



PERILYA

Quarterly Report for the three months ended 30 September 2005

Highlights

- Received \$47 million cash as part payment following sale of 17.2Moz of future silver production
- Broken Hill production increased by 14% to 37.3kt contained zinc (JQ:32.6kt)
- Potosi project at Broken Hill to move to feasibility study level
- Daisy Milano production ramp-up on track with mined grade increasing to 12.2g/t
- North Mine Resource Estimate 5Mt @ 10.7% zinc, 12.9% lead and 200g/t silver

Broken Hill

Strong quarter sees ore production increasing by 7% to 511kt, with contained zinc up 14% to 37.3kt and contained lead down 3% to 18.1kt. The cash costs increased to US\$0.45/lb zinc (JQ US\$0.39/lb zinc) due to higher smelting charges (US\$0.04/lb) which are linked to the higher zinc price post 30 September. Ore production at the North Mine increased by 55% to 45,200 tonnes, the highest quarterly production since mining recommenced.

Daisy Milano

Production ramp-up on target achieving 24,907 tonnes at 12.2g/t containing 9,765 ounces. Ore mined in September was 10,738 tonnes or approximately two-thirds full production. The resource/reserve drilling is on target to enable completion of the optimisation study by end 2005.

Exploration

Exploration activities have commenced at Mt Oxide with drilling due to commence in early November. Drilling at Potosi and Little Broken Hill is set to commence later in the December quarter.

Development

The Potosi pre-feasibility study has confirmed the viability of the project, assuming conversion of known mineralization adjacent to the existing resource. Drilling will commence in the December quarter.

North Mine scoping study to commence in December quarter following recent completion of the resource estimate.

Finalised arrangements for the trial processing of Beltana ore in next two quarters. A review of broader Flinders project options has involved detailed discussions with interested parties.

Corporate

Received A\$47 million upfront payment following sale of 17.2Moz of future silver production to Coeur d'Alene, with a further US\$2.31/oz due on production and US\$6 million pending achievement of annual silver production thresholds.

Cash & deposits increased to A\$71.8 million as at 30 September 2005.

Len Jubber
CHIEF EXECUTIVE OFFICER
25 October 2005

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OPERATIONS

Base Metals

Broken Hill, NSW (100% owned by Perilya)

Consistent operations during the quarter delivered the highest quarterly total zinc and lead metal production in over two years (see adjacent graph). The 7% increase in concentrator throughput was attributable to improvements in the South Mine following the introduction of the fourth development jumbo drill, and the 55% improvement in production from the North Mine. The North Mine production is now close to plan levels of 10% of total concentrator throughput.

Broken Hill accomplished a major safety milestone during the quarter with the operation achieving 450,000 working hours lost time injury free. One lost time injury was incurred during the quarter.

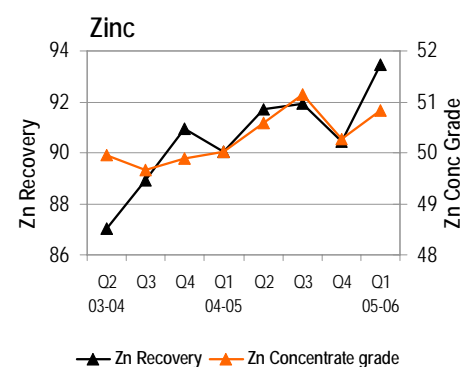
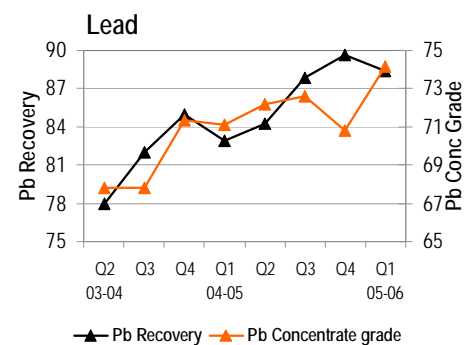
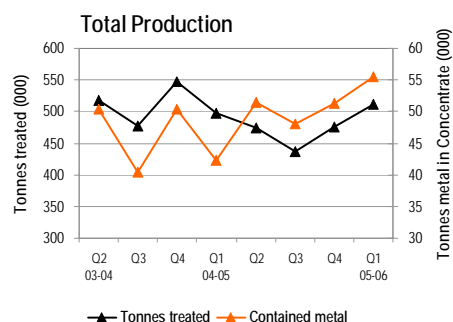
Concentrator performance continues to progress with improvements in both zinc and lead circuits during the quarter (see adjacent graphs). Zinc recovery of 93.4% was the highest recorded to date by Perilya. Concentrator unit costs have decreased by 18% since implementing the operating roster changes six months ago despite the general rise in costs being experienced across the mining industry.

