Quarterly Activities Report

for the three months ended 30 September 2009

HIGHLIGHTS

The three months ended 30 September 2009 saw the Company sustain its improved performance under the new operating plan with net cash costs falling to one of the lowest levels ever for Broken Hill under the stewardship of Perilya, despite the Company losing 9 days of mining and processing during the quarter as a result of a prolonged power outage in the region. The consolidation and significant improvement in performance under the Company's new operating plan together with the termination of the silver sale agreement has built a platform for Perilya to pursue new growth opportunities, both internally and externally in the base and precious metals sectors. Highlights for the quarter include:

Corporate

- Increase in free cash reserves from **$36.9 million** to **$46.2 million** during the quarter, after the payment of $7.0 million in July to Coeur d'Alene Mines Corporation (**CDEA**) being the contribution from group funds excluding borrowings for the termination of the Silver Sale Agreement (positive cash-flow of **$16.3 million** after adding back the one-off payment to Coeur).

- Completion of termination of the Company's silver sale agreement. The payment of US$55 million to extinguish the agreement now allows Perilya to sell those previously committed ounces into the spot market. The 11.2 million ounces had a face value of approximately US$145 million (basis US$13.00/oz) at the date of completion and, with the significant improvement in silver prices since completion, now have a face value of **US$196 million** (basis US$17.50).

- On the back of the Company's sustained improved performance and cashflows at Broken Hill, the Company has recommenced exploration drilling programs at Mt Oxide, Broken Hill and the Flinders projects, with a focus on near term development targets.

Broken Hill

- Net cash costs (C1) for the quarter were **US$0.38/lb** of zinc which, despite appreciation of the USD/AUD exchange rate, were ahead of targeted cash costs of US$0.50-US$0.55/lb of zinc (and well ahead of the comparative period last year of US$1.36/lb of zinc (which included one-off redundancy costs of approximately US$0.17/lb of zinc).

- Cash operating margin of US$0.44/lb of zinc, representing a significant increase from (US$0.19)/lb of zinc achieved for FY2009.

- Notwithstanding the 9 days lost production due to the mains power outage (see ASX Release dated 22 September 2009), production levels for the quarter were only slightly below market guidance with quarterly combined metal production of 28,900 tonnes of contained zinc and lead against a market guidance of 30,000 tonnes of contained zinc and lead.

- The Company expects to achieve market guidance for metal production for both the December quarter and the full year.

- Drilling program commenced on the North Mine mineral sands project and feasibility work is underway on that project.

- Average combined grade for zinc and lead ore milled for the quarter of 9.6%.
- Continued improvement in safety performance for the quarter with the All Injury Frequency Rate dropping to the lowest level in the Company's history at Broken Hill.
- Feasibility study for mining of Potosi and the Silver Peak mine commenced

Beltana

- Positive cash flow contribution from sales of 42,612 tonnes of DSO during the quarter, at an average grade of 28.1%, containing 11,962 tonnes of zinc, an increase of 5.4% on the previous quarter.
- Commenced preparation work for exploration drilling program, with exploration work approvals and landowner notifications submitted and recruitment and appointment of drilling contractors well advanced. Commencing new exploration drilling program during the December quarter.
- Feasibility study on proposed Reliance open pit project underway.

Mount Oxide Copper and Cobalt Project

- Commenced a new targeted exploration drilling program and EM Survey program during the quarter, which is ongoing.

CEO's COMMENTS

The past quarter saw the completion of the silver transaction with Coeur d'Alene Mines Corporation. With the movement in silver price in the quarter the value of this transaction and its favourable impact on our operating costs at Broken Hill has been clearly demonstrated.

Notwithstanding the impact of the regional power failure on the Broken Hill operations we were able to operate within 3.7% of market production guidance and improve on our C1 cost guidance by between US$0.12 and US$0.17/lb of payable zinc. The effect of both the silver transaction and the improved pricing for lead were major contributors to achieving this.

