Quarterly Report

for the three months ended 31 December 2006

- Net operating cash flow (after capital) from Broken Hill up 37 per cent to $55.3 million
- Site activities commenced at Flinders high grade zinc oxide project
- Commenced exploration decline at new Potosi mine development (Broken Hill)
- Record cash operating margin at Broken Hill of US$1.12 per pound zinc
- Significant drill results at Mount Oxide copper project

Broken Hill

On 9 January 2007 a fatality occurred at the underground operations at Broken Hill. The incident involved the remote operation of a loader. Internal and external investigations into the cause of the accident are currently underway. The operation achieved a record 174 days lost time injury free period prior to the incident.

Production of 28,015 tonnes of zinc and 16,927 tonnes of lead at a cash cost of US$0.73 per pound of zinc.

The cash operating margin for the December quarter 2006, increased by 53.5 per cent to a record US$1.12 per pound of zinc.

The development of the exploration decline at the Potosi mine in Broken Hill commenced in December. First delivery of high grade ore to the concentrator is on schedule for the December quarter, 2007.

Daisy Milano

The mine achieved its highest level of quarterly ore production to date, largely due to improved ore drive development rates. Gold production during the period totalled 7,045 ounces from 36,456 tonnes of ore at 6.01 grams per tonne.

The operation achieved 163 lost time injury free days by end of December 2006.

Flinders Zinc Project

Development of the project was approved by the Board based on the favourable returns generated by mining and shipping 150,000 tonnes of high grade (38 per cent zinc) ore from the Beltana project.

Significant upside exists around the beneficiation and marketing of the remaining 242,000 tonnes of material contained within the existing mine design, additional deposits currently defined and the regional exploration potential.

Site activities have commenced with first ore expected prior to the end of December 2007.

Mount Oxide Copper Project

Significant drill results (including 25.7m at 2.51 per cent copper, 12.4m at 3.3 per cent copper and 3m at 7.06 per cent copper) have extended the mineralised zone which remains open to the north, south and below the deposit. A scoping study including a resource update is scheduled for completion in the March quarter, 2007.

Corporate

Cash and receivables were $238.3 million at 31 December 2006 (SQ: $201.3 million) and debt was $9.6 million after payments of dividends ($7.4 million) and tax ($26.5 million) applicable to the 2005/06 financial year. A final dividend of four cents per share was paid on 2 October 2006.

Perilya was admitted to the S&P/ASX 200 index on 15 November 2006.

Len Jubber

Len Jubber
Chief Executive Officer
30 January 2007

Broken Hill Operation

Safety

Two lost time injuries occurred during the quarter following a record lost time injury free period of 174 days. Tragically, on 9 January, 2007 a fatality occurred underground. The incident involved the remote operation of mobile equipment. Internal and external investigations into the cause of the incident are currently underway.

The operations were shut down for two days. As a precautionary measure operation of equipment via remote control has been suspended at Broken Hill pending the outcome of a review of the relevant systems and procedures. Operations are expected to return to normal by mid February. As a result annual production is currently forecast to be 110,000 – 120,000 tonnes of zinc and 65,000 – 70,000 tonnes of lead.

Production

Ore mined during the half year was in line with plan at 1.05 million tonnes, despite the slightly lower output during the quarter.

The zinc grade remained at 6.0 per cent during the quarter due to a combination of the location of mining within the ore body and the mining of over 15 per cent of ore from stopes deemed uneconomic in the 2005/06 Ore Reserve estimate (based on a zinc price of USD$2,000 per tonne compared to the average spot price during the quarter of USD$4,190 per tonne). Perilya will continue with this practice in the current high metal price environment to maximise the long term value of the Broken Hill assets. The ore grade during the second half of the year is expected to remain between 6.0 – 6.5 per cent zinc depending on the extent of opportunity gains from lower grade material within the ore body.

The lead grade was in line with expectation.

The cash operating margin improved significantly during the quarter to a record US$1.12 per pound zinc. The benefit of the higher zinc and lead prices equated to US$0.64 cents per pound over the previous quarter, offset by higher treatment charges (US$0.19 cents per pound) due to the higher zinc price and higher direct unit costs (US$0.06 cents per pound) due to the lower zinc production.

