

Quarterly Activities Report

for the three months ended 31 March 2010

HIGHLIGHTS

The three months ended 31 March 2010 again highlighted the continued improvement in safety performance with the All Injury Frequency Rate dropping to 25.9 (compared with 76.1 at the corresponding time last year), a new record for Perilya's Broken Hill operations. March also saw the Company commit to significant capital expenditure with work commencing on the upgrade of its Port Pirie storage and ship-loading facilities, which incorporates new technologies to create a dustless storage and ship-loading facility; and the development of on-site concrete batching plant together with a new concrete slick line delivery system to underground, which will further improve productivity and reduce costs. In addition, the Company significantly increased its exploration activity around Broken Hill and in the Flinders region. Highlights for the quarter include:

Corporate

- Closing cash balance of **\$119.3 million (\$116.7 million at 31 Dec, 2009)**.
- An increase in exploration activity with programs at Broken Hill and the Flinders projects, with a focus on advancing feasibility studies and near term development targets.

Broken Hill

- Net cash costs (C1) for the quarter were US\$0.52/lb of payable zinc which were in line with targeted cash costs of US\$0.50-US\$0.55/lb of zinc, despite lower grades and a lower production rate due to poorer performing stopes in January, (Quarter ending December 2009: US\$0.49/lb).
- Cash operating margin of US\$0.40/lb of zinc was lower than the previous quarter of US\$0.58/lb zinc due to lower average realised zinc price and a slight increase in Net Cash Costs.
- Production levels for the quarter were in broad line with market guidance with quarterly combined metal production of 28,646 tonnes of contained zinc and lead (against a market guidance of 30,000 tonnes of contained zinc and lead). Production was down during January due to stope failure, but returned to plan for February and March.
- Drilling program continuing on the North Mine project.
- Continued improvement in safety performance for the quarter with the All Injury Frequency Rate dropping to another record low in the Company's history at Broken Hill.
- Regulatory approval process underway for Potosi and the Silver Peak mines ahead of a development decision being made.

Flinders

- One shipment occurred in the quarter of 13,147 tonnes of Beltana DSO, at an average grade of 31%, containing 4,076 tonnes of zinc. The remaining stockpiles are expected to be sold by end of the June quarter 2010.
- Exploration drilling program is continuing in the region with a feasibility study on proposed Reliance open pit project underway.

Mount Oxide Copper Project

- Exploration drilling in abeyance during the quarter due to the wet season, due to recommence during May.
- Appointment of Dr Peter Trout to conduct a study on the Mt Oxide project.

MD/CEO's COMMENTS

During the quarter Perilya enjoyed another solid performance at its Broken Hill operation both in terms of mining production and C1 cash costs performance. The March quarter also saw the Company commit to significant capital expenditure with:

- work commencing on the upgrade of its Port Pirie storage and ship-loading facilities, which incorporates new technologies to create a dustless storage and ship-loading facility;
- the development of an on-site concrete batching plant together with a new concrete slick line delivery system to underground, which will further improve productivity and reduce costs; and
- a significant increase in its exploration activity around Broken Hill and in the Flinders region.

I am also particularly pleased with the continued improvement in safety performance at Broken Hill during the quarter, which has been a continued strong focus of Management. This is highlighted by the All Injury Frequency Rate dropping to 25.9 (compared with 76.1 at the corresponding time last year), another new record for Perilya's Broken Hill operations.

The March quarter represented another very good performance on mining production, with highlights including 416,468 tonnes of ore mined (21% above plan), milling throughput being 18.4% above plan, and development advance being 25% above plan.

Notwithstanding the good performance on mining production, metal production was negatively impacted in January due to a combination of poor stope performance and overachievement in mine development, which added additional development ore to the ore stream (at lower grades). This resulted in combined metal production for the quarter of 28,646 tonnes of contained zinc and lead, which whilst generally in line with market guidance, was slightly down on plan.

Productivity measured in terms of tonnes hoisted per man shift continued to match the very good results achieved in the December quarter.

