



PERILYA

Quarterly Report for the three months ended 31 March 2006

Highlights

- Zinc production increased by approximately 10% on prior quarter
- Direct cash costs per pound zinc reduced by 10%
- 139% increase in Broken Hill cash operating margin to US\$0.55/lb
- Net cash flow of \$20 million after \$15 million of debt, price and production linked payments
- Steady progress across the principal development and exploration projects
- Board and management team further strengthened with key appointments

Broken Hill

Ore production levels were maintained, with an improvement in grade and recovery driving a 10% increase in zinc production, despite 6% lower concentrator throughput. Tight cost control and increased production resulted in a 10% reduction in direct operating costs per pound. Average cash operating margin of US\$0.55/lb resulted in net operating cash flow of \$33.5 million after capital expenditure.

Daisy Milano

Ore volume and grade were below expectations. Improvement initiatives implemented to address underperformance.

Development

Updating of Potosi pre-feasibility study on track for next stage decision by mid-year. North Mine Deeps scoping study nears completion.

Exploration

Resource extension drilling and metallurgical test work on poly-metallic extraction options underway at the Flinders project. Assimilation of the historic operations data is facilitating the development of an updated geological interpretation and exploration plan for Mt Oxide. Drilling programs were commenced at Little Broken Hill and Moyagee.

Corporate

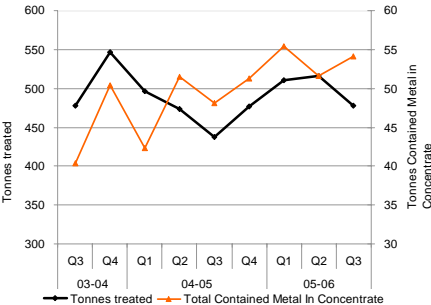
Cash and deposits of \$81.4 million. Total borrowings reduced to \$10.1 million and outstanding price and production linked obligations in respect of the Broken Hill acquisition reduced to \$8.5 million. Implementation of a hedging program sees forward sales over 10% of Broken Hill reserves.

Appointment of Chairman and General Manager Finance strengthening Board and management team.

Len Jubber
CHIEF EXECUTIVE OFFICER
27 April 2006

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Total Ore & Metal Production

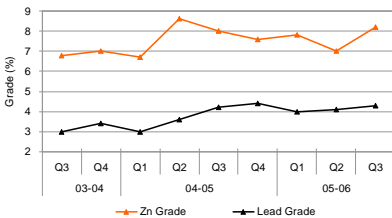


Broken Hill, NSW (100% Owned by Perilya)

The March quarter saw the continuation of the recent trends of improving operational consistency and metal production. Contained zinc production of 36.6kt represents a 9.6% increase over the prior quarter.

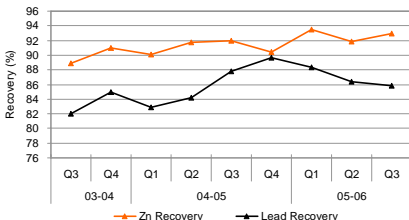
While the increase in ore grades were clearly the significant driver in metal production performance, a change in operational focus introduced late in the December quarter has been important in improving consistency. The shift in focus, from driving tonnes to driving adherence to mine schedule priorities has resulted in greater predictability and consequently greater productivity in terms of metal produced per man shift. This change is the first product of an ongoing process improvement project, the objective of which is the development of an approach that unlocks the substantial productivity improvement and cost reduction opportunities in a large remnant mining operation.

Ore Grades



The recent improvements in ore production levels have been maintained, with both the Southern Operations and the North Mine performing to expectations. The increase in zinc grade to 8.2%, up from an average of 7.6% over the past 12 months, was a consequence of mine schedule with strong contribution from the South East "A" and Southern "B" lodes.

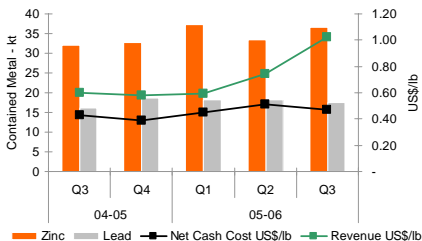
Metal Recovery



Concentrator throughput was below expectations, principally due to some minor mechanical issues within the logistics chain and the high ore production volume late in the quarter. While zinc recoveries have continued their upward trend, lead recoveries were negatively impacted by the proportion of ore drawn from the Northern benches, which have historically yielded lower recoveries, as well as some cement contamination. As the Northern benches will continue to be a significant ore source into the future, strategies to lift lead recoveries for this ore type are being developed.

