perilya

ASX and Media Release

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Update on operating and development activities

- Perilya has continued to deliver increased metal production and stability at Broken Hill in line with market guidance.
- Higher metal production and a focus on cost control will result in a forecast cash on hand at 30 June 2008 of approximately $75M.
- Significant exploration results at Broken Hill and Mount Oxide and an increase in mineral resources, positions the company well for future growth.
- Drilling continues at Mount Oxide to extend the known mineralisation at depth and to the north.
- Establishing a market for blended zinc silicate from Flinders, with the first shipment of low grade ore in June.

METAL PRODUCTION AND SALES

Production at Broken Hill has continued to improve and is on track to meet full year guidance of approximately 90,000 tonnes of contained zinc and 55,000 tonnes of contained lead at a cash operating cost of approximately US$0.95 per pound zinc (net of hedging). Accordingly, the Broken Hill operation is expected to record a June quarter increase of approximately 18 - 20% in metal production compared to the previous quarter.

Rail shipments from Beltana have commenced operation, reducing the costs of transport to port, and exports of Beltana stockpiled direct shippable ore (“DSO”) are continuing as planned. Full year metal sales for Beltana ore are expected to be approximately 32,000 tonnes of contained zinc, which includes the sale of the first low grade parcel of zinc silicate ore.

BROKEN HILL

Operations Outlook

Southern Operations

Safety performance has continued to improve with safety indicators showing a favourable trend.

Ore mined at the Southern operations is above forecast performance levels.

Improvements in production have come about from programs initiated over the past six months in the areas of mine planning and scheduling, which have led to increases in capacity and less variability in the mining schedule. Productivity improvements and increased equipment availability and utilisation have seen production equipment performance reach a new improved level. The focus is on ensuring the availability of sufficient development stocks to maintain sustainable production at, or above, current levels.

Over the past 6 months the operation has placed increasing focus on optimising its production profile and on reducing operating costs across the business. This focus has resulted in new ore sources being evaluated for their potential to provide additional optionality for future production and the cost reduction programs delivering value to the business.

Work on the high grade Pillars project continues and is on track to deliver a production rate of 200,000 tonnes per annum in FY2009.

Work is also underway on the evaluation of additional target areas for potential inclusion in the June 2008 Mineral Resource. Infill drilling on mineral inventory not included in the current JORC compliant Resource is progressing with exploration and near mine extensional targets being prioritised for further evaluation and diamond drilling.

North Mine

Production at the North Mine continues to plan. An updated mine design is being developed with planning for the first phase development due for completion in June 2008.

The first phase development involves extending the North Mine to level 23 to potentially source an additional 200,000 to 300,000 tonnes per annum from FY2010 onwards.

Potosi

Production at Potosi has been above forecast with the grades trending upwards.

The Potosi exploration decline has progressed to 1,200 metres beyond the portal entrance with development ore successfully being processed at the Southern Operations concentrator. Development work has increased the confidence in the interpretations of the high grade Potosi Extended ore body.

Stage 1 (decline to, and explore, Potosi North) is complete and Stage 2 has commenced, which involves mining Potosi North and extending the exploration decline to establish platforms to infill drill the Potosi Extended and Silver Peak mineralised zones.

Flying Doctor

A new resource was completed at Flying Doctor with a 60% increase in the mineral resource estimate to 1.5Mt tonnes @ 3.2% zinc, 4.0% lead and 44g/t of silver (refer ASX release on 30th April, 2008). The project is on track and regulatory approval is being sought. Flying Doctor will strengthen Broken Hill's production profile and provide a fourth source of ore feed to the Broken Hill concentrator.

Flying Doctor is located approximately five kilometres north of company's Broken Hill Southern Operations and two kilometres north of the Northern Operations.

The Pinnacles

As announced on 13th June 2008, two significant new initial resources have been defined for the Henry George and 11:30 deposits in the Pinnacles region of Broken Hill as follows.

- An Inferred Resource of 1.3 Mt @ 7.7 % zinc at Henry George for 100,000 tonnes contained zinc
- An Inferred Resource of 0.2 Mt @ 12.2 % zinc at 11:30 for 27,000 tonnes contained zinc,

The Pinnacles region shows great promise for the discovery of a large underground system. The drilling program is ongoing and work is underway to define new targets.

Maximising the value of Broken Hill infrastructure

The key value driver at the Broken Hill operation is the spare capacity in the 2.8Mt tonne per annum concentrator, which currently processes approximately 1.9Mt of ore primarily sourced from the Southern Operation.

