



**PERILYA LIMITED**  
ABN 85 009 193 695

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# HALF YEAR PERFORMANCE REPORT

For six months ended  
31 December 2003

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**\$7.6 million profit with a growing revenue base**

	2002 / 03 1 <sup>st</sup> Half	2002 / 03 2 <sup>nd</sup> Half	2003 / 04 1 <sup>st</sup> Half
Profit / (Loss) after tax (\$m)	(6.6)	6.5	7.6
Cashflow from operating activities (\$m)	(24.5)	16.9	(0.4)
Net Debt (\$m)	12.0	0.8	10.0
Earnings per share (cents)	(4.8)	4.1	4.8

**Key Features**

- Profit after tax of 7.6 million.
- Strong progress made in establishing the overall integrity of the Broken Hill Operation despite a one off interruption to production due to the skip failure in January 2004.
- Excellent drilling results at the Daisy-Milano Gold project indicates its potential to become Perilya's second mining operation.
- Surface mapping and sampling has demonstrated a much larger mineralisation system at the Mt Oxide Copper project than previously identified.
- \$7.2 million profit before tax on sale of investments.
- Net Debt of \$10.0 million and listed securities with a market value at year end of \$27.6 million underscores a very strong balance sheet.

The profit of \$7.6 million for the six months ended 31 December 2003 resulted from a combination of investment sales and below target production from the Broken Hill Operation that reflected the continuing refurbishment phase of the mine.

Perilya is poised for strong revenue and profit growth over the next few years as the alignment of a strong debt free balance sheet, a revitalised Broken Hill Operation, an improved market outlook and a portfolio of development projects all come together to produce a significant diversified mining company.

The focus remains on Broken Hill with much more that can be done in relation to reducing costs and improving performance. The last six months generated zero cash flow and a \$2 million loss before tax. Managing Director, Mr Clifton said "The major equipment replacement program and integrity improvements at the Broken Hill mine were now commencing to show their benefits with long term forecasts showing strong positive cash flows that should provide both dividends to shareholders and finance for the development of Perilya's portfolio of projects."

Project teams are being assembled to take each of the Daisy-Milano gold project near Kalgoorlie, the Flinders zinc project in South Australia and the Mt Oxide copper project in North West Queensland to their next stage.

The initial results from surface drilling during November and December at the Daisy-Milano gold mine near Kalgoorlie were very encouraging confirming the continuity of the mineralised structure which has been averaging greater than 15g/tonne. The existing decline will be developed to the 11 level over the next 4 to 5 months and the mineralised structure, which remains open at depth, further evaluated through underground drilling, with the intention of providing Perilya with its second mining operation.

Since year end the company has disposed of its holding of Independence Group NL shares yielding net revenue of \$19.2 million.

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**Perilya Limited – ABN 85 009 193 695**

**Six months ended 31 December 2003 (“current period”)**

**Results for announcement to the market**

	\$'000
<b>Revenue from ordinary activities</b>	<b>Up 43% to 88,306</b>
<b>Profit from ordinary activities after tax attributable to members</b>	<b>\$7,618</b>
<b>NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO MEMBERS</b>	<b>\$7,618</b>

No **dividends** were paid or declared by Perilya Limited in the current period or during the period since balance date.

**Revenue from ordinary activities** in the current period of \$88.3 million was significantly above that in the half year ended 31 December 2002 due to the gradual build up to target production levels at the Broken Hill Mine during 2002 following its purchase from Pasminco Limited on 31<sup>st</sup> May 2002.

**Profit from ordinary activities after tax attributable to members** in the current period of \$7.6 million, compared to a loss of \$6.6 million in the corresponding half year, includes a profit before tax of \$7.2 million from the sale of investments and controlled entities.

*This interim financial report is to be read in conjunction with the most recent annual financial report.*

## Directors' Report

The directors of Perilya Limited present their report on the consolidated entity consisting of Perilya Limited and the entities controlled during or at the end of the six months to 31 December 2003.

### Directors

The following persons were directors of the Company during the half-year and up to the date of this report:

<b>Barry Cahill</b>	(Operations Director)
<b>Tim M Clifton</b>	(Managing Director)
<b>Peter Harley</b>	(appointed a director on 19 November 2003)
<b>Richard Lockwood</b>	(retired as a director on 18 November 2003)
<b>Philip Lockyer</b>	(appointed a director on 19 November 2003)
<b>Colin A McIntyre</b>	(appointed interim Chairman on 18 November 2003)
<b>Vincent H Pental</b>	(retired as a director and Chairman on 18 November 2003)
<b>Guy A Travis</b>	
<b>Peter J Unsworth</b>	(retired as a director on 18 November 2003)
<b>Yong Fook Shin</b>	(retired as a director on 18 November 2003)

### Review of Operations and comments by Directors

The net profit after income tax was \$7.6 million for the half year.