The increased zinc concentrate inventory of 32,500 tonnes is expected to return to target levels over the June quarter.

Quarterly Metal & Cash Operating Margin



A continued tight rein on costs has seen increased metal production achieved with no increase in total costs, such that direct cash costs per pound have improved by 10% to US\$0.43/lb. This, coupled with the continued rise in zinc prices which averaged US\$1.02/lb for the quarter, has seen net cash operating margins increase 139% to US\$0.55/lb. The capacity of the Broken Hill operation to generate substantial free cash flow was demonstrated during the quarter with a 139% increase in net operating cash flow after capital expenditure to \$33.5 million.

Current spot prices for zinc are currently 40% higher than the average received in the March quarter. In addition, recently established benchmark treatment charges for 2006 represent an effective 24% reduction on those applicable in the March quarter. Hence, coupled with a continued focus on cost containment, a further significant improvement in operating margin is expected in the June quarter.

TABLE 1: Broken Hill Quarterly Production and Cash Cost

	Mar Qtr 2006	Dec Qtr 2005	1st Half 05/06	2nd Half 04/05	
<u>PRODUCTION STATISTICS</u>					
	Ore Mined (kt)				
Ore production consistency	Broken Hill South Mine	453.6	454.3	926.3	863.7
	Broken Hill North Mine	53.0	54.6	99.7	49.9
	Ore Treated (kt)				
		478.0	516.0	1027	913.6
9.6% increase in zinc production	Zinc				
	Grade (%)	8.2	7.0	7.4	7.8
	Recovery (%)	92.9	91.9	92.7	91.2
	Concentrate (kt)	72.9	66.3	139.6	127.4
	Contained Zinc (kt)	36.6	33.4	70.7	64.6
	Payable Zinc (kt)	30.8	28.1	59.5	54.4
	Lead				
	Grade (%)	4.3	4.1	4.1	4.3
	Recovery (%)	85.8	86.7	87.4	88.8
	Concentrate (kt)	24.2	24.7	49.2	48.5
	Contained Lead (kt)	17.5	18.3	36.4	34.8
	Payable Lead (kt)	16.6	17.4	34.6	33.8
	Silver				
	Grade (g/t)	49.9	45.8	44.4	45.5
	Recovery (%)	72.6	73.1	74.0	80.1
	Contained Silver (Moz)	0.539	0.537	1.048	1.036
	Concentrate Inventory				
	Zinc (kt)	32.5	24.7	24.7	7.2
	<u>CASH COST & OPERATING MARGIN (US\$)</u>				
	Average Price Rec	1.02	0.74	0.67	0.56
Costs contained	Cash cost/lb zinc				
	Direct Cash Costs	0.43	0.48	0.47	0.46
	By-product credits	(0.31)	(0.24)	(0.23)	(0.22)
	Zinc treatment charges	0.35	0.27	0.24	0.2
	Net Cash cost /lb Zinc	0.47	0.51	0.48	0.44
Cash margin US\$0.55/lb	Cash Operating Margin	0.55	0.23	0.19	0.12

Daisy Milano, WA (100%)**Ore volume and grade lower than expectation**

During the March quarter, both ore volume and grade were lower than expected for a number of interrelated reasons. A significant proportion of the ore was drawn from more complex areas of the ore body where excess dilution and slower progress have been features as the operation comes to grips with the techniques best suited to that complexity. The stope subsidence experienced in the previous quarter also impacted on mine sequencing and consequently the planned development-to-stopping ratio in the current quarter to a greater extent than anticipated.

With the commencement of toll treatment late in the December quarter, direct access to milling data has facilitated the identification of a consistent overestimation of claimed ore grades. Additionally, a resultant review has identified an error in the load factors applied in stockpile calculations following a change in truck fleet during the December quarter. The identification of these issues has necessitated a restatement of the December quarter results previously reported as per Table 2 below, with the principal impacts being a reduction in contained gold of 1,857oz and a consequential increase in cash operating costs to \$607/oz.