The increased cash costs are indirectly attributable to the favourable movement in the zinc spot price post the end of the September quarter. This situation arose due to the monthly concentrate treatment charge being linked to the average spot price in the second month following delivery. The cash costs are expected to be in the US\$0.40 – 0.43/lb zinc range in the next couple of quarters.

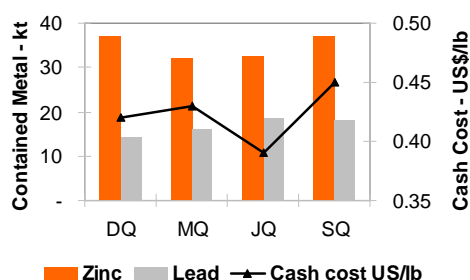
A dedicated team, headed by the current General Manager Barry Mitchell, will from the start of 2006 focus solely on identifying areas where significant improvement in the metal production and operating costs can be achieved. As a result, as from 1 December 2005, Rob Scargill will assume the role of General Manager - Broken Hill. Rob has extensive operations and management experience including having worked at both the Mt Isa and Cannington base metal operations.

TABLE 1 : Broken Hill Quarterly Production and Cash Costs

	Sep Qtr 2005	Jun Qtr 2005	12 Months to 30 Sep 2005	12 Months to 30 Sep 2004
Ore Mined (kt)				
South Mine	472	450	1786	1934
North Mine	45	29	112	105
Ore Treated (kt)	511	476	1898	2038
Zinc				
Grade (%)	7.8	7.6	8.0	7.1
Recovery (%)	93.5	90.4	91.9	89.2
Concentrate Grade (%)	50.8	50.3	50.7	49.9
Concentrate (kt)	73.3	64.8	274.5	260.1
Contained Zinc (kt)	37.3	32.6	139.2	129.8
Lead				
Grade (%)	4.0	4.4	4.0	3.2
Recovery (%)	88.4	89.7	87.7	81.9
Concentrate Grade (%)	74.1	70.8	72.4	69.6
Concentrate (kt)	24.5	26.4	92.6	77.1
Contained Lead (kt)	18.1	18.7	67.0	53.6
Silver				
Grade (g/t)	43	44.9	40.3	35.5
Recovery (%)	75	81.1	77.3	73.8
Contained Silver (Moz)	0.49	0.56	2.04	1.67
Concentrate Inventory '000 t	17.4	19.2	19.3	13.8
Cash Cost/lb Zinc (US\$/lb) (net of by-product credits)	0.45	0.39	0.43	0.42



Broken Hill Qtrly Production Statistics



DEVELOPMENT

Gold

Daisy Milano, WA (100%)

Daisy Milano ramp-up on track

Development of the Daisy Milano project progressed to plan over the past quarter. Ore mined increased by 82% to 24,907t and grade increased by 38% to 12.2g/t despite the majority of the ore being derived from development activities.

The commencement of longhole stoping on the 12 Level heralded the first mechanised longhole stopes in the Mt Monger region.

Ore treatment at the nearby Jubilee operation continued under the existing ore sales agreement. The ore inventory at surface increased to approximately 16,700t. This was due to inclement weather and the shortage of mobile crushing equipment impacting on the scheduled delivery of crushed ore to the Jubilee plant. The stockpile will be drawn down during the December quarter.