The Broken Hill Mine made a loss for the half year of \$2.0 million before interest and tax. This outcome primarily reflects production levels below our target rate of 2.4 million tonnes of ore throughput per annum. A scheduled shut down for major maintenance in November and concentrator performance issues caused by cement fill in underground ore in October were the major reasons for the reduced production. Unit direct cash costs of US\$0.36/lb of payable zinc was impacted by the reduced throughput, higher smelter charges associated with the higher US dollar zinc price and a higher US\$/A\$ exchange rate.

Profit from the sale of investments and controlled entities of \$7.2 million include \$7.0 million before tax profit on the sale of 10 million Independence Group NL shares. The sale, at the end of November 2003, took Perilya's holding below the level required for equity accounting of the Independence Group profit. Accordingly, the company also recognised a \$1.8 million after tax share of net profit of Independence Group NL for the 5 months to the end of November 2003.

Perilya received \$750,000 and 5 million fully paid ordinary shares in Gleneagle Gold Limited as payment for the sale of the Fortnum Project to Gleneagle Gold Limited, resulting in a before tax profit of \$0.5 million.

The value of the US\$15 million convertible notes issued to the Korea Zinc Group reduced from \$22.5 million, by \$2.5 million, to \$20.0 million due to the appreciation of the Australian dollar relative to US dollar from 0.6674 at 30 June 2003 to 0.7500 at 31 December 2003. The reduction in the carrying value of the convertible notes was recognised as a credit against borrowing costs. The net borrowing costs were accordingly a positive \$1.6 million.

During the half year the company purchased underground mobile equipment at the Broken Hill Operation financed by Hire Purchase contracts totalling \$2.8 million with a combination of three and four year maturities.

At 31 December 2003, net assets were \$92.6 million including net debt of \$10.0 million. The net debt excludes the \$9.6 million of deposits (restricted cash) backing the environmental bonds lodged with the NSW, WA and QLD governments.

### **Business Development**

In October 2003 Perilya entered into 18 month options to acquire the Daisy-Milano gold mine and surrounding tenements. The Daisy-Milano mine, located approximately 40 kilometres south west of Kalgoorlie, Western Australia, has historically produced 154,000 ounces of gold from 300,000 tonnes of ore at an average grade of 16 g/t gold. If the options are exercised, payments totalling up to \$17.2 million, in a combination of upfront and production linked payments, will be payable over a number of years.

### **Dividend**

No dividend has been declared for the six months to 31 December 2003.

### **Tax Consolidation**

Perilya Limited and its wholly owned subsidiaries elected to consolidate and be treated as a single entity for income tax purposes, effective 18 October 2002, resulting in an income tax benefit of \$1.1 million being recorded for the six months to 31 December 2003.

### **Rounding of amounts**

The company is of a kind referred to in Australian Securities and investments Commission Class Order 98/0100. Amounts shown in this Directors' Report and the financial report have been rounded off to the nearest thousand dollars except where otherwise required, in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.

**Tim M Clifton**  
**Managing Director**

17 February 2004



**Consolidated statement of financial position**

	Notes	As at	
		31 Dec 2003 \$'000	30 Jun 2003 \$'000
<b>Current Assets</b>			
Cash	7	18,466	26,126
Receivables		12,435	12,125
Inventories		12,520	8,218
Tax assets		943	1,094
Other financial assets		909	669
Other		5,455	768
Total current assets		<b>50,728</b>	<b>49,000</b>
<b>Non-current assets</b>			
Restricted cash	7	9,584	8,629
Receivables		1,033	177
Investment accounted for using the equity method	8	9,536	13,923
Other financial assets		6,034	869
Mine properties		41,196	39,929
Property, plant and equipment		40,213	41,894
Exploration and evaluation		17,545	14,275
Total non-current assets		<b>125,141</b>	<b>119,696</b>
<b>Total assets</b>		<b>175,869</b>	<b>168,696</b>
<b>Current liabilities</b>			
Payables		15,951	16,949
Interest bearing liabilities		4,974	1,483
Provisions		12,523	10,979
Current tax liabilities		-	-
Total current liabilities		<b>33,448</b>	<b>29,411</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities		23,510	25,460
Provisions		26,334	29,730
Deferred tax liabilities		-	-
Total non-current liabilities		<b>49,844</b>	<b>55,190</b>
<b>Total liabilities</b>		<b>83,292</b>	<b>84,601</b>
<b>Net assets</b>		<b>92,577</b>	<b>84,095</b>
<b>Shareholders' equity</b>			
Contributed equity	9	77,067	76,202
Retained profits		15,510	7,893
Total shareholders' equity		<b>92,577</b>	<b>84,095</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**Consolidated statement of cash flows**