Improvement initiatives implemented

While the issues experienced have been disappointing, a series of remedial actions have been implemented. These include a change in management structure to bring the requisite focus to the effective development and operation of the project, a comprehensive review of mining method, the implementation of a grade control diamond drilling program and the enhancement of mining and geological practices in response to an external review. In the interim, ore production levels are expected to be maintained at around 10,000 tonnes per month.

Total operating costs during the March quarter were in line with those of the prior quarter, with the increase in cash cost of production to \$682/oz being solely attributable to the reduction in ounces produced.

TABLE 2: Daisy Milano Quarterly Gold Production

	Mar Qtr 2006	Dec Qtr 2005 (restated)	Dec Qtr 2005 (original)
Ore Mined (t)	28,552	27,338	30,985
Ore Grade (g/t)	6.67	8.20	9.10
Contained Gold (oz)	6,123	7,208	9,065
Ore stockpiles (t)	11,967	9,476	13,743
Recovery (%)	98	95	94
Gold Sales (oz)	9,311	5,077	5,077
Cash cost of production* (A\$/oz)	682	607	444

Gold sales 9,311 oz

* Note - It is considered that a more accurate reflection of cost performance is achieved using a cash cost of production basis due to the impact of irregular campaign milling.

Decline extended to Level 17

The main decline was advanced 176 metres and had reached below the 17 Level by the end of the quarter, representing in excess of 25 vertical metres of vertical advancement.

A further 12 holes in the resource drilling program were completed during the quarter. Table 3 summarises those results available to date.

TABLE 3: Daisy Milano Diamond Drill Intersections

Hole ID	From (m)	To (m)	Interval # (m)	Grade* (g/t Au)
MIL626	158.25	158.50	0.25	37.50
MIL631	74.95	75.87	0.92	74.15
	81.68	82.66	0.98	13.40
MIL632	116	116.27	0.27	108.00
MIL635	97.86	99.09	1.23	182.40
MIL636	125.75	126.07	0.32	26.80
	134.91	138.33	3.42	8.08

down hole lengths

* gold grades uncut

A detailed project development update, previously foreshadowed for the March quarter, has been deferred until the September quarter, following completion of the improvement activities referred to above and the update of the resource model to incorporate recent drilling results.

Potosi, Broken Hill, NSW (100%)

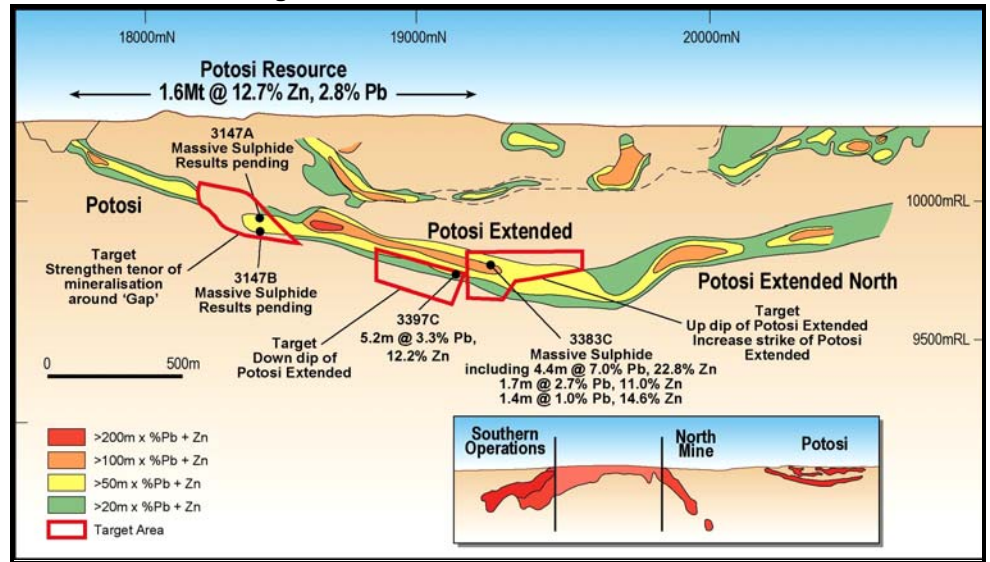
The focus during the quarter has been on the completion of the resource extensional drilling program. Drilling continued to test 3 target areas (see Figure 1). A total of 11 diamond drill holes for 1,780.6 metres were drilled during the quarter with significant intercepts provided in Table 4 below.