It was also very pleasing that during the quarter, the Company was able to maintain a very tight control on costs within the mine gate. C1 cash costs for the quarter were US\$0.52/lb, which is in line with targeted C1 cash costs of US\$0.50 – US\$0.55/lb. This is a particularly good result given the disappointing January metal production.

Going forward, based on current prices, Perilya continues to expect to produce in the range of 120,000 to 130,000 t of contained zinc and lead from our Broken Hill operations at a C1 cash cost of between US\$0.50 – US\$0.55/lb.



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Managing Director and CEO
30 April 2010

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BROKEN HILL OPERATIONS

Mining Operations

The March quarter showed a continuation of the good results highlighted in the December Quarterly Report. The overall performance for the quarter was negatively affected by an underachievement in stoping that principally affected the performance in January.

In January Broken Hill Operations were negatively impacted by a combination of poorer performing stopes and an overachievement in mine development, which added additional development ore to the ore stream (at lower grade).

Sustained improvements to safety, development rates, long term rehabilitation schedules and pillar mining operations have continued from previous quarters and provide confidence in the sustainability of the changes evident at the Broken Hill operations. Safety performance, mining, processing, and development performances all continue to exceed expectations.

The March quarter continued to reinforce the sustainability of the improvements seen in the December quarter. Mine development advance (measured as a combination of advance and rehabilitation) matched the December quarter. Productivity measured in terms of tonnes hoisted per man shift also matched the December quarter with the average tonnes hoisted per man shift remaining constant. This was despite the disappointing result in January.

Concentrator operations continued to match the mine production treating a total of 407,500 tonnes over the quarter. This compares with the December quarter when 432,000 tonnes of run of mine ore were treated.

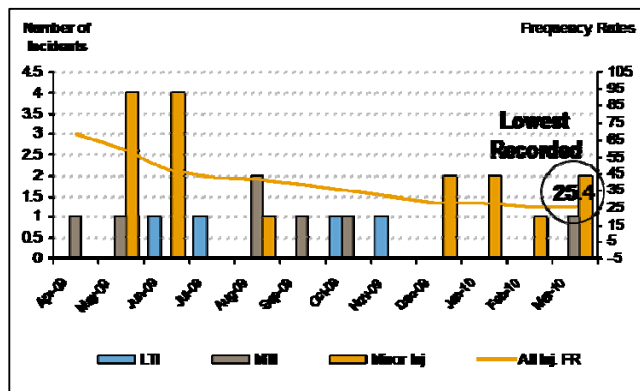
The March quarter also saw a slight reduction in the recovery of metal. This was in line with the lower head grade mined during the quarter. Lead recoveries were 84%, Zinc recoveries were 88% and silver recoveries were 74%. These recoveries were above expectations when adjusted for the head grade.

Key performance indicators for the March quarter showed:

- Mining rates exceeded plan by 21%;
- Development advance was 25% above plan;
- Milling throughput was 18% above plan;
- Combined metal production of 28,646 tonnes was generally in line with market guidance; and
- Average net cash costs per pound of payable zinc at US\$0.52 in line with targeted cash costs of US\$0.50-US\$0.55/lb of zinc.

Safety

The March quarter continued the positive trends in both lead and lag indicators. The improved safety performance has seen the All Injury Frequency Rate drop to 25.4 mirroring the improvement seen in lead indicators of safety performance within the Perilya Broken Hill Operations. There were zero lost time injuries recorded during the quarter resulting in a fall of the LTIFR to 3.6. There was only one medically treated injury recorded for the period and five minor injuries.



The proactive behaviours including safety interactions, “Take Time Take Charge”, and hazard reporting, continued to show sustained improvement in both quality and participation. In particular

there was a substantial increase in Hazard identification reports and safety interactions. Emphasis is now being directed to the quality of the reduced numbers of incident notification and investigations. The proactive aspects of the Perilya Broken Hill safety management plan are becoming more embedded in the Broken Hill mining culture.

A major audit of the Perilya Mine Safety Management System was conducted by an external auditor during the March quarter and the results showed the continuing improvement across all parts of the system. Focused audits were also conducted on underground emergency response, exploration drilling and incident investigation and corrective action close out. The review of Major Hazards has continued along with identification and implementation of the critical controls.