	Six months to	
	31 Dec 2003 \$'000	31 Dec 2002 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	80,111	58,649
Cash payments in the course of operations	(80,192)	(75,963)
	<u>(81)</u>	<u>(17,314)</u>
Income taxes paid	(119)	(6,823)
Interest received	587	488
Interest and other finance costs paid	(769)	(870)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(382)</u>	<u>(24,519)</u>
<b>Cash flows from investing activities</b>		
Payments for purchases of equity investments	(964)	(5,002)
Payments for property, plant and equipment	(2,514)	(871)
Payments for mine properties	(5,537)	(445)
Payments for exploration and evaluation	(3,855)	(1,859)
Payments for deferred stamp duty	(743)	(1,561)
Payment of funds advanced to other entities	(1,030)	-
Proceeds from sale of equity investments	10,453	17,418
Proceeds from sale of plant and equipment	296	90
Proceeds from sale of Fortnum mine assets	750	-
Proceeds from repayment of staff advances	299	-
Net inflow from purchase of controlled entity	0	4,994
Payments for production linked payment	(3,556)	-
Movement in restricted cash	(955)	-
Proceeds from dividends	0	639
<b>Net cash inflow/(outflow) from investing activities</b>	<u>(7,356)</u>	<u>13,403</u>
<b>Cash flows from financing activities</b>		
Proceeds of funds from issue of shares	866	10,370
Proceeds from borrowings - Ranger Minerals Ltd pre-acquisition	-	15,000
Payment of Ranger Minerals Ltd dividends	-	(3,476)
Repayment of Hire Purchase Liability	(788)	-
Other	-	(59)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>78</u>	<u>21,835</u>
<b>Net (decrease)/increase in cash held</b>	(7,660)	10,719
Cash at the beginning of the reporting period	26,126	5,372
Effects of exchange rate changes on cash	-	-
<b>Cash at the end of the reporting period</b>	<u>18,466</u>	<u>16,091</u>

*The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.*

## Notes to and forming part of the condensed consolidated financial statements

### Note 1 : Basis of financial report preparation

This general purpose financial report is for the half-year ended 31 December 2003, and has been prepared in accordance with the Australian Stock Exchange Listing Rules as they relate to Appendix 4D and in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirement (Urgent Issues Group Consensus views), other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001. This interim report does not include all of the notes of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with any public announcements made by Perilya Limited and its controlled entities during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### Note 2 : Revenue from ordinary activities

Profit from ordinary activities after income tax includes the following revenues whose disclosure is relevant in explaining the financial performance of the entity due to their size or nature.

	Six months to	
	31 Dec 2003 \$'000	31 Dec 2002 \$'000
<b>Revenue from operating activities</b>		
Sale of goods	75,029	40,358
<b>Revenue from outside the operating activities</b>		
Interest revenue	587	431
Proceeds from dividends	-	638
Proceeds from sale of equity investments	10,453	18,669
Proceeds from sale of property, plant & equipment	1,296	110
Proceeds from sale of exploration prospect	500	1,325
Other revenue	441	148
<b>Revenue from ordinary activities</b>	<b>88,306</b>	<b>61,679</b>