TABLE 4: Diamond Drilling Results (greater than 2 metres at 5% Pb +Zn cut off)

Hole	Prospect	From (m)	To (m)	Interval (m)	Zn (%)	Pb (%)	Ag (g/t)
3383C	Potosi Extended	559.2	563.6	4.4	22.8	7.0	68.4
3383C	Potosi Extended	566.6	568.3	1.7	11.0	2.7	33.6
3383C	Potosi Extended	575.6	577.9	2.3	4.9	5.5	93.3
3383C	Potosi Extended	593.7	595.1	1.4	14.6	1.0	16.3
3391BX	Potosi Extended	574.6	581.0	6.4	3.1	3.3	69.6
3397C	Potosi Extended	475.8	481.0	5.2	12.2	3.3	30.1

Results are awaited on holes 3147A and 3147B (see Figure 1) which both recorded massive sulphide lead - zinc mineralisation, and are likely to extend the adjacent high grade core.

FIGURE 1: Potosi Long Section



The drill program will be completed in April and updating of the pre-feasibility study is on track to enable a decision on the next stage of the project by mid year.

North Mine, Broken Hill - NSW (100%)

Scoping study nearing completion

The scoping study investigating the various options for accessing and mining the resource below the 15 level is well advanced and due for completion in the June quarter.

An Inferred Resource of 4.2 million tonnes at 11.2% zinc, 13.7% lead and 214g/t silver has been estimated for the North Mine below the 15 Level.

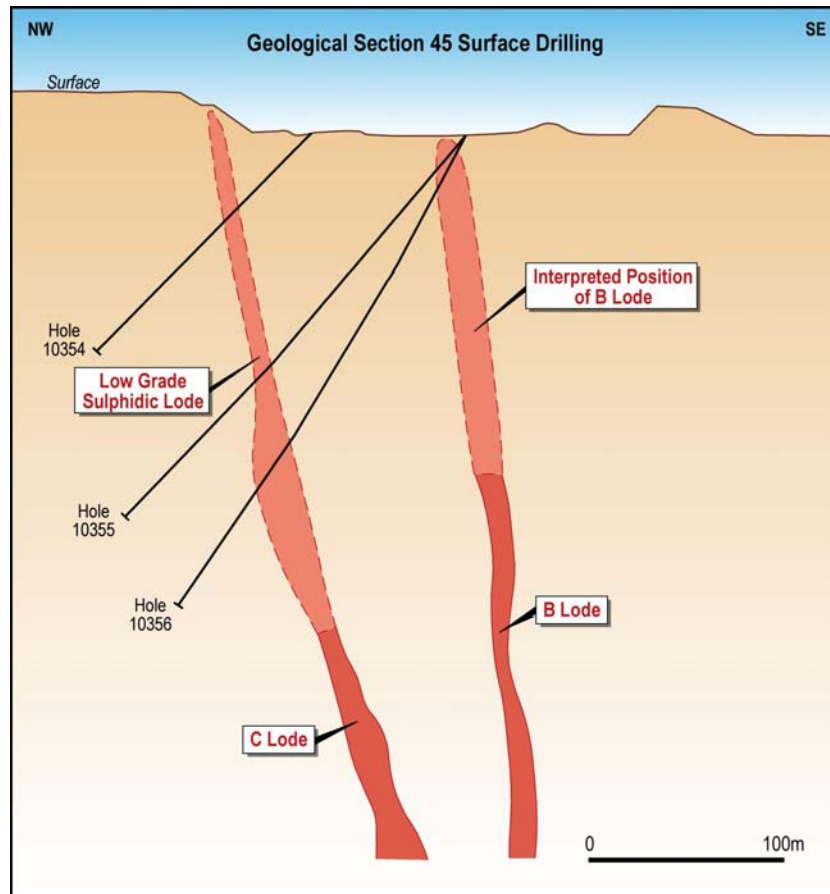
Southern Operations, Broken Hill - NSW (100%)

Five drill holes were completed into structural and stratigraphic targets above the current mining activities in the Southern Operations.