As far as operations at Broken Hill are concerned, we are well positioned with above plan performance in most areas of the operation, the highest productivities on development rates since the resized plan was implemented and a number of expansion opportunities that are well advanced in their study.

Outside of Broken Hill it is also positive to see the re-initiation of exploration to capture the inherent value we perceive in our copper project at Mount Oxide and the activity to replenish our pipeline for zinc silicate from the Flinders region.

All of these initiatives will hold us in good stead as we go forward.

Paul Arndt

Paul Arndt
Managing Director and CEO

22 October 2009

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BROKEN HILL OPERATIONS

Mining Operations

The September quarter showed a continuation of the good results highlighted in the June quarterly Report. The performance improvements demonstrated during the last financial year have been sustained and confirm expectations in the current operating plan.

Once again the September quarter saw incremental improvement in mine development, both in terms of advance achieved and in the adherence to planned development activities. Productivity measured in terms of tonnes hoisted per man shift maintains the levels demonstrated during the last quarter. The average for the quarter was 343 tonnes per man shift.

Improvements in development performance demonstrated last quarter have been sustained with an average development performance of 756 metres per month achieved (adjusted for non operational days as a result of the power supply interruptions). This matches the performance achieved in the previous quarter.

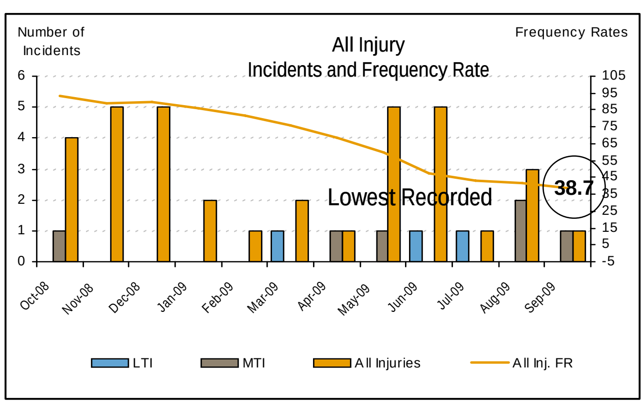
The quarter was not without issues. In September storm damage caused an extended power outage in the region. This precluded mining & processing for 9 days. The final milling campaign for the Quarter was curtailed. In September the plant operated for 15 days out of the 21 days planned.

Concentrator operations continued to match the increased mine production treating most of the ore mined in the September quarter. Some stock of untreated material remained at the conclusion of the quarter as a result of the stoppage caused by the power outage. The Company treated 345,000dmt during the quarter which exceeded plan by 7%.

Key performance indicators for the June quarter showed:

- Mining rates exceeded plan by 12% despite the loss of 9 days due to the power outage;
- Development advance on plan;
- Milling throughput 7% above plan;
- Combined metal production 3.7% below plan as a consequence of lost milling days due to the power outage.
- Average net cash costs per pound of payable zinc at US$0.38 ahead of targeted cash costs of US$0.50-US$0.55/lb of zinc.

Safety



The September quarter continued the positive trends in both lead and lag indicators. This continued improvement in safety performance has seen the All Injury Frequency Rate drop to 38.7. This is the lowest level in the Company's history. There was one lost time injury in July and the lost time injury frequency rate of 3.0 is a historic low for Broken Hill. There was only one medically treated injury recorded for the period. The site also completed one month minor injury free. This was a first for the site.

Safety interactions, “Take Time Take Charge”, hazard reporting, incident notification and investigations all showed significant improvements in both quality and quantity. The incidence of equipment damage is also decreasing. The proactive aspects of the Perilya Broken Hill safety management plan are becoming more embedded in the Broken Hill mining culture.

Regular auditing of the Broken Hill operations’ mine safety management plan elements continue. During the quarter an audit of injury management processes was carried out by a third party. There was a third party audit on “crisis management and major incident procedures”. An internal audit of the processes around pre-start inspections was completed. Industry and Investment NSW conducted a safety audit of winder installations. The audit process continues with audits of “corrective actions” planned with third party auditors for the December quarter along with a review of our major Risk Register and a continuation of the internal review of mine procedures and standards.