Operating cash costs of \$414/oz sold was a consequence of processing only 10,208t at 12.1g/t during the quarter. The cash costs at full production levels are expected to be around \$300-\$350/oz sold.

TABLE 2 : Daisy Milano Quarterly Gold Production

Mined 24,907 at 12.2g/t

	Sep Qtr 2005	Jun Qtr 2005
Ore Mined (t)	24,907	13,674
Ore Mined Grade (g/t)	12.19	8.84
Contained Gold (oz)	9,765	3,888
Ore Processed (t)	10,208	20,059
Ore Processed Grade (g/t)	12.09	7.96
Gold Sales (oz)	3,730	4,827
Total Cash Operating Cost (A\$/oz sold)	414	-

The Main Decline was advanced 100 metres. Work in the Decline was temporarily suspended to allow for the development of a drill drive on the 15 Level. The drill drive will enable completion of the resource/reserve drilling by end November.

Lateral development continued on the 12 and 14 Levels, with strike drives also developed on the 13 and 15 Levels. The grade profiles matched well with those determined on the 12 Level, indicating predictable down plunge extensions of the orebody.

The mine took delivery of new single boom jumbo and longhole drilling rigs replacing existing hire equipment. The quarter saw strong productivity gains from all production equipment. Monthly production rates are expected to increase to 12,000 tonnes per month during the December quarter.

Commenced resource drilling

The resource drilling program to produce a JORC compliant ore reserve was commenced in September. The program will require approximately 30-45 holes for 3,500-5,000 metres of diamond drilling. The majority of the holes will be drilled from the hanging wall drill drive on the 15 Level. The program will also test the down plunge extension of the orebody which remains open at depth.

The optimisation study reached 60% completion focusing on decline and mining alternatives, and processing and power supply options. The outcome of the study, along with the resource / reserve estimates will be reported in the December 2005 Quarterly Report.

DEVELOPMENT

Base Metals

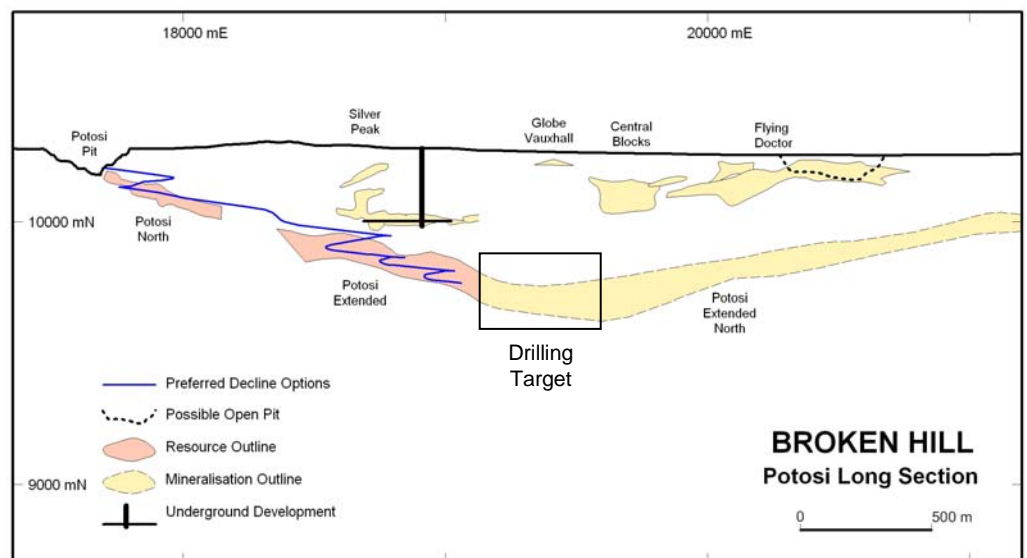
Resource extension drilling to commence in December quarter

Potosi, Broken Hill, NSW (100%)

The pre-feasibility study has demonstrated the project viability on a larger resource base. Drilling is set to commence in the Potosi Extended North area, where previous drill results have indicated continued mineralization consistent with that in the existing adjacent resource areas.

