Quarterly Activities Report

for the three months ended 30 June 2010

HIGHLIGHTS

The three months ended 30 June 2010 witnessed another quarter of improved mining production from the Broken Hill operations, which again performed ahead of plan. The period also saw an improved performance on costs with C1 cash costs for the quarter dropping to US$0.44/lb of payable zinc, well below guidance of US$0.50-0.55/lb of payable zinc. The improved mining production and costs performance was complimented by a continued improvement in safety performance with the All Injury Frequency Rate dropping to 19.9 (compared with 47.3 at the corresponding time last year), a new record for Perilya's Broken Hill operations. Highlights for the quarter include:

Corporate

- Closing cash balance of $119.4 million ($119.3 million at 31 March 2010).
- A significant increase in exploration activity with programs at Broken Hill, the Flinders project and an expanded drilling program at Mt Oxide supporting the development study currently underway.

Broken Hill

- Net cash costs (C1) for the quarter were US$0.44/lb of payable zinc was well below market guidance of US$0.50-US$0.55/lb of zinc, despite lower grades than plan due to some areas of poorer performing stopes in the period, (Quarter ending March 2010: US$0.52/lb).
- Cash operating margin of US$0.44/lb of payable zinc was higher than the previous quarter of US$0.40/lb of payable zinc notwithstanding lower average realised zinc prices due to the reduction in Net Cash Costs and slightly lower treatment charges.
- Production levels for the quarter were in ahead of market guidance with combined metal production of 31,395 tonnes of contained zinc and lead (against a guidance of 30,000 tonnes contained zinc/lead).
- The North mine drilling program was completed during the quarter, which targeted potential extensions to the historic Junction North mineralization. The significance and future potential of these intersections is currently being evaluated.
- 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 well advanced on the Potosi/Silver Peak mine, with agreed transport routes still to be finalised. A development decision is pending the Company gaining greater confidence around expected base metal prices in the short to mid-term.

Flinders

- Two shipments occurred in the quarter of 16,255 tonnes of Beltana DSO, at an average grade of 31.8%, containing 5,173 tonnes of zinc. The remaining stockpiles are expected to be sold by end of the September quarter 2010.
- Exploration drilling program is continuing in the region with a feasibility study on proposed Reliance open pit project continuing.

Mount Oxide Copper Project

- A significant exploration drilling program was recommenced during the quarter.
- The Mt Oxide development study is well advanced with completion anticipated during the December quarter and the Board being in a position to make a development decision by December 2010.

MD/CEO's COMMENTS

The June quarter saw Perilya enjoy another strong performance at its Broken Hill operation in terms of safety, mining production, combined metal production and C1 cash costs performance. The continuing strong production and cost performance at Broken Hill Company has allowed the Company to invest in its future through a significant capital expenditure program, which includes:

- A significant upgrade of its Port Pirie storage and ship-loading facilities, which incorporates new technologies to create a dustless storage and ship-loading facility and an expansion of storage and handling capacity;
- 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;
- the development study underway at the Company's Mt Oxide project; and
- a significant increase in its exploration activity around Mt Oxide, Broken Hill (including Potosi, the North Mne and Southern operations) and in the Flinders region.

The Company achieved another new record on safety performance, which is highlighted by the All Injury Frequency Rate dropping to 19.9 (compared with 47.3 at the corresponding time last year), another new record for Perilya's Broken Hill operations. These results are a reflection of the strong focus and delivery in terms of safety performance by our entire team at Broken Hill.

In line with the Company's continued strong operational performance and positive cashflows, Perilya has committed to a renewed focus on exploration and development this year, which is continuing. The quarter saw the recommencement of exploration drilling at Mt Oxide with a resource definition drilling program currently underway to upgrade the existing Inferred and Indicated Resource to Measured status where appropriate. The program includes at least 13,000 metres of diamond and RC drilling with additional drilling being undertaken for environmental, geotechnical and metallurgical test work to support the development study.Exploration and development has been a strong focus of the Company during the June quarter and will continue in the near term.

The Company has also commenced drilling two significant targets at Broken Hill indentified by historical drilling and recent geotechnical work. The program is utilizing two drill rigs to explore both a shallow target and a deep target. The potential targets are to the south of current mining operations and an initial drilling program will be completed during the September quarter.

The June quarter saw the continuation of the very good performances on mining production, with highlights including 418,000 tonnes of ore mined (21% above plan), milling throughput being 21% above plan, and development advance being 47% above plan. Combined metal production of 31,396 tonnes was also ahead of market guidance.