Industry and Investment NSW has produced a draft of guidelines around fatigue management in particular referencing shift rosters. The Broken Hill Operations is reviewing work patterns and commenced work to develop a Fatigue Management Plan in line with these guidelines.

Production and Sales

During the quarter 416,500 tonnes of ore was mined from the Southern Operation, which was 21% above plan; an excellent achievement given the poor stope performance in January.

The combined grade of ore processed this quarter was 8.2% (zinc & lead) which, whilst down on the long term plan, was a reflection of the lesser than anticipated performance of individual stopes that were being mined in the schedule combined with additional lower grade material produced from mine development.

Production Statistics - Tables

Table 1: Broken Hill Quarterly Production

	Mar Qtr 2010	Dec Qtr 2009
PRODUCTION STATISTICS		
Ore		
Total Ore Mined (kt)	416.5	423.3
Total Ore Treated (kt)	407.5	432.1
Zinc		
Grade (%)	4.5	4.9
Concentrate (kt)	32.4	38.0
Contained Zinc (kt)	15.9	18.7
Payable Zinc (kt)	36.0	15.7
Lead		
Grade (%)	3.7	4.4
Concentrate (kt)	17.6	23.2
Contained Lead (kt)	12.7	16.7
Payable Lead (kt)	17.5	15.9
Silver		
Grade (g/t)	35.4	45.5
Contained Silver (Moz)	0.342	0.491
CASH COST & OPERATING MARGIN (US\$/lb zinc)		
Average Price Received	0.92	1.07
Direct Cash Costs	1.08	1.00
By-product credits ^(*)	(0.92)	(0.98)
Zinc treatment charges	0.36	0.47
Net Cash Cost	0.52	0.49
Cash Operating Margin	0.40	0.58

^(*) Silver & Lead production net of treatment charges, freight & handling and realised lead/silver hedging gains and losses

Net Cash Costs of Production

The C1 net cash costs of production of US\$0.52/lb of payable zinc for the period remained within the target range of US\$0.50 - \$US0.55/lb of zinc despite lower grades and lower metal production levels in the quarter. Allowance was made in the March quarter cash costs for the expected settlements for 2010 treatment charges.

The cash margin reduced to US\$0.40/lb payable zinc through a combination of higher cash costs and a lower realised zinc price. The realised zinc price is expected to increase in the June quarter as we deliver into hedge contracts that are 24% higher than those of the March quarter.

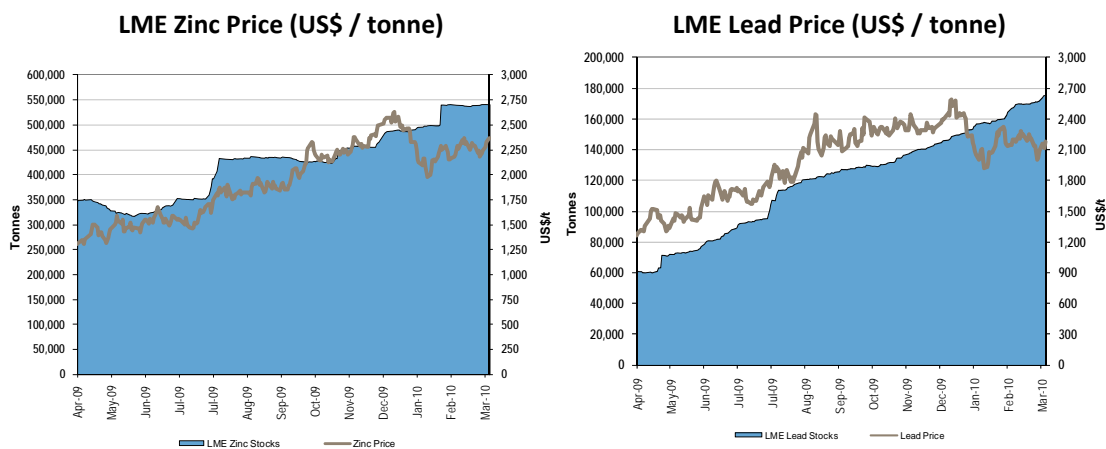
Markets

Zinc prices had a strong start to the quarter in US\$ terms, rising to a high of US\$2,600/tn in early January. Since then it has fallen to finish the quarter at approximately US\$2,350/tn.