Improvement Projects

A project to investigate the potential to double production from the high grade (8 per cent zinc and 10 per cent lead) pillars area in the Southern operations to 250,000 tonnes per annum, will be completed in the March quarter. A positive outcome would be followed by a six to nine month ramp up phase.

The installation of the Outukumpu In-Stream-Analysis system in the concentrator is nearly fully commissioned and testwork on alternative grinding media will be escalated to full scale testing during the June quarter. Both projects are expected to have a positive impact on metal recovery.

Potosi Development

Construction of the Potosi exploration decline to access high grade material has commenced, with all key equipment delivered to site. Infrastructure services are complete and the workforce is growing in line with the project development requirements.

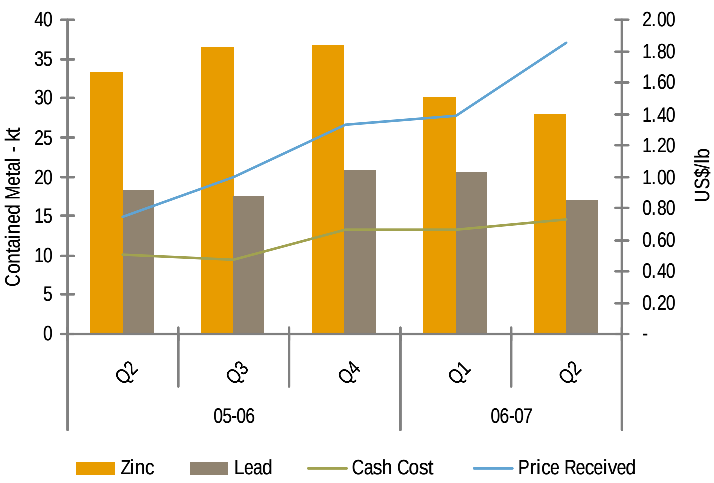
The underground access portal at the base of the existing Potosi open pit has been established and decline development progressed to 35 metres by late January 2007. Access to the high grade Potosi North area is on schedule to deliver ore to the Broken Hill concentrator in the December quarter, 2007.

An underground drilling program will be undertaken concurrently with the mining of Potosi North to infill the adjacent Potosi Extended area. If the exploration program at Potosi Extended is successful then the development of the Potosi project, with a mine life of five to seven years, will provide a third source of feed for the Broken Hill concentrator. It is expected to increase zinc metal production from Broken Hill by approximately 10,000 to 15,000 tonnes in the first year and by approximately 35,000 tonnes per annum in subsequent years.

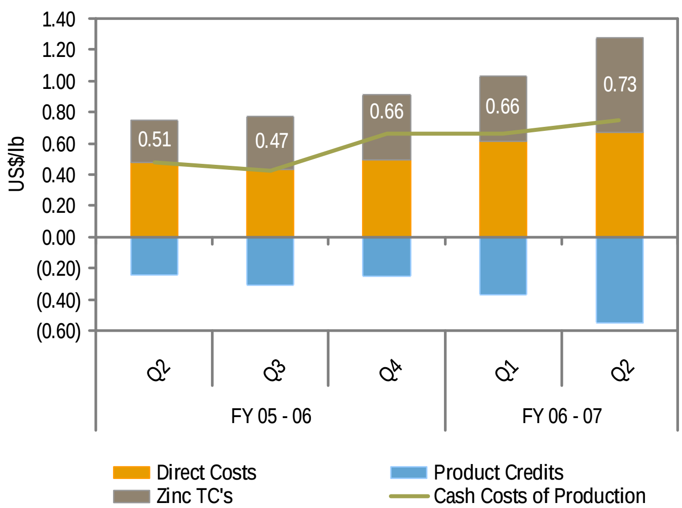
The Potosi resource (1.6 Mt at 13.0 per cent zinc, 3.1 per cent lead & 43.1 g/t silver) is open in a number of directions and contained within a total mineralised zone approximately three kilometres in strike length. The company is targeting a resource along the Potosi strike of over 4 million tonnes at 10-12 per cent zinc and 3-5 per cent lead.

