

## CORPORATE

### Sale of Independence Group NL shares

In November Perilya realised \$10 million through the sale of 10 million Independence Group NL shares. Perilya retains a holding of 10.7 million shares, 1 million contributing shares and 8 million options in Independence Group NL. The Company is considering its strategic alternatives in relation to this holding.

### Priority Issue of Comet Ridge Limited shares

On 20th January 2004 Perilya announced the Priority Issue to Perilya shareholders of 30% of the shares to be issued by Comet Ridge Limited under an Initial Public Offer planned for early 2004. Comet Ridge Limited is a new energy company recently formed by Strike Oil NL ( Perilya 35.6% ) to exploit the coal seam gas potential of the eastern states of Australia.

Perilya holds approximately 35% of the current issued shares in Comet Ridge Limited and has secured the entitlement for Perilya shareholders to subscribe for the Initial Public Offer on a "first come, first served" basis. The record date for the entitlement of shares was 22 January 2004. The Prospectus for the Initial Public Offer and Priority Issue should be distributed in February 2004.

## MARKET CONDITIONS

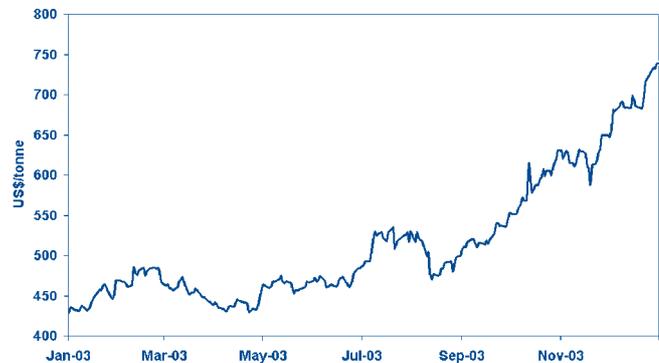
Base metal prices ended the year at their high point. The LME zinc cash settlement price was US\$1,008 per tonne on 31 December 2003 and the lead price was US\$740 per tonne. Silver traded at US\$5.96 per ounce on 31 December 2003.

Zinc prices were above US\$1,000 per tonne for the first time since March 2001. The rise in prices was mainly driven by China's strong demand and the improved outlook for the global economy. In the US, strong industrial production and housing starts in November bolstered optimism over the US economy.

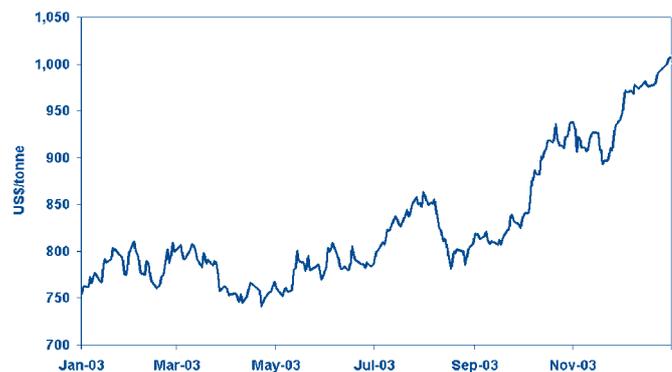
The counter to the rising metal prices was the appreciating Australian dollar relative to the US dollar, which continued during the quarter, up from US\$0.68 per A\$1.00 on 30 September to end the year at US\$0.75 per A\$1.00.



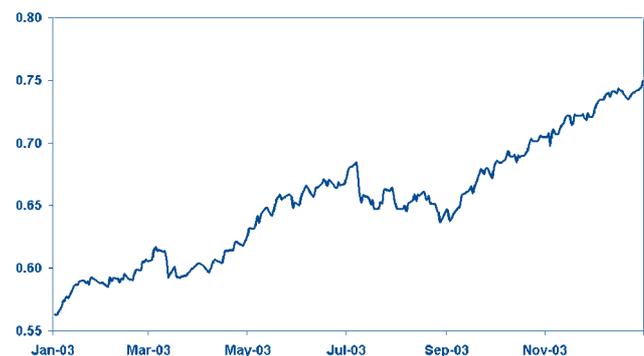
LEAD PRICE (LME Spot)



ZINC PRICE (LME Spot)