Interpretation confirmed

Although not identifying mineralization of an economic grade, importantly the drill results have confirmed the interpretation that the lode system continues to surface. Additional drilling, to test the next 2 geological sections, will be completed in the June quarter.

FIGURE 2:



Drilling to test next 2 geological sections

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

Progressing resource extension and poly-metallic extraction options

A 3,000m RC drilling programme targeting areas for potential resource extension commenced in mid April. The review also identified opportunities for poly-metallic extraction which are currently the subject of a metallurgical study.

Processing of a parcel of Beltana ore at the Padaeng hydrometallurgical plant in Thailand commenced in April, with the results of the processing and smelting trial expected during May.

Mt Oxide – copper - QLD (100%)

Drilling to resume in September Quarter

The geological understanding of the Mount Oxide area was significantly enhanced by the additional historic drill data, re-logged drill data previously collected by Perilya and historic plans of detailed geological mapping of the now-flooded pit area incorporated into the database during the quarter. The new geological interpretation will form the basis of the updated resource model and exploration plan due for completion in May. Drilling is expected to resume in the September quarter.

Little Broken Hill, Broken Hill – lead, zinc - NSW (100%)

The Little Broken Hill area is located approximately 15 kilometers southeast of Broken Hill, with the geology of the area dominated by rocks of the Broken Hill Group stratigraphy, including a thick sequence of Potosi Gneiss and several lode horizons. The Little Broken Hill area has long been recognised as having the best examples of Key Ore Indicators for Broken Hill style mineralisation outside of Broken Hill itself. The Harp Prospect comprises an area of anomalous soil geochemistry associated with prospective stratigraphy. Drilling by previous explorers did not target the peak soil geochemistry.

A number of narrow high grade zinc intersections were recorded from a total of 29 shallow RAB drill holes. Table 5 lists the significant intersections as delineated by a NITON XRF unit.

TABLE 5 : Harp Prospect RAB NITON Significant Results

Hole	From (m)	To (m)	Interval (m)	Zn (%)	Pb (%)	Ag (g/t)
PB0784	63	64	1	5.6	0.1	86
PB0789	21	23	2	13.3	0.2	55
	64	65	1	12.5	0.3	7
	75	76	1	0.9	1.7	87
PB0797	38	41	3	15.9	0.2	6
PB0798	38	39	1	1.6	2.4	149
PB0802	42	43	1	20.6	0.1	0
PB0806	41	42	1	3.1	4.0	73
	59	65	6	1.7	1.6	44
PB0807	13	14	1	2.6	0.3	93
PB0808	45	49	4	1.1	0.2	16
	48	49	1	5.4	0.1	58

Narrow high grade intersections

A drill program will test the mineralisation at depth over the next 2 quarters.

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

Joint Venture partner Minocqua Metals Pty Ltd drilled 19 RC drill holes totalling 3,120metres in the Dee Range area to test targets in the Surf, Lux/Ajax and Mt Alexander prospects. Most of the drill holes intersected zones of sub-ore grade sulphide mineralisation and alteration of VHMS style. The most positive indication was in the Mt Alexander area where vectors of increasing zinc grades were found within a large alteration zone.

Moyagee – gold - WA (100%)

Drilling recommences

North of Perilya's Lena Resource (820,200 tonnes @ 8.5g/t Au), previous drilling had intersected the eastern edge of a gold bearing quartz granophyric dolerite, where the Lena Shear intersects the mafic stratigraphy of the upper Gabanintha Formation. Differentiated dolerites with quartz granophyric zonation are known to host large gold deposits throughout the Archaean Yilgarn Block of Western Australia.

Aircore drilling commenced during the quarter to scope the extent of the granophyric zonation and gold anomalism.

Kanowna West – gold, WA (27.5% - 30.5%)

Final assay results were received from the nine RC holes drilled in December 2005 to follow-up an intercept of 8m at 4.7 g/t gold in diamond hole GVD137. Significant results from the RC drilling are given in Table 5:

TABLE 6: Hargreaves Prospect - Significant Diamond Drilling Results

Hole	From (m)	To (m)	Interval (m)	Au (g/t)
KRC0183	133	138	5	1.38
KRC0185	128	131	3	3.21
KRC0187	112	114	2	5.02
KRC0188	127	129	2	4.75

Two parallel, north striking, west dipping zones remain open to the north and south.