### Note 3 : Dividends

No dividend has been declared for the six months to 31 December 2003

**Note 4 : Segment information**
**Business segments**

	Base metals Mining	Gold Mining	Exploration	Investment & Admin	Consolidated
<b>Six months to 31 December 2003 - \$'000</b>					
Sales revenue	74,779	-	-	250	75,029
Other revenue	438	1,750	-	11,089	13,277
<b>Total segment revenue</b>	<b>75,217</b>	<b>1,750</b>	-	<b>11,339</b>	<b>88,306</b>
Segment result	(2,028)	516	(166)	7,525	5,847
Share of net profits of associates	-	-	-	2,057	2,057
<b>Profit from ordinary activities before income tax expense</b>					<b>7,904</b>
Income tax expense					(286)
<b>Net profit</b>					<b>7,618</b>
<b>Six months to 31 December 2002 - \$'000</b>					
Sales revenue	39,300	1,058	-	-	40,358
Other revenue	177	-	-	21,144	21,321
<b>Total segment revenue</b>	<b>39,477</b>	<b>1,058</b>	-	<b>21,144</b>	<b>61,679</b>
Segment result	(13,086)	(176)	(622)	6,225	(7,659)
Share of net losses of associates	-	-	-	(399)	(399)
<b>Loss from ordinary activities before income tax expense</b>					<b>(8,058)</b>
Income tax benefit					1,357
<b>Net loss</b>					<b>(6,701)</b>

**Note 5 : Non-cash financing and investing activities**

	As at	
	31 Dec 2003 \$'000	30 Jun 2003 \$'000
Purchase of Ranger Minerals Ltd	-	26,973
Purchase of Strike Energy Pty Ltd	-	1,209
Shares acquired in Gleneagle Gold Ltd as part consideration for disposal of Fortnum mine assets	1,000	-
Acquisition of plant and equipment on hire purchase	2,810	-
	<u>3,810</u>	<u>28,182</u>

**Note 6 : Income tax**

Six months to	
31 Dec 2003 \$'000	31 Dec 2002 \$'000

The aggregate amount of income tax attributable to the reporting period differs from the amount calculated on the operating profit/(loss) from ordinary activities before income tax. The differences are reconciled as follows:

<b>Profit/(loss) from ordinary activities before income tax</b>	<u><b>7,904</b></u>	<u><b>(8,058)</b></u>
Prima facie tax for the period at the rate of 30%	2,371	(2,417)
<b>Tax effect of permanent differences:</b>		
Utilised capital losses	(939)	(115)
Share of net (profits)/losses of associates	(617)	121
Tax benefit not recognised	2	427
Capital gain/(loss) on sale of investments	361	612
Non deductible provisions	<u>241</u>	<u>15</u>
Income tax adjusted for permanent differences	1,419	(1,357)
Tax benefit upon entering into tax consolidation regime	(1,133)	-
<b>Aggregate income tax expense/(benefit)</b>	<u><b>286</b></u>	<u><b>(1,357)</b></u>

Perilya Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 18 October 2002. The Australian Taxation Office has been notified of this decision. As a consequence, Perilya Limited has applied UIG52 "Income tax accounting under the tax consolidation system" and has recorded an income tax benefit of \$1.1 million during the six months ended 31 December 2003.

**Note 7 : Cash reconciliation**

	As at	
	31 Dec 2003	30 Jun 2003
	\$'000	\$'000
Cash as per consolidated statement of financial position	18,466	26,126
Plus: Deposits supporting performance guarantees (Restricted cash)	9,584	8,629
<b>Total of Cash plus Restricted Cash at end of reporting period</b>	<b>28,050</b>	<b>34,755</b>

**Note 8 : Investments accounted for using the Equity Method**

At the end of November 2003, the Perilya Group disposed of 10 million fully paid ordinary shares in Independence Group NL, which reduced the holding to 15% and as such no longer exerts significant influence over Independence Group NL and has discontinued equity accounting of that investment. During the period, the Perilya Group acquired 5,476,412 shares (a 35% holding) in Comet Ridge NL for \$712,000.

Information relating to the associated companies is set out below:

Name of Company	Principal Activity	Ownership Interest		Carrying amount	
		31 Dec 2003 %	30 Jun 2003 %	31 Dec 2003 \$000's	30 Jun 2003 \$000's
Strike Oil NL	Oil and gas explorer	36	36	8,736	8,522
Southstar Resources NL	Explorer	50	50	88	97
Independence Gold NL	Nickel producer	-	28	-	5,304
Comet Ridge NL	Gas explorer	35	0	712	-
				<u>9,536</u>	<u>13,923</u>

**Movements in carrying amounts of investments in associates:**

Carrying amount at beginning of financial period	13,923	4,294
Cost of investment acquired during the year	712	11,403
Carrying value of investment sold during the year	(2,993)	-
Carrying value of investment transferred to listed investments	(4,163)	-
Share of operating profits after income tax	2,084	(1,720)
Share of preference dividends	(27)	(54)
Carrying amount at the end of the period	<u>9,536</u>	<u>13,923</u>