Further detail on the project will be released during the December quarter following interpretation of the results from the upcoming drilling in the Extended North area.

Refinement of the technical and cost parameters as well as determining the optimal development path will proceed in parallel to the drilling program, to enable a decision on the project go ahead during the first quarter of 2006.



North Mine, Broken Hill, NSW (100%)

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

Completed resource estimate leads into scoping study

Historic drill hole information and underground mapping data was used to compile a geological model of the mineralisation at an 8% lead plus zinc cut off. Void models were produced to represent the mined mineralisation, which was extracted from the mineralisation model.

For reasons of data density and incomplete quality control on historic assays, all mineralisation has been classified as inferred at this stage. Further work will be conducted to upgrade the resource classification.

Total resources (as at 31 March 2005) for North Mine, including the previously stated resources above the 15 Level, are presented in the table below:

	Tonnes (mt)	Zn (%)	Pb (%)	Ag (g/t)
Measured	0.14	7.5	8.5	100
Indicated	0.05	8.9	8.4	130
Inferred	4.84	10.9	13.0	204
Total	5.03	10.7	12.9	200

Scoping studies will investigate the feasibility of 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.

EXPLORATION

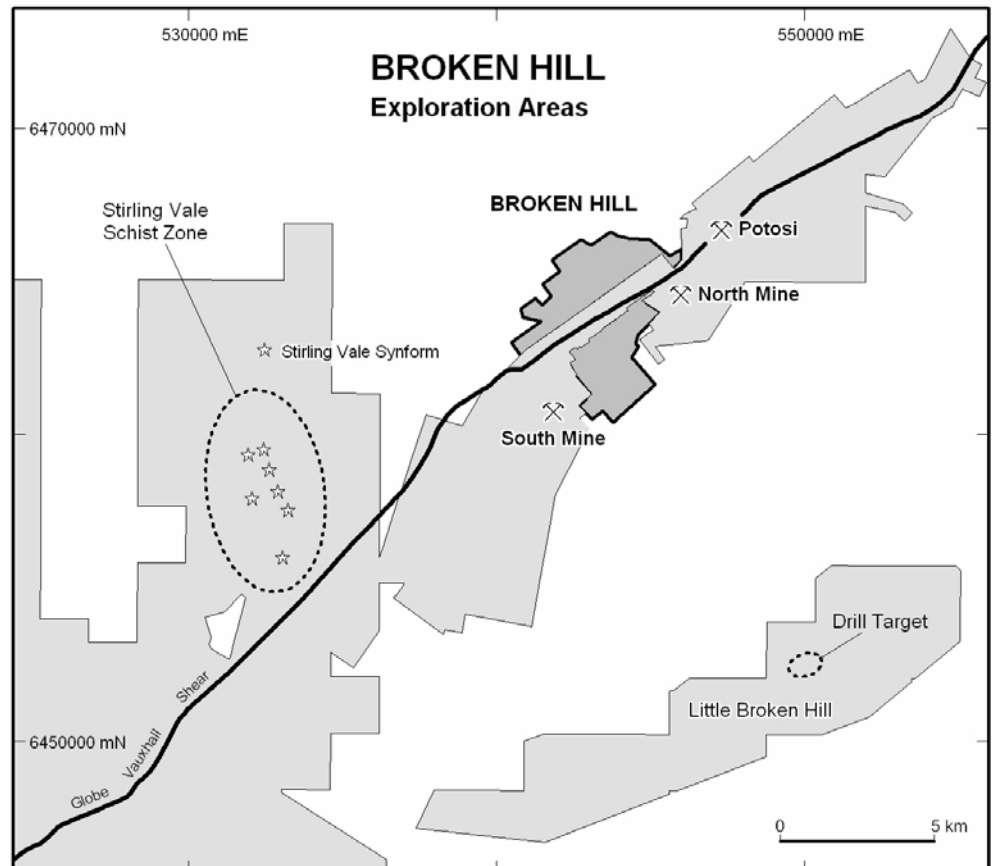
Base Metals

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

Target generation work at the Little Broken Hill prospect, located 10km to the south of Broken Hill, has identified a large area of extensive 'Broken Hill style' alteration and geochemistry. A four hole diamond drilling program is planned to coincide with the drilling at Potosi.