The development of the Potosí and North Mine, together with the potential open pitable resources at Flying Doctor, Henry George and 11:30, will provide substantial sources of feed to the concentrator, thus strengthening Broken Hill's production profile and highlighting the opportunity for the discovery of significant new resources in close proximity to the company's existing Broken Hill infrastructure.

These new projects create optionality in the future as they can be phased into production (subject to regulatory and Board approval) as metal prices and market conditions permit.

Revised Mineral Resource and Ore Reserve Estimate

Perilya has engaged independent consultants to assist with the 2008 Resource and Reserve estimate and to conduct a high level analysis on the potential for further mineralisation in the Southern Operations, which could be converted to mineral resources. The review is targeting at least a further 1Mt of potential resources. The revised Mineral Resource and Ore Reserve Estimate is expected to be finalised in the September quarter.

Since Perilya acquired the Broken Hill deposit in 2002, a total of 13Mt of ore has been mined and the Ore Reserves have been consistently replenished through classification of new material as economic through development, planning and resource extension drilling.

MOUNT OXIDE

A program of diamond drilling, which commenced in April 2008 with two rigs targeting extensional mineralisation to the north and below the current Mount Oxide resource of 203,000 tonnes of contained copper, has delivered spectacular drill intercepts at depth. As released on 5th June, 2008, these include:

- 22m @ 6.3 % copper and 0.3 % cobalt from 258m
- 19m @ 3.7 % copper from 315m
- 31m @ 6.2 % copper from 346m
- 23m @ 8.9 % copper from 395m.

The high grade intercepts, which occur in one hole between 258m and 418m downhole, are outside of the current resource and have substantially increased the development potential of the Mount Oxide copper project. The results are particularly encouraging for either defining a high grade underground resource or deepening the planned open pit.

Commercialisation plans are being developed and discussions with third parties are being pursued to assist in the development of the project.

FLINDERS

An updated resource model for Reliance, together with preliminary economic work on the project, was recently completed resulting in a largely indicated resource of 308,000 tonnes @ 28% zinc (refer ASX release on 12th June 2008). Confidence in the Reliance resource has increased with further drilling and resource modelling.

Reliance is a zinc silicate ore body in close proximity to the Beltana mine and is the next major development in the Flinders Project in the northern Flinders Ranges in South Australia. Reliance provides a low cost development option using the Beltana infrastructure to maintain a blended product feed of direct shipping zinc silicate ore to meet the demands of overseas zinc smelters.

Perilya has successfully established a market for blended zinc silicate ore from its Beltana project and Reliance provides further opportunity for the timely development and sales of a niche product to take advantage of improving market conditions in the future. As a result of this positioning in the market this asset is attracting expressions of interest from a number of parties seeking cash flow generating assets with significant upside from the large landholding.

CORPORATE

With the recent fall in metal prices the Perilya hedge book is now in the money by approximately $80 million (net of deferred option premiums). The hedge book is a strong asset in the current metal price environment as it helps underwrite operational cash flows. Further details on Perilya's hedging are set-out in our March Quarterly report.

Despite the fall in metal prices, no material change is expected to the cash balance position for the June quarter with the June cash on hand forecast at approximately $75M (subject to the timing of concentrate shipments).

During these times of falling metal prices the Board and management remain steadfastly focussed on increasing production at Broken Hill, reducing operating costs and conserving cash on hand.

The company is fortunate to have a strong production profile, underpinned by a solid hedge book, together with a significant portfolio of development assets which provide Perilya with both considerable upside potential if commodity prices increase and optionality should metal prices deteriorate any further.

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Background to Perilya

Perilya Limited is an ASX 200 Australian base metals mining and exploration company. Perilya is investing substantially in the development of its three major projects located in the Broken Hill, Mt Isa and Flinders regions as well as exploration in the surrounding tenements.

The company is expanding its operations at the iconic Broken Hill mine through the development of an exploration decline at Potosi, re-developing the North mine an evaluating the development of an open mine at the Flying Doctor deposit and conducting exploration within a ten kilometre radius of the concentrator.

The Company is also targeting early development of its 203,000 tonne Mount Oxide (contained metal) copper project in the Mt Isa region in Queensland.

The company is also investing in the development of the Flinders zinc silicate project in South Australia, with approximately 90,000 tonnes of contained zinc stockpiled from its Beltana deposit and evaluating development of nearby deposits including the Reliance deposit.

Perilya has a strong balance sheet with low debt levels.

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