Bangemall Project – lead, WA

Portfolio rationalisation

Subsequent to the end of the quarter, agreement was reached with Abra Mining Limited for the sale of Perilya's interest in the Bangemall Project in Western Australia.

Abra Mining Limited owns the Abra base metal deposit ('Mulgul Project'), which adjoins the Jillawarra Joint Venture tenements and is located in the Bangemall Basin 200km north of Meekatharra.

By way of consideration, Perilya has been granted 3,400,000 options in Abra Mining Limited (representing 4% of the diluted equity) to acquire fully paid ordinary shares at an exercise price of 50 cents per share.

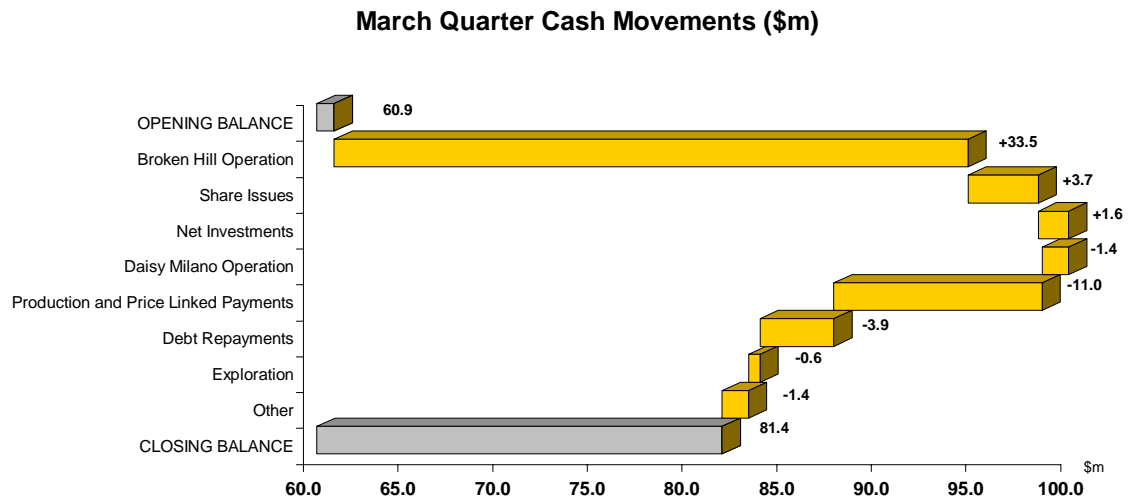
The sale of these interests allows Perilya to focus on its more advanced exploration projects whilst maintaining an exposure to the project through an (optional) equity interest in Abra Mining Limited.

Technical information in the report is based on information compiled by Mr T.Blyth, Mr C.Mroczek and Mr J.Ion (all full-time employees of Perilya) who are members of the Australasian Institute of Mining and Metallurgy. They all have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which is undertaken to qualify as Competent Persons as defined in the 2005 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr T.Blyth, Mr C.Mroczek and Mr J.Ion consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Cash and Deposits

\$81.4 million cash and deposits

As at 31 March 2006, cash and short term deposits totaled \$81.4 million (Q2 - \$60.9 million). This figure includes \$9.8 million of deposits supporting rehabilitation bonds.



Cash flow from Operations

\$33.5m cash flow from Broken Hill

Net cash generated from Broken Hill operations (after capital expenditure) was \$33.5 million, an increase of 139% over the prior quarter (Q2 - \$14.0 million). This was due principally to higher commodity prices, improved ore grade and effective cost containment. The Daisy Milano operation incurred a net cash outflow of \$1.4 million (Q2 - deficit of \$2.8 million).

Debt

Total borrowings \$10.1m

Total borrowings as at 31 March 2006 are \$10.1 million (Q2- \$13.6 million). The borrowings comprise hire purchase commitments at both operating sites and short term insurance premium funding.

Broken Hill Price and Production Linked Payments

During the March quarter, \$11.0 million in price and production linked payments were made (Q2 - \$6.4 million). It is expected that the remaining balance of \$8.5 million in respect of these obligations will be settled by 30 June 2006.