**Note 9 : Issued and quoted securities**

	Six months ended 31 December			
	2003 Shares	2002 Shares	2003 \$'000	2002 \$'000
Opening balance of issued and fully paid ordinary shares	159,385,332	102,423,784	76,202	37,625
• Share issue for acquisition of Ranger Minerals Ltd	-	39,665,626	-	26,973
• Share placement	-	15,300,000	-	10,710
• Share placement for acquisition of Strike Energy Pty Ltd	-	1,510,922	-	1,209
• Exercise of Options issued under the Perilya Limited 2000 Employee Incentive Scheme	1,270,000	430,000	505	142
• Exercise of options issued to directors	800,000	-	360	-
Balance of issued and fully paid ordinary shares at end of reporting period	161,455,332	159,330,332	77,067	76,659

**Note 10 : Options issued**

During the six months ended 31 December 2003, 1,300,000 options were issued under the Perilya Limited Employee Incentive Scheme. One million were issued at an exercise price of \$0.80 per share with an expiry date of 31 August 2007 and 300,000 were issued at an exercise price of \$1.00 per share and an expiry date of 16 October 2006.

**Note 11 : Earnings per share**

	Six months ended	
	31 Dec 2003	31 Dec 2002
Earnings in cents per ordinary share		
Basic earnings per share	4.75	(4.83)
Diluted earnings per share	4.63	(4.83)
Weighted average number of shares used in the calculation of earnings per share		
- Number for basic earnings per share	160,259,544	136,641,481
- Number for diluted earnings per share	164,528,980	136,641,481
Net profit (loss) used in calculation of basic and diluted earnings per share (\$'000)	7,618	(6,596)

**Note 12 : Net tangible assets per share**

	Six months to	
	31 Dec 2003	31 Dec 2002
Net tangible assets per share (\$)	0.57	0.49

**Note 13 : Control gained over entities acquired or disposed**

During the current period there were no legal entities that were acquired or disposed of which had a material effect on the Company.

During the six months ended 31 December 2002, the following Company was acquired:

- Ranger Minerals Ltd
  - Control gained on 17 October 2002.
  - Contribution to profit from ordinary activities before tax in the six months ended 31 December 2002 - \$4.5 million.

**Note 14 : Contingent assets and liabilities**

There were no contingent assets or liabilities which were not provided for in the financial statements of the economic entity as at 31 December 2003 other than:

- **Broken Hill Workers Compensation**  
The workers compensation premium for the Broken Hill operations for the year ended 7 May 2003 has been subject to a possible upward adjustment of between \$9.2 million and \$11.1 million as a consequence of the "predecessor provisions" under New South Wales WorkCover legislation. On 10 September 2003, the New South Wales WorkCover Authority delivered a draft determination stating that the predecessor provisions do not apply, that the premium demand issued by the insurers to Perilya Broken Hill Ltd be amended by omitting the cost of claims and wages experience of Pasminco Cockle Creek Smelter Pty Ltd and simultaneously sought submissions or comments from the relevant parties in relation to the draft determination. The New South Wales WorkCover Authority has not yet delivered a final determination.
- **Price Linked Payments**  
In accordance with the Sale and Purchase Deed between Perilya Limited, Perilya Broken Hill Limited and Pasminco Limited, price participation royalty payments are payable if the zinc price exceeds US\$950 per tonne. These potential royalty payments cease 7.5 years after 31 May 2002 or the payment of A\$30 million, whichever occurs first. For the quarter commencing 1<sup>st</sup> December 2003 it is anticipated Perilya will be liable for the price participation royalty payment. \$0.1 million has been accrued for the period to 31 December 2003.
- **Fortnum Sale Proceeds**  
As part payment for the Fortnum Gold Project, Perilya will receive \$500,000 upon commencement of

production by Gleneagle Gold Ltd at the Fortnum mine and, after the first 50,000 ounces of production, a royalty at the rate of \$10 per ounce up to a maximum amount of \$2 million. These amounts have not been recognised in the financial statements.

**Note 15 : Events subsequent to balance date**

- ***Broken Hill Mine***

On 10 January 2004 a skip jammed in the ore haulage shaft at the Southern Operations of the Broken Hill Mine damaging a portion of the shaft steelwork. Approximately 17,000 tonnes of zinc concentrate and 5,000 tonnes of lead concentrate production was lost during the three week downtime. The plant was back up to full production from 1 February 2004.