Production and Sales

During the quarter 349,700 tonnes of ore was mined from the Southern Operation, which was 8.3% above plan.

The combined grade of ore processed this quarter was 9.6% (zinc & lead) which, whilst slightly down on the long term plan, was a reflection of the individual stopes that were being mined in the schedule.

Production Statistics - Tables

Table 1: Broken Hill Quarterly Production

	Sept Qtr 2009	Jun Qtr 2009
PRODUCTION STATISTICS		
Ore		
Total Ore Mined (kt)	**349.7**	398.9
Total Ore Treated (kt)	**345.0**	419.6
Zinc		
Grade (%)	**5.4**	5.2
Concentrate (kt)	**33.9**	39.2
Contained Zinc (kt)	**16.4**	18.7
Payable Zinc (kt)	**13.7**	15.6
Lead		
Grade (%)	**4.2**	4.2
Concentrate (kt)	**17.9**	21.1
Contained Lead (kt)	**12.5**	14.4
Payable Lead (kt)	**11.8**	13.7
Silver		
Grade (g/t)	**53.8**	48.8
Contained Silver (Moz)	**0.419**	0.487
CASH COST & OPERATING MARGIN (US$/lb zinc)		
Average Price Received	**0.82**	0.66
Direct Cash Costs	**1.01**	0.92
By-product credits (*)	**(0.90)**	(0.60)
Zinc treatment charges	**0.27**	0.27
Net Cash Cost	**0.38**	0.59
Cash Operating Margin	**0.44**	0.07

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

Net Cash Costs of Production

The net cash costs of production of US$0.38/lb of zinc was an excellent result for the period and remained lower than the target range of US$0.50 - $US0.55/lb of zinc. The net cash costs of production (measured in A$/lb) reduced by 42% from the prior quarter, which is an outstanding achievement by the Broken Hill operation.

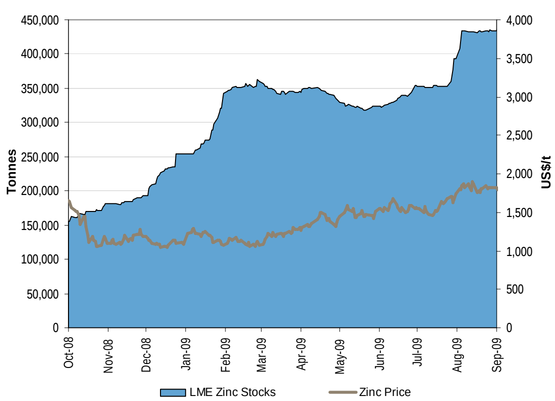
This result continues to demonstrate the capability of the Broken Hill operation to not only withstand periods of weak metal prices but for it to be extremely well positioned to benefit from expected increases in metal prices when the global economic conditions start to improve.

Markets

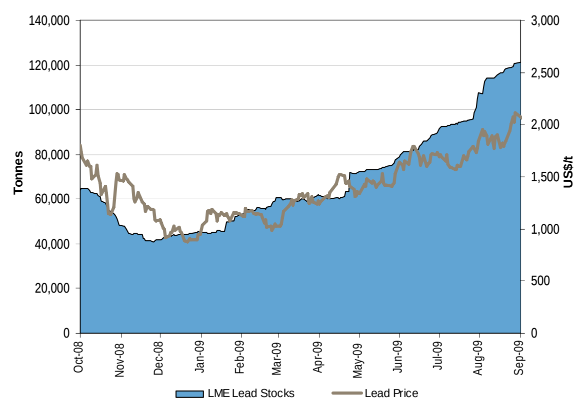
Both zinc and lead prices had a strong quarter in US$ terms, rising by approximately 23% and 32% respectively. However, with the strengthening AUD/USD exchange rate, the increases in AUD terms were smaller, being only 13% for zinc and 21% for lead.

Current demand for all metals remains relatively weak globally, however, notwithstanding this present weakness, Perilya continues to believe that zinc and lead market fundamentals remain sound over the medium to longer term.