The Company has continued to maintain a very tight control on costs within the mine gate. C1 cash costs for the quarter were US$0.44/lb, well below targeted C1 cash costs of US$0.50 – US$0.55/lb.

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.

Paul Arndt

Paul Arndt
Managing Director and CEO
30 July 2010

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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. The overall performance in terms of metal produced was ahead of market guidance although the grades processed during the quarter were below expectations. A combination of development significantly exceeding plan coupled with the failure and subsequent delayed recovery of several high grade stopes were primarily the cause for the reduced 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 June quarter continued to reinforce the sustainability of the improvements seen in the March quarter. Mine development advance (measured as a combination of advance and rehabilitation) exceeded the previous quarter. Productivity measured in terms of tonnes hoisted per man shift also exceeded the previous quarter with the average tonnes hoisted per man shift showing improvement over the previous quarter. .

Concentrator operations continued to match the mine production treating a total of 420,000 tonnes over the quarter. This compares with the March quarter when 407,500 tonnes of run of mine ore were treated.

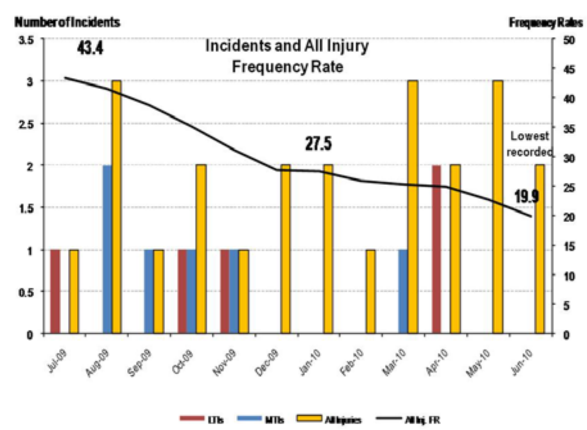
The June quarter also saw an increase in the recovery of zinc and lead. However, silver recovery was below plan. Investigations into the reduction in silver recovery have pointed to some changes in the silver mineralogy. Lead recoveries were 87%, zinc recoveries were 87% and silver recoveries were 70%. These recoveries were above expectations when adjusted for the head grade.

Key performance indicators for the June quarter showed:

- Mining rates exceeded plan by 21%;
- Development advance was 47% above plan;
- Milling throughput was 21% above plan;
- Combined metal production of 31,396 tonnes was ahead of market guidance; and
- Average net cash costs per pound of payable zinc at US$0.44 was well below targeted cash costs of US$0.50-US$0.55/lb of zinc.

Safety

The June quarter continued the positive trends in both lead and lag indicators. The improved safety performance has seen the All Injury Frequency Rate drop to 19.9 mirroring the improvement seen in lead indicators of safety performance within the Perilya Broken Hill Operations. There were two lost time injuries recorded during the quarter resulting in a rise of the LTIFR to 4.3. There were no medically treated injuries recorded for the period and seven 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. Over the last twelve months the number of hazards identified through all safety related processes has lifted significantly and 94.8% have been closed out as controlled or eliminated. Redesign of the risk management tools and incident related forms is being aimed at lifting the quality of hazard identification, incident notification and investigation outcomes.

A major leadership development initiative has commenced in our Broken Hill operations with a series of two day workshops aimed at developing a culture to deliver 'Safe Reliable Production'. Eighty two line managers supported by the senior management will work through a series of structured workshops over the next four months to build leadership skills and impact directly on safety and production.

Production and Sales

During the quarter 418,000 tonnes of ore was mined from the Southern Operation, which was 21% above plan; an excellent achievement given the poor performance of some individual stopes during the period.

The combined grade of ore processed this quarter was 8.6% (zinc & lead) which, whilst down on the long term plan, was a reflection of the lesser than anticipated performance of some individual stopes and the unexpected delayed production from others. The overachievement in mine development also added unscheduled tonnes of lower grade material.

Production Statistics - Tables

Table 1: Broken Hill Quarterly Production

	Jun Qtr 2010	Mar Qtr 2010
PRODUCTION STATISTICS		
Ore		
Total Ore Mined (kt)	**418.0**	**412.3**
Total Ore Treated (kt)	**419.8**	**407.5**
Zinc		
Grade (%)	**4.7**	**4.5**
Concentrate (kt)	**35.0**	**32.4**
Contained Zinc (kt)	**17.2**	**15.9**
Payable Zinc (kt)	**14.4**	**13.3**
Lead		
Grade (%)	**3.9**	**3.7**
Concentrate (kt)	**20.0**	**17.6**
Contained Lead (kt)	**14.2**	**12.7**
Payable Lead (kt)	**13.5**	**12.1**
Silver		
Grade (g/t)	**41.6**	**35.4**
Contained Silver (Moz)	**0.394**	**0.342**
CASH COST & OPERATING MARGIN (US$/lb zinc)		
Average Price Received	**0.88**	**0.92**
Direct Cash Costs	**1.05**	**1.08**
By-product credits [(*)]	**(0.90)**	**(0.92)**
Zinc treatment charges	**0.29**	**0.36**
Net Cash Cost	**0.44**	**0.52**
Cash Operating Margin	**0.44**	**0.40**