Broken Hill Quarterly Production & Cash Costs	Dec Qtr 2006	Sept Qtr 2006	1st Half 06/07
PRODUCTION STATISTICS			
Ore			
Southern Operation (kt)	466.4	484.8	951.2
North Mine (kt)	45.1	51.2	96.3
Total Ore Mined (kt)	511.5	536.0	1,047.5
Total Ore Treated (kt)	514.2	557.6	1,071.8
Zinc			
Grade (%)	6.0	6.0	6.0
Recovery (%)	90.6	90.6	90.6
Concentrate (kt)	55.9	61.0	116.9
Contained Zinc (kt)	28.0	30.2	58.2
Payable Zinc (kt)	23.5	25.3	48.8
Concentrate Inventory (kt)	3.3	18.9	3.3
Lead			
Grade (%)	3.9	4.2	4.1
Recovery (%)	85.3	88.0	86.7
Concentrate (kt)	22.9	28.4	51.3
Contained Lead (kt)	16.9	20.6	37.5
Payable Lead (kt)	16.1	19.6	35.7
Concentrate Inventory (kt)	1.9	1.1	1.9
Silver			
Grade (g/t)	39.2	43.6	41.5
Recovery (%)	73.6	73.9	73.7
Contained Silver (Moz)	0.461	0.578	1.039
CASH COST & OPERATING MARGIN (US$/lb zinc)			
Average Price Received	1.85	1.39	1.62
Direct Cash Costs	0.67	0.61	0.64
By-product credits	(0.55)	(0.37)	(0.46)
Zinc treatment charges	0.61	0.42	0.51
Net Cash Cost	0.73	0.66	0.69
Cash Operating Margin	1.12	0.73	0.93

Metal Produced and Cash Operating Costs



Net Cash Cost Per Pound Zinc



North Mine Deeps Pre-Feasibility Study

A study is examining the feasibility of re-opening the North Mine below the 26 Level (North Mine Deeps). The North Mine Mineral Resource estimate as at 30 June 2006 was 4.2 million tonnes at 11.1 per cent zinc, 13.6 per cent lead, and 213 grams per tonne of silver.

AMC Consultants was awarded the contract for the pre-feasibility study to be completed by April 2007. A series of interviews and workshops with past employees of the North Mine were conducted during the quarter to capture first hand knowledge of the mining conditions in the lower levels of the North Mine. Mining was ceased in 1993. The primary objective of the pre-feasibility study is to identify a single preferred alternative for the North Mine Deeps project that is to be further studied and optimised in the feasibility study phase scheduled for the remainder of 2007.

Near Mine Exploration

A 4,600 metre diamond drilling program to test the North Mine zinc lodes commenced during the quarter. The potential for high grade zinc mineralisation in this area is evident from historic wide spaced drilling, current upper level development and a parallel with existing Southern Operations zinc lodes in a similar geological environment.

Drilling on four sections 60 to 90 metres apart has identified three mineralised zones. Significant results are shown below.

Hole ID	Section	Lode	From	To	Interval	Zn %	Pb %	Ag ppm
NM10640	1500'N	4.7 Zn	105.0	110.9	5.9	5.62	4.16	53
NM10643	1500'N	2 Lens	193.9	196.5	2.6	8.42	16.53	151
NM10640	1500'N	4.5 Zn	81.0	82.9	1.9	6.55	1.82	52

Downhole geophysics is planned for late January 2007 to better define the target mineralisation. Current results are sufficiently encouraging to extend the drilling program up to 200 metres along strike.

Regional Exploration

Flying Doctor Prospect

The Flying Doctor open pit prospect (located above the Potosi mineralisation) has an Inferred Mineral Resource of 326,000 tonnes at 4.8 per cent zinc, 6.2 per cent lead and 63.1 grams per tonne silver. A 26 hole RC drilling program at the northern end of the resource resulted in two significant shallow lead-zinc mineralisation intersections. Further drilling between these two holes located 350 metres apart along strike, will be followed by a mineral resource update.

