter in US$ terms, rising by approximately 19% and 35% respectively. However, with the strengthening AUD/USD exchange rate, the increases in AUD terms were considerably smaller, being only 1% for zinc and 15% for lead.

Current demand for all metals remains relatively weak globally, however, notwithstanding this present weakness, Perilya continues to believe that zinc and lead market fundamentals remain sound over the medium to longer term.





Exploration & Development – Broken Hill

No significant exploration was conducted this quarter.

North Mine

Perilya is continuing the feasibility study of the North Mine, including the North Mine Deeps project. Planning and site preparation was completed for Stage 1 of the North Mine Zinc-Sands surface drilling program with a total of six holes for approximately 5,000m now planned. This program is aimed at reviewing the potential for reprocessing historic high zinc grade backfill material in the North Mine.

FLINDERS ZINC PROJECT

Beltana Mine - Sales

During the quarter metal sales for Beltana ore were 35,369 tonnes for a total of 11,346 tonnes of contained zinc. The terms of the Company's off-take arrangements for the Beltana ore are confidential, however, sales for the quarter contributed net positive cashflows of $3.5 million.

At the end the June quarter, a total of 160,398 tonnes of zinc silicate ore is stockpiled at an average grade of 30.5% zinc, for a total of approximately 48,983 tonnes of contained zinc.

Reliance Deposit (70-85% owned)

With the improvement in terms received for zinc silicate, management is reviewing the potential progression of the development of the Reliance Deposit and associated exploration activities.

Field visits were completed in preparation for commencement of exploration activities in the coming quarter.

MOUNT OXIDE COPPER AND COBALT PROJECT

Drilling Program

The project was placed on care and maintenance in November 2008 and no exploration was conducted during the quarter.

Resource Update

A resource update was completed and released to the market on 27 February 2009.

Future Activity

Management is reviewing a further exploration drilling program to increase the resource estimate. This will potentially include a re-examining of the project for earlier access to ore through the proving up and development of oxide resources.

CORPORATE

Termination of Silver Sale Agreement with Coeur d'Alene Mines Corporation

Subsequent to the end of the quarter, and as announced on 16 July 2009, Perilya signed an agreement with CDE Australia Pty Ltd ("CDEA") and Coeur d'Alene Mines Corporation ("Coeur") terminating Perilya's obligations to deliver a further 11.2 million ounces of silver under the Silver Sale Agreement between the parties executed in 2005.

The payment to extinguish the agreement of US$55 million will enable Perilya to sell those previously committed ounces into the spot market. The 11.2 million ounces have a face value of approximately US$145 million (basis US$13.00/oz).

The termination of the agreement will be funded by an unsecured credit facility of US$50 million with the balance being paid out of Perilya's cash reserves. The funds are being provided via a guarantee facility granted by Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd ("Zhongin Lingnan") to our financiers. The facility is not secured over any of the assets of Perilya. The total cost of funding to Perilya (including facility fees and guarantee fees payable to Zhongjin Lingnan), in aggregate comprise less than 3% (plus 3mth LIBOR).

The transaction will have a positive impact in a number of areas, including:

- Increase in future cashflow and earnings capability at Broken Hill

- Lower cash operating costs (C1) by approximately US$0.10 – US$0.12/lb payable zinc (at current silver prices & USD/AUD exchange rate); and
- Enable Perilya to re-assess the potential of mining high silver grade deposits in the region, including North Mine, Potosi and the North Mine Deeps projects.

The termination of the agreement is expected to be financially settled on 31 July 2009.

Cash and Investments at 30 June 2009

At 30 June 2009, the Company held cash, deposits and investments totalling $72.9 million (31 March 2009: $67.6 million) an increase of 7.8% over the previous quarter, represented by:

- Free cash of $36.9 million, (31 March 2009: $27.1 million);
- Secured cash deposits of $24.7 million supporting performance bonds required under various mining licences at Broken Hill;
- Commercial paper of $10.0 million (written down value); and
- Other investments of $1.3 million (estimated market value).