Drill target at Little Broken Hill

Exploration at the Stirling Vale area is expected to resume in the first quarter 2006 subject to gaining land access.



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

Confirmed shipping arrangements for hydrometallurgical processing and smelting trial

Arrangements to trial a parcel of Beltana ore at an off-shore hydrometallurgical zinc plant have been confirmed. This will enable assessing the amenability of the ore to hydrometallurgical extraction and smelting, and evaluating the commerciality of shipping larger tonnages of ore.

Results from the trial are expected to be available in the first quarter 2006.

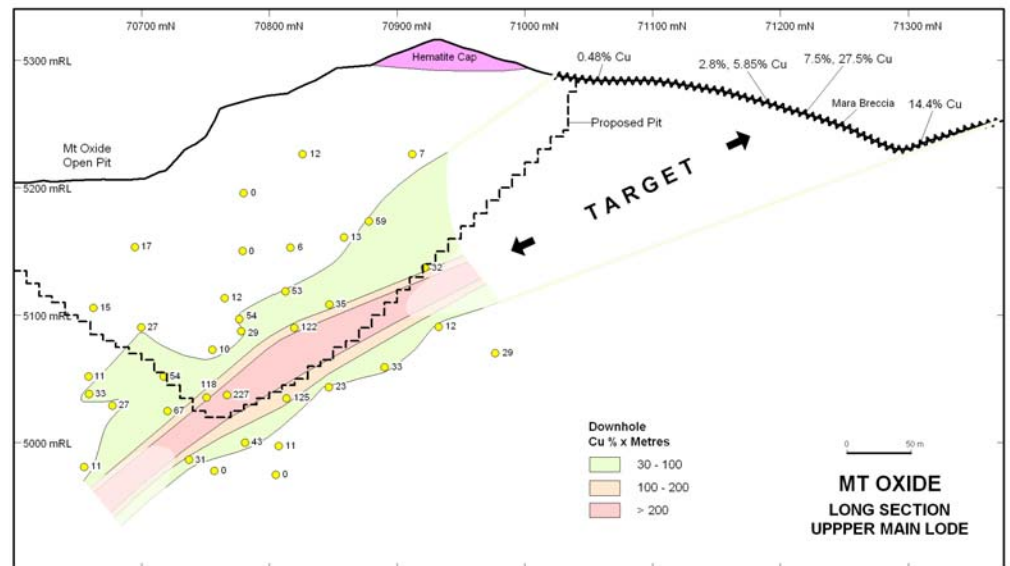
A number of development paths for the Flinders project, which are being positively influenced by the strengthening zinc price, are being discussed with interested parties.

1,000 – 3,000 metre drilling program

Mt Oxide (copper), QLD (100%)

The exploration site infrastructure has been established and drilling is set to commence in early November. This follows a protracted search in a very tight market for the specialized drilling equipment required for the shallow angle drilling program.

The 1,000 – 3,000 metre program will test a target adjacent to the inferred resource of 2.8 million tonnes at 2.9% Cu. The existing resource is amenable to open pit mining.



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

The Rockhampton Project is located to the south of the historic Mount Morgan copper-gold mine, and has potential to host large scale volcanogenic copper-gold and lead-zinc mineralisation.

JV agreement with Minocqua Metals

Perilya has reached agreement with Minocqua Metals Pty Ltd (Minocqua), an associated company of Korea Zinc Company Ltd, whereby Minocqua can earn a 60% interest in the Rockhampton project located in Queensland, through the expenditure of \$6 million over 5 years.