Hole ID	Lode	From	To	Interval	Zn %	Pb %	Ag ppm
PTC0129	Flying Doctor	20.0	21.0	1.0	9.74	14.5	201
PTC0131	Flying Doctor	81.0	86.0	5.0	7.55	3.76	19

Exploration Program

The program for the next 12 months is currently being finalised with a view of escalating the exploration activities in the Broken Hill region.

Daisy Milano

Production

The operation achieved a record five month lost time injury free period by the end of the quarter.

Gold production during the period totalled 7,045 ounces from 36,456 tonnes at an estimated grade of 6.01 grams per tonne. Ore stockpiles increased to 43,358 tonnes as there was no ore processing during the quarter. The next batch processing at the Greenfields plant is scheduled in March 2007.

The operation achieved its highest level of quarterly ore production to date, largely due to improved ore drive development rates. The estimated grade was lower than the previous quarter due to a higher proportion of development ore than stoping ore and a reduction in the amount of high grade airleg mining.

As there was no ore processing during the quarter the reported figures are based on face sampling data and planned stope grades. A full tonnage and grade reconciliation will be completed after the March 2007 milling campaign.

During the quarter mine development occurred through the barren dolerite dyke on levels 16, 17, 19 and 20 in order to gain access the southern extensions of the ore body. These additional development costs, which are now largely complete, had an unfavourable impact on the cash costs of production of between $100 - $120 per ounce.

Closing run of mine stockpiles at 31 December 2006 contained an estimated 9,250 ounces, equating to approximately $5.4 million in pre tax cash flow (assuming US$625 per ounce gold price).

Quarterly Production and Cash Costs

	Dec Qtr 2006	Sept Qtr 2006	1st Half 06/07
Mining			
Ore Mined (t)	36,456	35,679	72,135
Ore Grade (g/t)	6.01	9.48	7.73
Contained Gold (Oz)	7,045	10,877	17,922
Ore Stockpiles (t)	43,358	6,283	43,358
Processing			
Ore Treated (t)	-	33,016	33,016
Gold Recovery (%)	-	98.2	98.2
Gold Produced (oz)	-	9,452	9,452
Cash Cost of production (A$/oz)	849	497	675
Gold Sales (oz)	120	10,529	10,649

Exploration

Drilling was conducted at the nearby “Caledonian Prospect” along strike from the Daisy Milano mine. A total of five reverse circulation holes for 1,056 metres confirmed the plunge continuity in the vicinity of prior drilling. Significant results from this drilling campaign are tabulated below.

Significant RC results at Caledonian Prospect

Hole ID	From	To	Interval	Au g/t
DMRC 018	73	77	4	7.23
DMRC 019	165	166	1	11.2
DMRC 020	104	107	3	3.06
DMRC 021	107	108	1	1.97
	240	245	5	1.83
DMRC 022	194	195	1	6.79

Flinders Zinc Development

The Flinders project is located 470 kilometres north of Adelaide in South Australia and comprises 4,138 square kilometres of tenements in the northern Flinders Ranges. The project has an overall Mineral Resource of 966,000 tonnes at 31 per cent zinc containing almost 300,000 tonnes of zinc metal.

Beltana Direct Shipping Ore Project
A feasibility study for development of the Beltana deposit, with a Mineral Resource of 376,000 tonnes grading 32.6 per cent zinc, was completed with the assistance of GRD Minproc during the quarter.

Development of the project was approved by the Board based on the favourable returns generated by mining and shipping 150,000 tonnes of high grade (38 per cent zinc) ore from the Beltana project. A further 242,000 tonnes of intermediate grade material, grading between 14 and 26 per cent zinc, will be stockpiled separately on site. Investigation into the potential to beneficiate this lower grade material and/or market a blended intermediate grade material has commenced.

The feasibility study demonstrates the phase 1 Beltana project has a pre tax cash flow of $50.6 million (assuming an average US$1.25 per pound zinc price and US$0.78 exchange rate) with an IRR of 84 per cent. At a zinc price of US$1.75 per pound, the projected pre tax net cash flows are estimated at approximately $100 million.