Lead prices exhibited a similar trend, rising to US\$2,550/tn in January and finishing the quarter 15% lower at US\$2,180/tn.

The AUD/USD exchange rate fluctuated between 0.8660 and 0.9300 over the March quarter, with an average of 0.9040 (Dec 09 quarter average of 0.9105).

Whilst current demand for all metals appears to be improving the recent events in Europe have led to a risk adversity in equities, commodities and certain currencies. Notwithstanding this current sentiment, Perilya believes that zinc and lead market fundamentals remain sound over the short to medium term and generally bullish in the longer term (> 3 yrs) as some of the larger zinc mines around the world reach the end of their reserve life.



Exploration & Development – Broken Hill, Southern Operations

Examination of deep southern targets has commenced to investigate a potential target indicated by historical drilling and geophysical work. The potential target is to the south of current mining operations and will be examined by modern geophysical techniques.

Broken Hill, North Mine

Perilya is continuing the study of the North Mine, including the North Mine Deeps project. The Stage 1 drilling program of the North Mine Zinc-Sands project was completed during the quarter and the results of this work are being examined together with metallurgical test work.

Surface drilling of targets adjacent to the historic Junction North workings commenced during the quarter. This program is aimed at following up areas of potential economic significance identified during the Stage 1 drilling program in the North Mine.

FLINDERS ZINC PROJECT

Beltana Mine - Sales

During the quarter metal sales for Beltana ore were 13,147 tonnes for a total of 4,076 tonnes of contained zinc.

The remaining stockpiles of Beltana DSO are expected to be sold by the end of the June quarter.

Reliance Deposit (70-85% owned)

With the improvement in terms being received for zinc silicate, the Company is continuing its study into the potential development of the Reliance Deposit.

Exploration is also continuing at the Company's Flinders tenements with drilling initially conducted north of the Moolooloo deposit. Some broad zones of zinc mineralisation have been intersected to date. The exploration program will continue over the coming months with an air magnetic program to assist targeting and further drilling to test a number of targets.

MOUNT OXIDE COPPER PROJECT

During the quarter the Company appointed Dr Peter Trout to head up a study into the potential development of Mt Oxide Copper Project. The purpose of the study and drilling program is to enable the Company to make a development decision on the Mt Oxide Copper Project by the end of the 2010 calendar year.

As recently announced, the Mt Oxide study will include a new resource definition drilling program, which will commence in May, to upgrade the existing Inferred and Indicated Resource to Measured status where appropriate. The program will include at least 13,000 metres of diamond and RC drilling. Additional drilling will be undertaken for environmental, geotechnical and metallurgical test work to support the study.

The Mount Oxide mineral resource estimate currently comprises 17.9 million tonnes at an average grade of 1.3% copper for 224,000 tonnes of contained copper. This resource is to a vertical depth of only 450 metres. The mineral resource also includes 0.06% cobalt (9,400 tonnes of contained cobalt) and 10g/tonne of silver (5,700,000oz of contained silver). Importantly, the larger part of the mineral resource (63%) is in the Indicated Mineral Resource category.

Drill results to date include a number of significant high grade copper intersections at depth, which have not been closed off and these provide significant encouragement for the continuity of higher grades of copper and silver at depth demonstrating potential for additional resource and reserve growth in the future.

CORPORATE

Cash and Investments at 31 March 2010

At 31 March 2010, the Company held cash, deposits and investments totalling **\$147.8** million (31 December 2009: \$151.5 million), represented by:

- Free cash of \$119.3 million, (31 December 2009: \$116.7 million);;
- Secured cash deposits of \$24.7 million supporting performance bonds required under various mining licences at Broken Hill; and
- Commercial paper and other investments of \$3.8 million (written down value).