Investments

Subsequent to the end of the quarter, the share holding in Strike Oil Limited was sold for \$4.9 million. As at 12 April 2006 the market value of Perilya's portfolio of listed equity investments was \$7.6 million.

Creating a stable platform for growth

Forward Sales

Perilya has, as part of its financial risk management policy entered into Australian dollar denominated forward sales contracts for 20% of forecast zinc and lead sales out to June 2008 (as summarised in Table 7 below). This represents less than 10% of the current reserves at Broken Hill. As a result, the company remains exposed to the spot market price for over 90% of its reserves with all hedging at prices that have not been seen in more than 20 years.

The hedging contracts have been entered into on an unsecured basis and are not subject to any margin calls. The contracts are also compliant with the hedge effectiveness requirements of the Australian Equivalent of International Financial Reporting Standards (AIFRS).

The hedging program improves the overall certainty of the cash flow stream from Broken Hill by capitalising on the current high metal price environment, allowing the growth of the company from a stable platform while still retaining significant price upside exposure.

TABLE 7: Hedging Commitments

		2005/06	2006/07	2007/08
Zinc	(t)	6,300	24,900	24,000
A\$ Price	(\$/t)	2,712	2,681	2,451
Lead	(t)	4,350	17,400	17,400
A\$ Price	(\$/t)	1,492	1,470	1,330

Executive & Non Executive Appointments

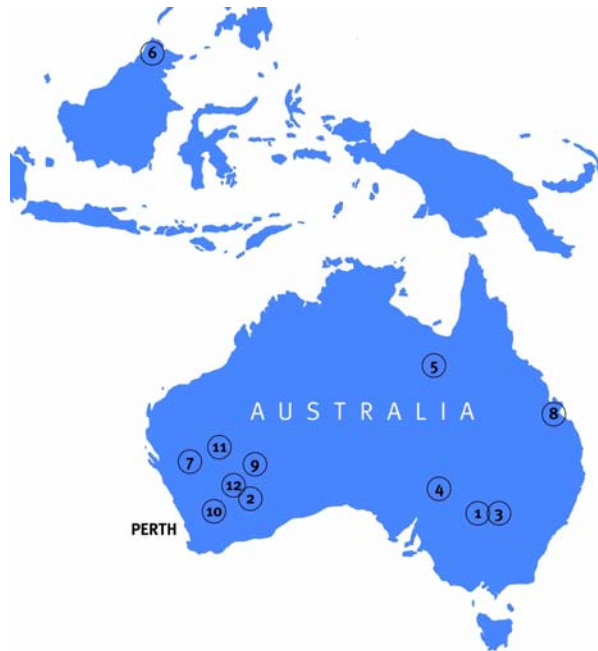
Board and Management Strengthened

Patrick O'Connor was appointed Chairman of the Board on 1 February, replacing Phil Lockyer who remains on the board as a Non-Executive Director.

Tim Manners was appointed to the position of General Manager – Finance while Darryl Edwards was appointed Company Secretary / Legal Affairs.

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 is also producing from its Daisy Milano gold project located in Western Australia. It has an extensive portfolio of gold and base metal exploration properties, and investments in the mining and energy sectors.



	BASE METALS	GOLD
OPERATING	1 Broken Hill (Zn, Pb, Ag)	2 Daisy Milano
EVALUATING	3 Potosi (Zn, Pb, Ag)	
	4 Flinders (Zn)	
RESOURCE DRILLING	5 Mt Oxide (Cu)	7 Moyagee
	6 Tampang (Cu)	6 Tampang
EXPLORING	8 Dee Range (Cu, Zn)	10 Holleton
	9 Woodline Well (Ni)	11 Honeymoon Well
		12 Kanowna

Board of Directors:

Patrick O'Connor	Non-Executive Chairman
Len Jubber	CEO & Managing Director
Peter Harley	Non-Executive Director
Chang Keun Choi	Non-Executive Director
Phil Lockyer	Non Executive Director
Guy Travis	Non-Executive Director

Capital Structure:

Ordinary Shares	190,972,239
Unlisted Options	8,070,000

Major Shareholders:

Acorn Capital Limited	7.79%
Korea Zinc Company, Ltd	5.17%
Young Poong Corporation, Ltd	5.17%
Delta Partners LLC / Charles Jobson	5.82%

Stock Exchange Listing

Australian Stock Exchange
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