The Beltana project will comprise a 12 month open cut mining and on site crushing program which, subject to regulatory approvals, is scheduled to commence during the March quarter, 2007. Most of the project infrastructure is already in place as a consequence of previous mining campaigns. The mine plan will extend the existing 70 metre deep pit a further 30 metres.

Mobilisation of staff and equipment to the project site has commenced.

Sales Agreements
Negotiations on sales agreements are progressing.

Regional Exploration Program
Infill drilling of the current resources at the Moolooloo, Reliance and Aroona prospects will commence in the March quarter 2007 to determine their suitability for mining either during or immediately subsequent to the mining at Beltana and the potential to beneficiate lower grade ore to economic levels.

A regional exploration program will commence in April 2007 to test the unexplored sections along the 15 kilometre Beltana-Aroona trend and the remainder of the 4,138 square kilometre tenement holding.

Mount Oxide Copper Project

The 100 per cent owned Mount Oxide copper project is located in the Mt Isa region in Queensland.

Favourable drilling results during the quarter confirmed the new geological interpretation and the continuity of the mineralisation within the current 100,000 tonne inferred resource (3.7 million tonnes at 2.7 per cent copper), as well as extended the known mineralised zone. The mineralisation remains open to the north and south of the deposit and at depth.

The drilling has also confirmed that Mount Oxide is a sediment-hosted stratiform copper deposit with mineralisation consisting of chalcocite grading through to bornite and chalcopyrite.

A scoping study including an update of the resource model has commenced in the March quarter 2007. Further drilling is planned to start in April 2007, following the wet season, to establish the extent of mineralisation to the north and south.

Eight of the scheduled ten diamond drill holes intersected ore grade mineralisation. The tenth hole was halted at 24 metres due to the bushfire threat in the area. Significant intersections are shown in the table below.

Significant Mount Oxide Diamond Drilling Results

Hole	From (m)	To (m)	Interval (m)	Cu (%)
MOX030	209.8	235.5	25.7	2.51
MOX031	238.0	242.0	4.0	1.77
MOX032	198.0	202.0	4.0	2.18
MOX034	97.6	100.6	3.0	1.24
MOX035	240.9	255.0	14.1	1.19
MOX036	197.0	200.0	3.0	7.06
MOX037	105.0	117.4	12.4	3.30
	148.0	161.0	13.0	1.66
MOX038	252.2	256.0	3.8	3.42

Note: Copper cut-off grade 0.5 per cent with a minimum intercept thickness of 2 metres and internal dilution length of 2 metres.

A regional assessment has identified several prospective targets around known mineralisation, with additional targets generated by way of the growing structural understanding of the Mount Oxide deposit. A regional exploration program will also commence in April 2007.

Corporate

Cash flow

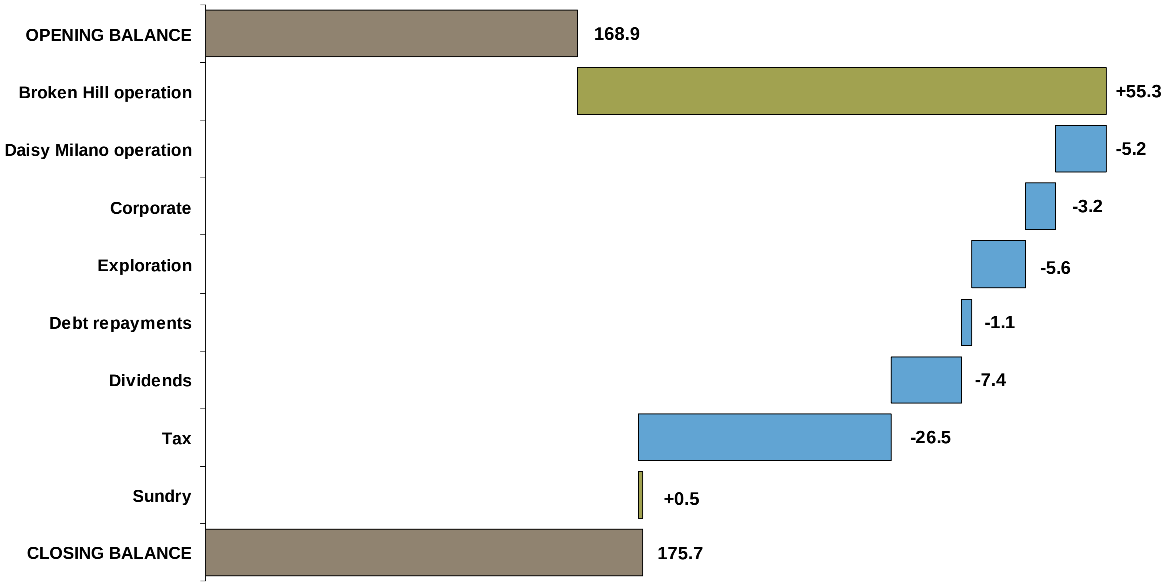
Net operating cashflow generated from Broken Hill for the quarter was $55.3 million after capital expenditure. This is 37 per cent higher than the previous quarter, due to higher realised zinc and lead prices.