EXCHANGE RATE US\$/A\$1.00



## CORPORATE INFORMATION

Principal & Registered Office:  
Level 2, 31 Ventnor Ave, West Perth WA 6005

Postal Address:  
P O Box 1787 West Perth WA 6872  
Email: [perilya@perilya.com.au](mailto:perilya@perilya.com.au)  
Website: [www.perilya.com.au](http://www.perilya.com.au)  
Tel: (61 8) 9423 1700  
Fax: (61 8) 9423 1787

Share Registrar Enquiries:  
Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Tce  
Perth WA 6000  
Tel: (61 8) 9323 2000  
Fax: (61 8) 9323 2033  
Email: [perth.services@computershare.com.au](mailto:perth.services@computershare.com.au)

Australian Stock Exchange Code: PEM

FIRST HALF 2003/04 RESULTS ANNOUNCEMENT

Date: Tuesday 17 February 2004



Perilya

# Quarterly Report

For the three months ended December 2003



PERILYA

Perilya Limited ABN 85 009 193 695

PERILYA'S SHARE PRICE versus S&P/ASX300 INDEX



## Highlights for the Quarter

- **Increasing share price**, closing the year at \$1.22 per share
- **Increased US \$ metal prices** – Zinc US\$1,008/tonne and Lead US\$740/tonne at 31 December
- **Encouraging results** at Daisy-Milano gold mine
- **Potosi project** at Broken Hill progresses to mine planning and feasibility stage
- **Potential** of the Mount Oxide copper project enhanced

## Managing Director's Report

Perilya made strong progress during the quarter towards its aim of building a diversified and profitable mining company, with the decision to move to development and feasibility studies at the Daisy-Milano Gold project and the Potosi zinc lead silver project.

The Broken Hill Mine is the foundation and driver for the growth of Perilya.

The overall integrity of the Broken Hill Mine continues to improve with planned maintenance and equipment replacement programmes expected to positively impact on production and operating costs in the coming months.

We finished the calendar year at Broken Hill strongly, with increased underground development returning pleasing results in November and December. Although the result for the quarter was adversely impacted by below budget concentrate production in October, the problem caused by contamination of mill feed with cement fill material from underground has been rectified.

The damage caused to the ore haulage shaft at the Southern Operations in mid January this year has been successfully repaired and the mine is scheduled to be operating at full capacity by the end of this week.

I am very pleased to report that Barry Mitchell has joined Perilya in the role of General Manager, Broken Hill Operations. Barry brings 25 years experience in the mining industry with a strong exposure to metalliferous mining in both surface and underground operations. Barry Mitchell's appointment will free up the Director of Operations, Barry Cahill, to pursue the development of our other emerging projects.

The two significant advances, at the Daisy-Milano Gold project near Kalgoorlie in Western Australia and the Potosi zinc, lead and silver project at Broken Hill, reflect the advanced nature and quality of Perilya's asset portfolio.

Daisy-Milano has the potential to become our second mining operation, with gold production from a trial mining programme expected to be achieved late in the coming quarter. The excellent drilling results (tabled later in this report) achieved during the quarter resulted in the decision in January

to move to decline development and the mining and the treatment of ore as part of our evaluation programme.

At the Potosi project, three kilometres north of the North Mine at Broken Hill, drilling during the quarter confirmed the continuity and grade of resources. As a result, preliminary mine planning and feasibility studies for the development of an underground mine at Potosi will be initiated in February-March 2004. This project has the potential to strengthen our production profile and flexibility at Broken Hill and it underlines the opportunity for additional resources that came with the acquisition of the mine in May 2002.

We are increasingly optimistic about the Company's Mt Oxide copper project, 25 kilometres north of the Mt Gordon mine in north west Queensland, where past drilling defined an inferred resource of 2.8 million tonnes at 2.9% copper below the old Mt Oxide pit. Surface mapping and sampling at this project during the quarter produced very positive results. Based on the extent of the surface copper mineralisation and silica and hematitic alteration, the Mt Oxide mineral system extends over an area of 1.6 by 0.6 kilometres and is untested by drilling over most of the area.

We are also pleased to be able to provide Perilya shareholders with the opportunity, on a priority basis, to participate in the initial public offering of Comet Ridge Limited. Comet Ridge, currently held 35% by Perilya, is the public vehicle created to develop the promising coal seam gas business of Strike Oil NL.