- **Sale of Independence Group NL shares**  
During February 2004 Perilya sold its remaining share holding in Independence Group NL yielding \$19.2 million in revenue and a profit before tax of \$14.9 million which will be recognised in the six months ending 30 June 2004.
- **Mt Oxide Copper Project**  
On 12 January 2004 Perilya signed the contract to increase the equity in the Mt Oxide Copper project from 40% to 100% for an outlay of \$1.6 million. This amount will be paid in the six month period ending 30 June 2004.
- **Ranger Minerals Ltd / Emperor Gold Mining Ltd dispute**  
Ranger Minerals Limited, as guarantor of Ranger Fiji Limited (in liquidation), had a potential obligation to Emperor Gold Mining Limited in respect of an action taken by Emperor against Ranger Fiji in the Fijian Courts. The matter related to a take or pay contract for the purchase of lime by the Fiji Tailings Joint Venture for a gold tailings re-treatment project which ceased in 1993. Fifty percent of the A\$1.0 million claim had been provided for. Agreement has been finalised since the 31 December 2003 to settle the action for an amount slightly below the amount provided.

## Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 8 to 17:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003, and of its performance, as represented by the results of its operations and its cash flows for the half -year ended on that date.

In the Directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that Perilya Limited will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Directors.

**Tim M Clifton**  
**Managing Director**

17 February 2004

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## Independent review report to the members of Perilya Limited

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Perilya Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the Perilya Limited Group (defined below) as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and director's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Perilya Limited Group (the group) for the half year ended 31 December 2003. The consolidated entity comprises both Perilya Limited (the company) and entities it controlled during the half-year ended 31 December 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the group's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and

- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

David Smith  
Partner

Perth  
17 February 2004

**Financial Summary**

	31 Dec 2002 \$m	Six months to 30 June 2003 \$m	31 Dec 2003 \$m
Profit after tax	(6.6)	6.5	7.6
Cashflow from Operating Activities	(24.5)	16.9	(0.4)
Capital Expenditure	3.0	6.0	10.9
Cash	16.1	26.1	18.5
Borrowings	28.1	26.9	28.5
Net Debt *	12.0	0.8	10.0
Equity	78.5	84.1	92.6
Return on Equity (%) *	-8%	8%	8%
Earnings per Share (cents)	(4.8)	4.3	4.8

\* refer to DEFINITIONS on Page 28

**Key Points**

The profit of \$7.6 million for the six months ended 31 December 2003 resulted from a combination of investment sales, taxation credits from the Taxation consolidation of the Perilya companies and below target production from the Broken Hill mine that reflected the refurbishment phase the mine was going through.

The company ended the half year with a very strong balance sheet having \$10 million of net debt (borrowings less cash) and marketable securities with a value in excess of \$20 million. Subsequent to 31 December 2003, Perilya disposed of its holding in Independence Group NL yielding a net \$19.2 million in revenue.

## Broken Hill Operation

### Production & Sales

	31 Dec 2002	Six months to 30 June 2003	31 Dec 2003
<b>Production</b>			
Ore Treated ('000 tonnes)	701	1,086	1,085
Head Grade - Zinc (%)	7.9	9.4	8.0
- Lead (%)	3.3	3.6	3.1
- Silver (g/t)	32	36	34
Zinc Concentrate ('000 tonnes)	101.5	183.3	155.0
- Zinc Grade (%)	50.4	50.9	49.7
Lead Concentrate ('000 tonnes)	29.5	50.6	40.1
- Lead Grade (%)	67.9	68.6	67.8
<b>Sales</b>			
Zinc Concentrate ('000 tonnes)	91.8	180.6	145.1
Lead Concentrate ('000 tonnes)	28.3	50.3	40.7

### Key Points

A shortfall in underground development, which has restricted flexibility and hindered underground production in the past 18 months, has improved significantly with the delivery of new underground equipment. The equipment replacement program continued during the half year with the delivery of underground loaders and the placement of orders for three underground production drill rigs and three underground development drill rigs to be delivered over a 6 month period to June 2004.

Reduced ore mined associated with the shortfall in underground development, concentrator performance issues caused by cement fill in underground ore in October and a scheduled shutdown for major maintenance in November, kept production below our target rate of 2.4 million tonnes of ore throughput per annum.

The major maintenance undertaken in November included refurbishment of the ore haulage winder and the ball mills together with the progressive simplification of the concentrator circuit to improve both recovery and concentrate quality.