Minocqua is committed to spending a minimum of \$1 million in the first year of the agreement. A minimum of 40% of all expenditure must be in direct drilling costs. Prospecting syndicates hold minority interests in the project so that Perilya's interest in the project will vary between 30% and 40% once Minocqua has earned its interest.

Gold

Kanowna West, WA (27.5% - 30.5%)

Two diamond drill holes were completed by joint venture partner Placer Dome. Hole GVD 137 intersected a zone of silica – sericite – carbonate alteration with quartz – carbonate veining at the felsic to the mafic contact. Geological logging and sampling of Hole GVD 140 are yet to be completed. Assay results for both holes are pending.

Target generation work focused across several tenements in the south of the project.

Information that relates to exploration results was compiled by Mr P Cranney, and information that relates to the North Mine Mineral Resource Estimate is based on information compiled by Mr C Mroczek. They are both full-time employees of Perilya, members of the Australasian Institute of Mining and Metallurgy and have sufficient experience relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves".

CORPORATE

Cash and short term deposits of \$71.8 million	Cash & Short Term Deposits	As at 30 September 2005, cash and short term deposits totalled \$71.8 million (JQ \$21.6m) including \$9.6 million of deposits supporting rehabilitation bonds.
	Cash Flow	Net cash flow from Broken Hill operations (after sustaining capital expenditure) was \$4.9 million, whilst the Daisy Milano operations were breakeven after sustaining capital expenditure.
		Broken Hill price and production linked payments totalled \$4.2 million. Exploration expenditure of \$1.1 million was incurred and the final deferred acquisition payment of \$1.6 million on Daisy Milano was made.
Received A\$47 million following silver transaction	Silver Transaction	During the quarter Perilya reached agreement to sell 17.2 million ounces of silver from the Broken Hill Mine to Coeur d'Alene Mines Corporation for an upfront payment of A\$47 million, and a further US\$6 million, contingent upon Perilya achieving agreed minimum production thresholds, will be received in annual increments over the next year eight years. Perilya will also receive a further US\$2.31 per ounce of silver as each ounce is produced.
	Investments	The shareholding in Comet Ridge Limited was reduced to 10.4% during the quarter. The sale realised \$0.5 million in cash. The market value of Perilya's holdings in listed entities was \$9.4 million at 30 September 2005.
	Debt	Borrowings of \$23.3 million at 30 September 2005 comprised hire purchase commitments of \$10.6 million, short term insurance premium funding of \$5.7 million and a \$7 million temporary drawdown on the standby facility due for repayment in October.
AGM – 23 November 2005	Annual General Meeting	The Annual General Meeting is to be held on Wednesday 23 November 2005 at 10:00am (WST). Conference Suite, Level 8, Exchange Plaza, 2 Esplanade, Perth Western Australia 6000.

INVESTMENTS

Energy

ASX listed oil and gas explorer

Strike Oil Limited (20.6%)

www.strikeoil.com.au

Strike Oil has announced it has expanded its involvement in the Gulf Coast, Texas program with its joint venture partner Cypress C&P Corporation with a commitment to drill a further six wells, five of which are to be drilled before the end of next quarter.

ASX listed coal seam gas explorer

Comet Ridge Limited (10.4%)

www.cometridge.com.au

Comet Ridge sold its 20% minority interest in the Tipton West Coal Seam Gas project in Queensland to the operator of the project Arrow Energy NL for a consideration comprising cash payments, securities in Arrow and a gross royalty on gas sales with a total value of more than \$12.5 million over the life of the royalty.

ASX listed geothermal energy explorer

Green Rock Energy Limited (27.1%)

www.greenrock.com.au

During the quarter Green Rock Energy announced the temperature in the target hot granite in its first geothermal exploration well was 82 degrees centigrade at 1,800 metres depth. This exceeded the temperature range the Company had expected at that depth. The diamond cored slim geothermal well is located 8km from the Olympic Dam mine in South Australia.