At 31 December 2006, cash and short term deposits totalled $175.7 million (September quarter - $168.9 million). Cash and receivables at the end of December were $238.3 million (September quarter $201.3 million).

Key cash flow items were:

- No sales revenue from Daisy Milano due to no ore processing. Closing run of mine stockpiles at 31 December, 2006 contain an estimated 9,250 ounces, equating to approximately $5.4 million in pre tax cash flow (assuming US$625 per ounce gold price).
- Total borrowings increased to $9.6 million from $6.8 million following the purchase of mobile plant and equipment at Broken Hill.
- The tax liability of $26.5 million for the 2006 financial year was paid during the quarter.

December Quarter Cash flow Reconciliation ($m)



Half Year Financial Results

The half year financial results and interim dividend announcement will be released on 13 February 2007. An investor briefing via conference call will follow the release of the half year financial results, details of which will be posted on the Perilya website (www.perilya.com.au).

Forward Sales

Perilya has entered into Australian dollar denominated forward sales contracts for approximately 22.5 per cent of forecast zinc sales and 42.5 per cent of forecast lead sales out to December 2008. This represents less than 10 per cent of the current ore reserves at Broken Hill. As a result, the company remains exposed to the spot market price for over 90 per cent of its ore reserves.

The company also hedges its open sales positions, referred to as "Quotational Period (QP) Hedging". This common practice of securing the sale price on a shipment by shipment basis eliminates the short term price risk that exists during the quotation period of each sale. As at 26 January 2007 the company had QP Hedging in place for 7,724 tonnes of zinc at A$5,256 per tonne (US$1.85 per pound at 77.5 cent exchange rate) and 4,135 tonnes of lead at A$2,165 per tonne (US$0.76 per pound at 77.5 cent exchange rate). This compares with the spot zinc price of $4,685 per tonne (US$1.65 per pound) and spot lead price of $2,215 per tonne (US$0.78 per pound) at 26 January 2007.

All of 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).

A summary of the company's forward sales, including QP hedging, is shown in the table below.

Forward Sales (as at 26 January 2007)

	2006/07 (*)	2007/08	2008/09
Zinc			
Tonnes	21,923	24,000	12,901
Price (A$/t)	3,708	2,451	3,833
Lead			
Tonnes	20,635	34,178	16,014
Price (A$/t)	1,637	1,478	1,524

(*) Includes QP Hedging

Divestment of Gold Business

In the September quarter 2006 Perilya sought expressions of interest from selected parties for the disposal of its gold assets. Discussions are ongoing with interested parties.

Appointments

Concentrate Marketing
The company has secured the contract services of Mr Max Brunsdon to provide sales and marketing support for its base metal operations. Mr Brunsdon's primary focus is establishing the ore sales agreement for the Beltana high grade zinc oxide material and to investigate the potential to establish markets for intermediate grade Beltana products. The Company will also be seeking Mr Brunsdon's input on other marketing and logistics matters.

Mr Brunsdon has had considerable experience in the marketing, selling and shipping of base metals concentrates and metals over many years through his senior marketing roles within BHP and Western Metals Ltd.