In early October the mill feed became contaminated by cemented stope fill material collapsing in some of the stopes then being mined. This resulted in a reduction in the lead recovery in the lead circuit and unwanted higher recovery of lead in the zinc circuit. To rectify the situation and to maintain the concentrate quality, the contaminated ore was fed at a reduced rate. Steps have been taken to prevent a re-occurrence.

Production from the North Mine, with an objective of reducing the dependence on the Southern Operations, commenced during the quarter with a full cycle of production drill, blast, load, haul and fill being completed.

**Broken Hill Operation**
**Financial \$m**

	31 Dec 2002	Six months to 30 June 2003	31 Dec 2003
<b>Profit &amp; Loss</b>			
<b>Revenue</b>			
Gross Sales	71.9	130.0	112.8
Treatment Charges	(32.6)	(49.5)	(38.0)
Other Revenue	0.1	0.3	0.4
<b>Total Revenue</b>	<b>39.4</b>	<b>80.8</b>	<b>75.2</b>
<b>Costs</b>			
Cash Production Costs	42.6	53.4	57.1
Non Cash Production Costs	6.7	9.4	9.4
Non Production Costs	6.3	13.2	15.0
Change in Stock	(3.0)	(1.4)	(4.4)
<b>Total Cost of Sales</b>	<b>52.5</b>	<b>74.6</b>	<b>77.2</b>
<b>Profit before Interest &amp; Tax</b>	<b>(13.1)</b>	<b>6.2</b>	<b>(2.0)</b>
<b>Balance Sheet</b>			
Current Assets	25.7	31.1	39.3
Non Current Assets	70.1	80.6	81.8
<b>Total Assets</b>	<b>95.8</b>	<b>111.7</b>	<b>121.1</b>
<b>Capital Expenditure</b>			
Mine Capital Development	1.0	4.0	5.6
Property Plant & Equipment	2.0	1.8	5.3
<b>Total Capital Expenditure</b>	<b>3.0</b>	<b>5.8</b>	<b>10.9</b>
<b>Unit Costs *</b>			
Zinc Cash Costs - (US\$/lb)		0.28	0.36
- (A\$/lb)		0.45	0.52
Zinc Total Costs - (US\$/lb)		0.32	0.41
- (A\$/lb)		0.51	0.60

**Key Points**

Profit for the half year was impacted by the reduced throughput of ore through the mill. Although costs were in line with plan, the reduced production, higher unit treatment charges associated with high US dollar metal prices and the higher Australian dollar relative to the US dollar increased unit cash costs by US\$0.08/lb to US\$0.36/lb of payable zinc.

\* refer to *DEFINITIONS* on Page 28



## Exploration & Development

	31 Dec 2002 \$m	Six months to 30 June 2003 \$m	31 Dec 2003 \$m
<b>Capitalised Exploration &amp; Evaluation expenditure-\$m</b>			
Exploration & evaluation - Period Opening	11.3	14.7	14.3
Plus - Exploration expenditure	4.0	0.4	3.5
Less - Exploration written-off	(0.6)	(0.8)	(0.2)
Exploration & evaluation - Period Closing	14.7	14.3	17.5

### Key Points

- **Daisy-Milano, WA (100%) Gold**

Of the \$3.6 million of exploration and evaluation expenditure capitalised in the six months to 31 December 2003, \$2.7 million related to expenditure at the Daisy-Milano Gold project near Kalgoorlie in Western Australia, following the agreement to enter into an option to purchase the Daisy-Milano Mine and surrounding tenements in October 2003.

Broadly based surface diamond drilling of the down plunge extension was undertaken during the half year over a strike length of 300 metres to 140 metres below the deepest mined levels. Results confirmed continuity of the mineralised structure and provides increased confidence in the strengthening character of the gold mineralisation observed in the lower (9 to 11) levels of the mine. The structure, which remains open at depth, will be further evaluated through underground drilling.

Based on the results and underground sampling and mapping, the decision has been taken to deepen the existing decline from the 6 level (150 metres) to the 11 level (300 metres) over the next 5 months.

Mining in the upper levels of Daisy-Milano and adjacent lode positions will be undertaken concurrently with the decline development.

Perilya has an 18 month option, expiring in May 2005, to acquire the Daisy-Milano mine and surrounding tenements.

- **Mt Oxide, Qld (100%) Copper**

In October 2003 Perilya increased its equity in the Mt Oxide project to 100%.