Perilya generated a positive cashflow for the period despite an increase in capital expenditure and exploration at Broken Hill and a re-commencement of exploration activities in the Flinders region.

During the quarter work on the upgrade of the Port Pirie infrastructure commenced to enable Perilya to export its lead product in the 2nd half of 2010 and therefore access better treatment charges in

the spot lead market. Capital was also incurred at Broken Hill on the installation of a shotcrete batch plant as part of the cost reduction initiative to reduce ground support costs at the mine.

There was only 1 shipment of Beltana material during the quarter, which led to a lower cashflow contribution from this asset. Sales are expected to be higher in the June quarter, with sales of the remaining stockpiles likely to complete by the end of June 2010.

Commercial paper was divested during the quarter for approximately \$6.6 million, which was \$0.3 million above book value.

Debt

At 31 March 2010 Perilya has US\$50 million of corporate debt (being debt other than equipment finance in the ordinary course of business) which solely comprises US\$50 million funding for the termination of the silver sale agreement. Perilya also has approximately \$3.3 million in operating debt solely related to mobile equipment financing which is payable over a three to five year period.

Hedging Policies

During the quarter Perilya continued with its policy of hedging approximately 70% of payable metal production out 6 months. As previously announced the company had entered into additional lead hedging for 30,000 tonnes of forecast production for the period July 2010 to June 2011 at an average forward price of A\$2,829 per tonne. This represents approximately 50% of anticipated payable lead production for that period.

Hedging Contracts Summary (as at 31 March 2010)

		Jun-10 Quarter	Sep-10 Quarter	Dec-10 Quarter	Mar-11 Quarter	Jun-11 Quarter	Sep-11 Quarter	Dec-11 Quarter	TOTAL POSITIONS
ZINC:-									
Tonnes	Tns	11,500	10,000	500	-	-	-	-	22,000
Price	A\$/tn	2,650	2,590	2,700	-	-	-	-	2,624
LEAD:-									
Tonnes	Tns	9,500	7,500	7,500	7,500	7,500	-	-	39,500
Price	A\$/tn	2,628	2,829	2,829	2,829	2,829	-	-	2,780
SILVER:-									
Ounces	Ozs	195,000	195,000	195,000	195,000	195,000	195,000	195,000	1,365,000
Price	US\$/tn	14.60	14.60	14.60	15.50	15.50	15.50	15.50	15.11

Financial Results

During the March quarter, Perilya released its financial results for the 6 month period to 31 December 2009. Key financial highlights include:

- A net profit after tax of \$28.5 million, an outstanding turnaround in performance from the previous financial year's loss of \$75.1 million
- Free cash on hand of \$116.7 million, including the \$54.1 million raised via a 1 for 3 Rights Issue completed in December.
- Cashflow from operations of \$50.4 million for the period.
- Combined zinc and lead production of 64,300 tonnes (contained) produced at an average C1 cash operating cost at Broken Hill of US\$0.44/lb of payable zinc.

As previously communicated, the Financial Results for the period to 31 December 2009 were for a transitional period of 6 months (from 1 July 2009 to 31 December 2009) as a result of Perilya changing its financial year end to December 31 to align its financial year end date with that of its majority shareholder, Zhongjin Lingnan. Perilya will now report to ASIC and the ASX as normal with respect to a 31 December financial year end.

Competent Persons Attribution Statement:

The information in this quarterly report that relates to exploration results for the Flinders region and Mt Oxide is based on information compiled and/or reviewed by Mr Martin Jones who is a full time employee of Perilya and is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists. Mr Jones has sufficient experience which is relevant to the style of mineralisation and 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones consents to the inclusion in this quarterly report of the matters based on the information in the form and context in which it appears.

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

Principal & Registered Office:

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Perth Western Australia 6007
ABN : 85 009 193 695

Share Registry

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Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Email: perth.services@computershare.com.au

Capital Structure:

Ordinary Shares	526,075,563
Unlisted Options	8,650,000
Performance Rights	135,400

Major Shareholders:

Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd	52.00%
Paradice Investment Management Pty Ltd	5.43%

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 were resized in late 2008 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 Project in the Mount Isa region in Queensland.

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