Cashflow for the quarter was strong, with an increase in free cash of 36% to $36.9 million brought about by the positive cashflows generated from Broken Hill, the continued sale of zinc silicate material from the Beltana stockpiles and the sale of Silver Lake shares (see below).

Divestment of Non Core Assets

As foreshadowed in the March quarterly report, the Company took advantage of favourable market conditions for gold stocks this quarter and sold its interest in the listed junior gold mining company, Silver Lake Resources Limited ("SLR") for approximately $4.8 million. The shares held in SLR were not viewed by the Company as a strategic asset.

Debt

At 30 June 2009 Perilya has zero corporate debt (being debt other than equipment finance in the ordinary course of business) and approximately $10.4 million in operating debt solely related to mobile equipment financing which is payable over a five year period.

Perilya's policy of maintaining zero corporate debt has enabled it to take advantage of the extremely competitive funding opportunities to fund the termination of the Silver Sale Agreement with Coeur (discussed above).

Hedging Policies

Perilya currently protects its short term cashflows by means of Quotational Period hedging. In addition, during the quarter, Perilya took advantage of the increase in both zinc and lead prices to fix the sales price for a proportion of its future revenue from both Broken Hill and Beltana and protect the cash and earnings margin from these sales.

Hedging Contracts Summary

		Sep-09 Quarter	Dec-09 Quarter	Mar-10 Quarter	TOTAL POSITIONS
ZINC:-					
Tonnes	Tns	13,750	10,700	2,830	**27,280**
Price	A$/tn	2,027	2,092	1,996	**2,049**
LEAD:-					
Tonnes	Tns	8,650	9,550	-	**18,200**
Price	A$/tn	1,920	1,960	-	**1,941**

The hedging contracts as at 30 June, 2009 were in the money by approximately AUD$0.8 million.

Management has elected to not treat these contracts as effective hedging under AIFRS. As such, the change in the value of these contracts will be reflected directly in the Income Statement rather than through a hedging reserve. As most positions mature before the end of December 2009, the impact on the financial results for the six months to December 2009 is expected to be minimal.

Financial Results - Update

Perilya is expected to be releasing its Preliminary Financial Results (Appendix 4E) in the week beginning 24 August 2009 with the full audited financial statements shortly thereafter.

Change in Financial Year

Subsequent to the end of the quarter, the Australian Securities and Investments Commission ("ASIC") granted relief to enable Perilya to change its financial year end date from 30 June to 31 December. The change of year end enables Perilya to align its financial year end date with that of its majority shareholder, Zhongjin Lingnan.

The change of year end will not affect the 30 June 2009 year end; Perilya will still report its full year results for the 12 months to 30 June 2009 in accordance with ASIC and ASX reporting timelines.

The grant of ASIC relief means that the next financial year of Perilya will be a transitional one from 1 July 2009 to 31 December 2009 (i.e. six months). Thereafter, Perilya will report to ASIC and the ASX as normal with respect to a 31 December financial year end.

CORPORATE DETAILS

Board of Directors:

Zhang Shuijin	Non- Executive Chairman
Patrick O'Connor	Non- Executive Deputy Chairman
Paul Arndt	Managing Director/CEO
Wang Wen	Non-Executive Director
Peter Harley	Non-Executive Director
Minzhi Han	Non-Executive Director

Capital Structure:

Ordinary Shares	394,554,640
Unlisted Options	8,700,000
Performance Rights	151,800

Major Shareholders:

Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd	50.10%

Australian Stock Exchange Listing

ASX Code: PEM

Company Secretary:

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COMPANY PROFILE

Perilya Limited is an Australian base metals mining and exploration company. Perilya is the operator of the Broken Hill zinc, lead, silver mine in NSW and the Flinders zinc silicate project in South Australia.

The Company's operations at the iconic Broken Hill mine have recently been resized in a bid to improve productivity and to ensure operations are sustainable in the event of a prolonged period of low metal prices.

The Company continues to sell zinc silicate from its Beltana stockpiles in South Australia and evaluating development of nearby deposits including the Reliance deposit.

The Company is reviewing options for the development of the Mount Oxide Copper and Cobalt Project in the Mount Isa region in Queensland.

For more details, visit www.perilya.com.au