Gold

ASX listed gold explorer

Gleneagle Gold Limited (8.2%)

www.gleneaglegold.com.au

During the quarter Gleneagle Gold released the results from the aircore and RAB drilling program at the Sams and Eastern Jasper periods prospects and stated that the drilling confirmed the:

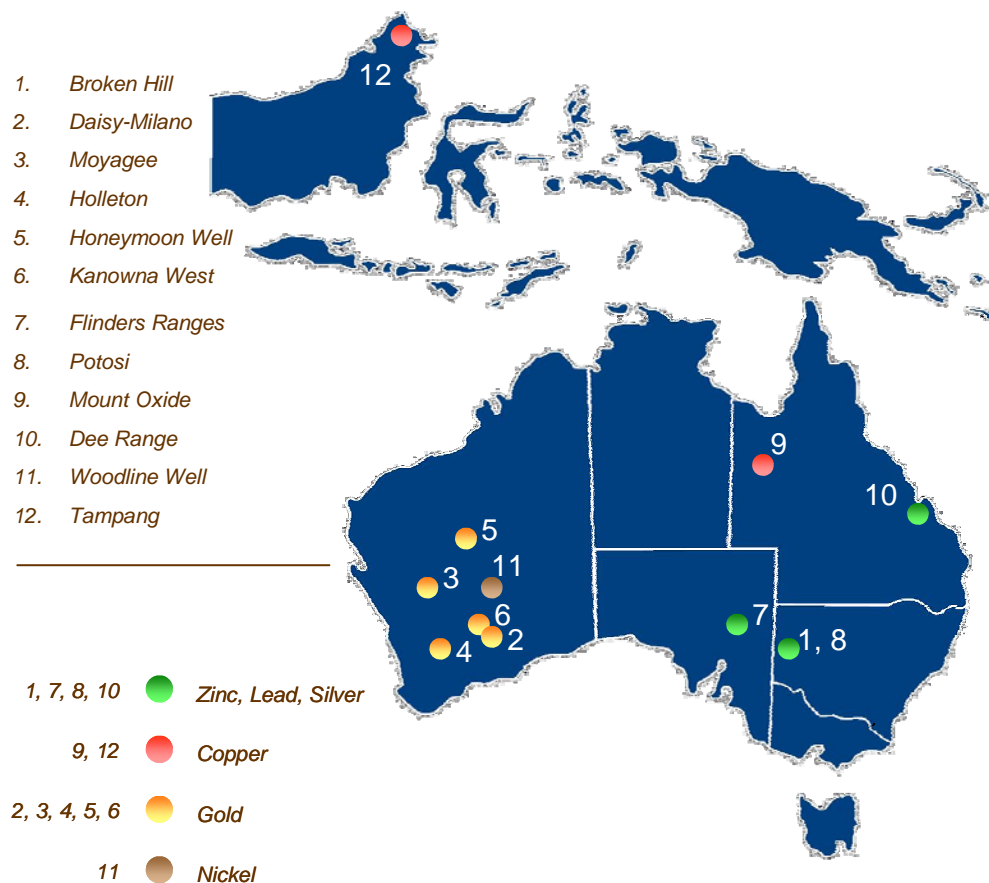
- outstanding prospectivity of the immediate Fortnum area;
- presence of further shallow ore grade mineralisation within close proximity of the Fortnum treatment plant;
- potential definition of a new high grade zone of mineralisation at the Eastern Jasper periods.

Gleneagle is progressing its study into the recommissioning of the Fortnum treatment plant, with the upgrading of the groups resource base nearing completion and mining studies on the key resources underway.

Perilya will receive \$500,000 upon commencement of production at Fortnum plus a \$10 per ounce royalty from production (capped at \$2 million) after the first 50,000 ounces have been produced.

ABOUT PERILYA

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 has recently commenced production from its Daisy Milano gold project located in Western Australia. It also has interests in exploration for gold and base metals, and investments in the mining and energy sectors.



CORPORATE DETAILS

Board of Directors:

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

Capital Structure:

Ordinary Shares	186,522,239
Unlisted Options	12,270,000

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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