[(*)] 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$0.44/lb of payable zinc for the period was ahead of the target range of US$0.50 - $US0.55/lb of zinc despite lower grades than plan due to some areas of poorer performing stopes during the period.

Notwithstanding lower metal prices, the cash margin increased on the previous quarter to US$0.44/lb payable zinc through a combination of lower C1 cash costs and slightly lower treatment charges.

Markets

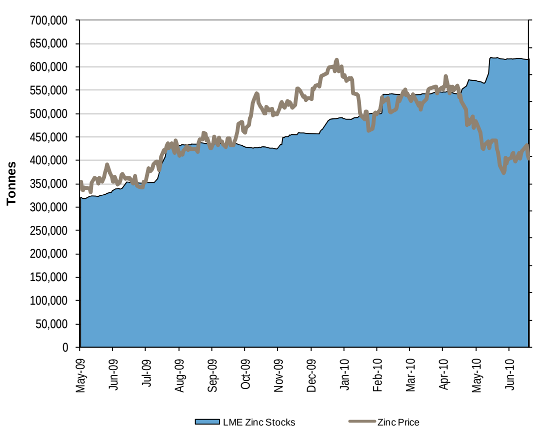
Zinc prices took a steep dive during the quarter in US$ terms, falling to a low of US$1,595/tn in early June. Since then it has regained some ground to finish the quarter at approximately US$1,730/tn.

Lead prices exhibited a similar trend, falling to US$1,559/tn in early June and finishing the quarter slightly higher at US$1,690/tn.

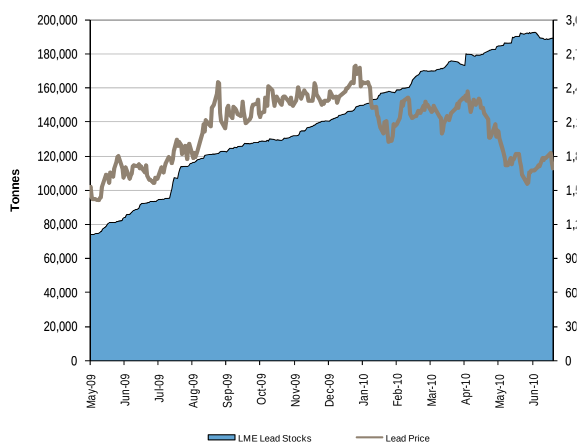
The AUD/USD exchange rate fluctuated between 0.8156 and 0.9341 over the June quarter, with an average of 0.8822 (Mar 10 quarter average of 0.9040).

Although metals have had a couple of turbulent months, recent comments from China that its economy would avoid a sharp slowdown has started to reverse negative sentiment benefiting metal prices. Perilya believes that zinc and lead market fundamentals remain sound over the near 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.

LME Zinc Price (US$ / tonne)



LME Lead Price (US$ / tonne)



Exploration & Development – Broken Hill, Southern Operations

Exploration diamond drilling commenced in late April on the southern portion of Perilya's mining leases in the Broken Hill area. Two drills are currently operating to test for potential extensions to the Broken Hill Line of Lode and are targeting electromagnetic geophysical anomalies identified from down-hole surveying completed in April. Two targets are being evaluated, one at a vertical depth of approximately 900m and a second, deeper target at a vertical depth of approximately 2,000m. Navigational drilling is being employed to better target the anomalies and both holes are anticipated to reach target depth in the third quarter.

Broken Hill, North Mine

On Perilya's northern leases a drilling program was completed which targeted potential extensions to the historic Junction North mineralization. Several thin zones of high grade lead-zinc-silver mineralization were encountered along the margins of previously mined areas and several base metal intersections were also returned from a position higher in the hanging-wall. The significance and future potential of these intersections is currently being evaluated and potential follow-up drilling is being planned. While the work to determine the likely economic potential is underway a search for and evaluation of historical diamond drilling is also underway to improve the overall understanding of the area. It is likely that follow-up drilling will be planned.

Broken Hill, Potosi Mine

Additional drilling on the northern leases to test for deep extensions to the Potosi mineralization is also planned for late in the third quarter.