LME Zinc Price (US$ / tonne)



LME Lead Price (US$ / tonne)



Exploration & Development – Broken Hill, Southern Operations

No significant exploration was conducted this quarter.

Broken Hill, North Mine

Perilya is continuing the feasibility study of the North Mine, including the North Mine Deeps project. An exploration drilling was commenced during the quarter for Stage 1 of the North Mine Zinc-Sands project. This program is aimed at reviewing the potential for reprocessing historic high zinc grade backfill material in the North Mine.

FLINDERS ZINC PROJECT

Beltana Mine - Sales

During the quarter metal sales for Beltana ore were 46,612 tonnes for a total of 11,962 tonnes of contained zinc. The terms of the Company's off-take arrangements for the Beltana ore are confidential however, sales for the quarter contributed net positive cashflows of $3.2 million.

At the end the June quarter, a total of 117,786 tonnes of zinc silicate ore is stockpiled at an average grade of 31.4% zinc, for a total of approximately 37,020 tonnes of contained zinc.

Reliance Deposit (70-85% owned)

With the improvement in terms received for zinc silicate, the Company is currently undertaking a feasibility study for the development of the Reliance Deposit.

Field visits were completed in preparation for commencement of exploration drilling activities. Post end of quarter, exploration drilling has recommenced at the Company's Flinders tenements.

MOUNT OXIDE COPPER AND COBALT PROJECT

Drilling Program

During the quarter the Company re-commenced its exploration drilling program at Mr Oxide to investigate the resource potential and improve the confidence around the western areas of the old pit, with many areas having previously remained untested to date due to drilling limitations. In conjunction and a down-hole EM program is planned on a number of deep drill holes to investigate whether these high grade copper intercepts resulting from the 2008 drill program have the potential to continue at depth, and if successful will highlight further resource potential.

CORPORATE

Termination of Silver Sale Agreement with Coeur d'Alene Mines Corporation

During the quarter, as announced to the market on 16 July 2009, Perilya signed an agreement with CDE Australia Pty Ltd ("CDEA") and Coeur d'Alene Mines Corporation ("Coeur") terminating Perilya's obligations to deliver a further 11.2 million ounces of silver under the Silver Sale Agreement between the parties executed in 2005.

The payment to extinguish the agreement of US$55 million is enabling Perilya to sell those previously committed ounces into the spot market. The 11.2 million ounces had a face value of approximately US$145 million (basis US$13.00/oz) at the date of completion and, with the significant improvement in silver prices since completion, now have a face value of US$196 million (basis US$17.50).

The termination of the agreement was funded by an unsecured credit facility of US$50 million with the balance of US$5 million being paid out of Perilya's cash reserves. The funds were provided via a guarantee facility granted by Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd ("Zhongjin Lingnan") to our financiers. The facility is not secured over any of the assets of Perilya. The total cost of funding to Perilya (including facility fees and guarantee fees payable to Zhongjin Lingnan), in aggregate comprise less than 3% (plus 3mth LIBOR).

The transaction is having a positive impact in a number of areas, including:

- Increase in future cashflow and earnings capability at Broken Hill
- Lower cash operating costs (C1) by approximately US$0.10 – US$0.12/lb payable zinc (calculated using silver prices & USD/AUD exchange rate as at the date of the transaction); and

- Enabling Perilya to re-assess the potential of mining high silver grade deposits in the region, including North Mine, Potosi and the North Mine Deeps projects.

The termination of the agreement was financially settled on 31 July 2009, with the termination of the silver sale obligations having effect on and from 1 July 2009.

Cash and Investments at 30 September 2009

At 30 September 2009, the Company held cash, deposits and investments totalling $81.6 million (30 June 2009: $72.9 million) an increase of 11.9% over the previous quarter, represented by:

- Free cash of $46.2 million, (30 June 2009: $36.9 million), after the one-off payment in July of $7.0 million being the net payment for the termination of the silver sale agreement with Coeur d'Alene;
- Secured cash deposits of $24.7 million supporting performance bonds required under various mining licences at Broken Hill;
- Commercial paper of $9.5 million (written down value); and
- Other investments of $1.2 million (estimated market value).