During the six months to 31 December 2003 mapping of the area has demonstrated that the previously identified Mara breccia is part of a much larger mineralised breccia system. Based on the extent of brecciation, surface copper mineralisation and silica and haematite alteration, the Mt Oxide mineral system extends over an area 1.6 by 0.6 kilometres. The mineral system contains numerous zones of haematitic brecciation.

Field work, aimed at drill-target definition, will continue with drilling expected in the June 2004 quarter.

## Commodity Prices and Exchange Rates

	Zinc		Lead		Silver		US\$/A\$1.00
	US\$/lb	A\$/lb	US\$/lb	A\$/lb	US\$/oz	A\$/oz	
<b>Spot Prices</b>							
As at 31 Dec '02	0.34	0.60	0.19	0.34	4.67	8.24	0.57
As at 30 June '03	0.36	0.53	0.22	0.33	4.51	6.75	0.67
As at 31 Dec '03	0.46	0.61	0.34	0.45	5.97	7.95	0.75
<b>Average Prices</b>							
Avg for 6 months to 31 Dec '02	0.35	0.63	0.20	0.35	4.60	8.31	0.55
Avg for 6 months to 30 Jun '03	0.35	0.57	0.21	0.34	4.63	7.50	0.62
Avg for 12 months to 30 Jun '03	0.35	0.60	0.20	0.35	4.61	7.89	0.58
Avg for 6 months to 31 Dec '03	0.40	0.58	0.26	0.38	5.12	7.46	0.69

### Key Points

Zinc and lead prices, in US dollar terms, ended the year at their high point. In Australian dollar terms the zinc price ended the year around the 2002/03 year average. The lead price in Australian dollar terms was 28% above the 2002/03 year average at 31 December 2003.

The zinc and lead prices have continued to increase since year end.

### **5 September 2003 – Daisy Milano Gold Mine**

The Directors advise that Perilya has entered in an agreement with the owners of the Daisy Milano Gold Mine, situated at Mt Monger in the Eastern Goldfields region of Western Australia, to conduct a four week exclusive due diligence evaluation.

A successful conclusion of the due diligence will result in Perilya entering an exclusive 18 month option to purchase agreement. During the option period Perilya will carry out diamond drilling and underground mining to confirm the resource potential at Daisy Milano.

The Daisy Milano Gold Mine is a high grade, underground mine which has been operated by Nickelseekers Mining Services Pty Ltd, a private Kalgoorlie based company for 14 years. Production to date has been in excess of 150,000 ounces.

Perilya's activities will be directed towards establishing the size of the gold system and its potential to support an operation of increased scale.

### **19 November 2003 – Changes to the Board of Directors**

The Directors wish to advise that Non-Executive Directors of the Company, Messrs Vincent Pental, Peter Unsworth, Yong Fook Shin and Richard Lockwood, have resigned from the Board. The Board expresses its appreciation for the parts they have played in the growth and development of Perilya during their term of office,

The Board is pleased to announce the appointment of two new Non-Executive Directors, Mr Phillip Lockyer and Mr Peter Harley.

Mr Lockyer is a Mining Engineer and Metallurgist with 40 years technical and management experience in the minerals industry. He was employed for approximately 20 years with WMC Resources, reaching the position of General Manager WA, followed by Director of Operations positions at Dominion Mining Ltd and Resolute Ltd. Mr Lockyer currently manages his own mining management consultancy business and is a member of the AJ Parker Hydrometallurgy CRC Industry Advisory Committee and the MERIWA Mining and Engineering Subcommittee.

Mr Harley is a qualified accountant with more than 30 years experience including 10 years with E.R.G. Ltd where he held the position of Financial Director until June 1996. He is currently Chairman of iiNet Limited and a Director of Gunson Resources Limited and Foundation Capital Limited, Western Australia's largest venture capital fund.

**Consolidated**

The 100% consolidation of entities controlled by Perilya Limited together with the equity method of consolidation of entities over which it exerts significant influence but not control. Unincorporated joint ventures are consolidated on a proportionate basis.

**Net Debt**

Interest bearing liabilities less cash (net of restricted cash or deposits supporting performance guarantees).

**Return on Equity**

Net profit after tax attributable to members divided by Total shareholders' equity, annualised.

**Unit Costs of Payable Zinc**

Total production and non production costs less the net revenue from the sale of lead concentrate, divided by payable zinc produced.