FLINDERS ZINC PROJECT

Beltana Mine - Sales

During the quarter metal sales for Beltana ore were 16,255 tonnes at an average grade of 31.8% for a total of 5,173 tonnes of contained zinc.

The remaining stockpiles of Beltana DSO are expected to be sold during the September 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.

Flinders Ranges Exploration

Exploration on the Flinders tenements continued through the quarter. Work concentrated on the area surrounding the existing Aristotle deposit testing for extensions of the known mineralization and other green-fields exploration targets. Several fault structures displaying strong alteration and anomalous back-ground zinc concentrations were encountered suggesting additional exploration potential may exist in the area.

Towards the end of the quarter a second diamond drill was being mobilized to the Flinders area to begin a short program of drilling from the Aroona pit. This work is aimed at confirming the current geological model as well as testing for potential extensions to the known mineralization. Results are expected during the September quarter.

MOUNT OXIDE COPPER PROJECT

The study into the potential development of the Mt Oxide Copper Project continued throughout the quarter. 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. The Company has committed approximately $10 million during calendar year 2010 to complete the development study.

Studies are underway to address environmental impacts, infrastructure requirements, mining and processing techniques, native title and heritage requirements. A ranking assessment was performed for water storage, waste dump and tailings storage facilities. This work will continue into the next quarter.

The formal environmental approval process was initiated with the submission of an application to the Queensland Government for a voluntary EIS supported by an Initial Advice Statement that will be issued to stakeholders.

A 13,000 metre resource definition drilling program commenced in late May. Drilling planned in the September quarter will also provide metallurgical test-work, environmental and geotechnical data 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 and is open at depth. 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 30 June 2010

At 30 June 2010, the Company held cash, deposits and investments totalling $148.4 million (31 March 2010: $147.8 million), represented by:

- Free cash of $119.4 million, (31 March 2010: $119.3 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 $4.3 million (written down value).

Perilya generated a positive cashflow for the period despite an increase in capital expenditure and exploration at Broken Hill and Flinders, a re-commencement of exploration drilling activities at Mt Oxide and the ongoing development study of the Mt Oxide project.

During the quarter work continued on the upgrade of the Port Pirie infrastructure, which is being undertaken 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 is also being 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.

In addition to focusing on internal exploration and development projects, during the first half of 2010, the Company has undertaken significant M&A activity with the Company reviewing a number of potential acquisition opportunities, targeting operating and/or late stage development assets, with the application of appropriate resources to support this M&A activity.

There were 2 shipments of Beltana material during the quarter, with sales of the remaining stockpiles likely to complete during the September quarter.

There was no divestment of commercial paper during the quarter.

Debt

At 30 June 2010 Perilya has US$49.5 million of corporate debt (being debt other than equipment finance in the ordinary course of business) which solely comprises US$49.5 million funding for the termination of the silver sale agreement. Perilya also has approximately $5.5 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.

As recently announced, the Company took advantage of the recent strong gains in the price for silver to implement additional hedging for its silver product. Accordingly, forward sales have been executed for 1.17 million ounces of forecast silver production for the period July 2010 to December 2012 at an average forward price of US$18.33/oz. The Company already has silver hedging in place for the period July 2010 to December 2011 as part of its existing program. In total, the Company now has silver hedging in place representing between 50%-70% of its anticipated payable silver production through to December 2012.

Hedging Contracts Summary (as at 30 June 2010)

		Quarter Ending						Y/E	TOTAL
		Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Dec-12	POSITIONS
ZINC:-									
Tonnes	Tns	10,000	5,000	-	-	-	-	-	**15,000**
Price	A$/tn	2,590	2,411	-	-	-	-	-	**2,530**
LEAD:-									
Tonnes	Tns	7,500	7,500	7,500	7,500	-	-	-	**30,000**
Price	A$/tn	2,829	2,829	2,829	2,829	-	-	-	**2,829**
SILVER:-									
Ounces	Ozs	285,000	285,000	285,000	285,000	195,000	195,000	780,000	**2,310,000**
Price	US$/oz	15.78	15.78	16.39	16.39	15.50	15.50	18.33	**16.74**

Financial Results

As previously announced Perilya now reports on the basis of a 31 December financial year end date. In line with this, the Company's audit reviewed results for the 6 months ended 30 June 2010, are expected to be released by 31 August 2010.

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

Capital Structure:

Ordinary Shares	526,075,563
Unlisted Options	11,239,721
Performance Rights	135,400

Major Shareholders:

Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd	52.00%

Australian Stock Exchange Listing

ASX Code: PEM

Company Secretary:

Paul Marinko +61 8 6330 1000

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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