Cashflow for the quarter was strong, with an increase in free cash of 25% to $46.2 million brought about by the positive cashflows generated from Broken Hill and the continued sale of zinc silicate material from the Beltana stockpiles.

Divestment of Non Core Assets

During the quarter the Company sold 1,555,000 shares held in Green Rock Energy Limited (GRK) for approximately $0.1 million. The shares held in GRK were not viewed by the Company as a strategic asset.

Debt

At 30 September 2009 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 $6.8 million in operating debt solely related to mobile equipment financing which is payable over a five year period.

Perilya's policy of maintaining zero corporate debt during the difficult commodity price cycle has enabled it to take advantage of the extremely competitive funding opportunities to fund the termination of the Silver Sale Agreement with Coeur (discussed above).

Hedging Policies

During the quarter, Perilya took advantage of the increase in both zinc and lead prices to fix the sales price for a proportion of its future revenue from both Broken Hill and Beltana and protect the cash and earnings margin from these sales. With the termination of the silver sale agreement Perilya has fixed the silver sales price for a proportion of its future revenue from Broken Hill.

Hedging Contracts Summary

		Dec-09 Quarter	Mar-10 Quarter	Jun-10 Quarter	Sep-10 Quarter	Dec-10 Quarter	TOTAL POSITIONS
ZINC:-							
Tonnes	Tns	10,700	8,830	-	-	-	**19,530**
Price	A$/tn	2,092	2,121	-	-	-	**2,105**
LEAD:-							
Tonnes	Tns	9,550	6,000	-	-	-	**15,550**
Price	A$/tn	1,960	2,559	-	-	-	**2,191**
SILVER:-							
Ounces	Ozs	195,000	390,000	390,000	390,000	390,000	**1,755,000**
Price	US$/tn	13.25	15.05	15.05	15.05	15.05	**14.85**

The hedging contracts as at 30 September 2009 were out of the money by approximately AUD$9.1 million.

Management has elected to not treat zinc and lead contracts entered into pre September as effective hedging under AIFRS. As such, the change in the value of these contracts will be reflected directly in the Income Statement rather than through a hedging reserve. As most positions mature before the end of December 2009, the impact on the financial results for the six months to December 2009 is expected to be minimal.

Management has elected to treat all hedging taken out in September and going forward as effective hedging under AIFRS. All silver hedging taken out during the quarter has been treated as effective. As such, the change in the value of these contracts will be reflected in the hedging reserve.

Change in Financial Year

During the quarter the Australian Securities and Investments Commission ("ASIC") granted relief to enable Perilya to change its financial year end date from 30 June to 31 December. The change of year end enables Perilya to align its financial year end date with that of its majority shareholder, Zhongjin Lingnan.

The change of year end did not affect the 30 June 2009 year end; Perilya reported its full year results for the 12 months to 30 June 2009 in accordance with ASIC and ASX reporting obligations.

The grant of ASIC relief means that the next financial year of Perilya will be a transitional one from 1 July 2009 to 31 December 2009 (i.e. six months). Thereafter, Perilya will report to ASIC and the ASX as normal with respect to a 31 December financial year end.

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	394,554,640
Unlisted Options	8,650,000
Performance Rights	135,400

Major Shareholders:

Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd	50.10%
*Paradice Investment Management Pty Ltd	5.43%

Australian Stock Exchange Listing

ASX Code: PEM

Company Secretary:

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Facsimile: +61 8 9323 2033
Email: perth.services@computershare.com.au

* Throughout the September quarter Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd was the sole substantial shareholder of the Company. Post end of quarter, Paradice Investment Management Pty Ltd increased its shareholding in the Company to above 5% and became a substantial shareholder on 9 October 2009.

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 have recently been resized 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 and Cobalt Project in the Mount Isa region in Queensland.

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