Exploration
Mr Bruce Hooper has been appointed Exploration Manager. He has over 25 years international base metal exploration experience with Rio Tinto, North Ltd and Straits Resources.

Listed Investments

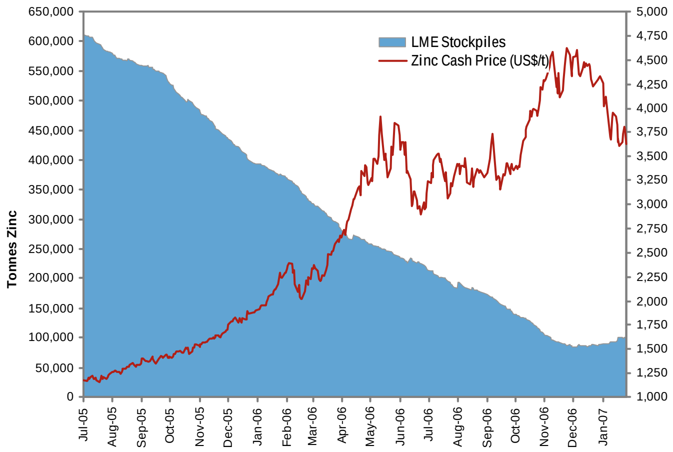
The market value of listed investments at 31 December 2006 increased to $13.6 million.

Dividends

In October the company paid the final dividend of four cents per share to shareholders, bringing the total dividends for the 2005/06 financial year to five cents per share.

Commodity Market Outlook

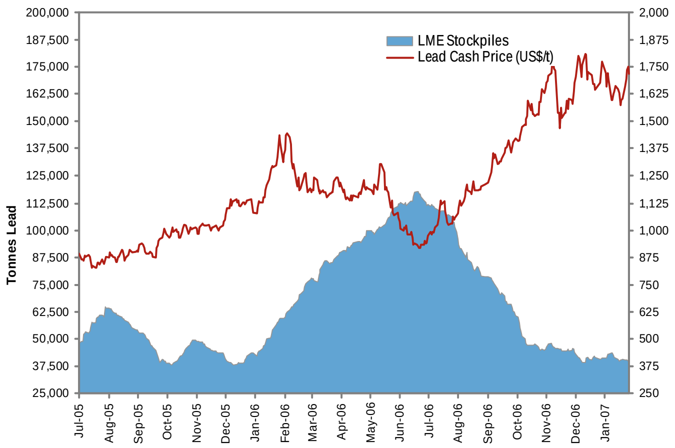
Zinc LME Stocks (LHS) vs Cash Price (US$/t) (RHS)



Zinc inventory levels fell 37 per cent in the December quarter to under 90,000 tonnes, or approximately three days global consumption.

The zinc price ranged between US$3,370 per tonne and US$4,619 per tonne during the quarter. The price was up US$970 per tonne (or 29 per cent) to US$4,330 per tonne at the end of the quarter and averaged US$4,190 over the three month period.

Lead LME Stocks (LHS) vs Cash Price (US$/t) (RHS)



Lead inventory declined by 32 per cent during the December quarter.

The lead price ranged between US$1,410 per tonne and US$1,809 per tonne during the quarter. The price was up US$365 per tonne (or 26 per cent) to US$1,775 per tonne at the end of the quarter and averaged US$1,620 over the three month period.

Company Profile

Perilya is an Australian resource company, and the third largest ASX listed zinc producer.

As one of Australia's largest base metal miners, we own and operate the tenth largest zinc mine in the world, the Broken Hill mine in New South Wales. Our base metal exploration interests include projects located throughout Australia and in Malaysia.

Corporate Information

Board of Directors:

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

Issued Share Capital:

Ordinary Shares	191,847,239
Unlisted Options	7,550,000

Major Shareholders:

Young Poong/Korea Zinc Ltd	10.34 %
Barclays Global Investors Australia Ltd	9.56 %
Delta Partners LLC / Charles Jobson	5.82 %
Acorn Capital Ltd	5.30 %
AXA Asia Pacific Holdings Ltd	5.29 %

Australian Stock Exchange Listing

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