Managing Director  
28 January 2004

Perilya

## BROKEN HILL MINE

Underground performance improved in the area of development and in load and haul, with the delivery of the new underground loaders starting to impact. The equipment replacement program continued during the quarter with 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. The purchase of these drill rigs is a major step forward in the long term improvement plan at Broken Hill and confirms the commitment to improving productivity and efficiency.

Concentrator performance issues caused by cement fill in underground ore in October, and a scheduled shut down for major maintenance in November, kept production below our target rate of 2,400,000 tonnes of ore throughput per annum. With lower throughput, higher smelter charges and a higher US\$/A\$ exchange rate, the direct cash costs increased during the quarter by US\$0.09/lb to US\$0.41/lb of payable zinc.

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. Initial modifications to the zinc circuit were completed with positive results, particularly in the stability of the circuit and the ease of operation.

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 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. As a consequence, the tonnage of concentrate produced was below budget. 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.

### Subsequent Event

On the 10th January 2004 a skip became jammed in the ore haulage shaft at the Southern Operations damaging a portion of the shaft steelwork. It is planned to have the shaft fully operational by the end of this week.

### Outlook

With the increase in developed stopes and the achievement of target throughput levels in December, the outlook, post the commencement of production at the end of January, is positive with throughput at a rate of 200,000 tonnes of ore per month and unit direct cash costs at our target levels.

Production	Results		
	June 03 Quarter	September 03 Quarter	December 03 Quarter
Ore treated 000's tonnes	575	567	518
Zinc grade %	8.8	7.9	8.0
Lead grade %	3.3	2.8	3.5
Silver grade g/t	35	31	37
Zinc concentrate 000's tonnes	89.5	82.3	72.6
Zinc metal 000's tonnes	45.3	40.7	36.3
Recovery %	89.8	90.0	87.2
Lead concentrate 000's tonnes	24.9	19.4	20.7
Lead metal 000's tonnes	16.7	13.1	14.0
Recovery %	89.4	83.8	78.2

## EXPLORATION



### Broken Hill, NSW (100%) Zinc, Lead, Silver

Drilling of zinc, lead and silver resources at the Potosi project, located 3 kilometres north of the North Mine at Broken Hill was completed during the quarter. The drilling was designed to confirm the continuity and grade of resources. Results to hand are in line with expectations and preliminary mine planning and feasibility studies for the commencement of an underground mine at Potosi will be initiated in February – March.

### Mt Oxide, QLD (100%) Copper

Mt Oxide is located 25 kilometres north of the Mt Gordon copper mine, in north west Queensland. Past drilling has defined an inferred resource of 2.8 million tonnes at 2.9% copper below the old Mount Oxide open pit.

Previous geological mapping identified the Mara breccia, a 300m long zone of haematitic brecciation and silicification, located immediately north of the drilled resource, containing extensive copper mineralisation.

Mapping by Perilya during the December quarter has demonstrated that the Mara breccia is part of a much larger mineralised breccia system. Based on the extent of brecciation, surface copper mineralisation and silica and heamitite alteration, the Mount 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 quarter.

### Flinders, SA (85-100%) Zinc

Drilling is planned in the coming quarter at the Flinders zinc project in South Australia where the project resource currently stands at 941,000 tonnes at 31% zinc.

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

Broadly spaced surface diamond drilling of the down plunge extension of the high grade Daisy-Milano gold mine in the Mount Monger gold field, Western Australia, was undertaken during the quarter.

The Daisy-Milano mine, which operated until October 2003, has produced 300,000 tonnes of ore at a grade of 16 g/t Au (154,000 ounces of gold). The ore body was mined to a depth of 305 metres below surface, and at this level has been developed over a strike length of 300 metres.

Recent production figures, and the results of Perilya's sampling of the lower levels of the mine, indicate that the down plunge extension of the Daisy-Milano structure has the capacity to host in excess of 1,000 ounces of gold per vertical metre.

Nine surface diamond drill holes were completed over a strike length of 300 metres to 140 metres below the deepest mined level. Results have confirmed continuity of the mineralised structure and 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 upon the results of drilling 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 in adjacent lode positions will be undertaken concurrently with the decline development. Under the agreement with vendors, cash flows generated through mining by Perilya during the option period will be split, 70% to Perilya, 30% to the vendors. Payments made in this way will form part of the purchase price in the event that Perilya exercises its option.

The assay results from surface diamond drilling are as follows:-

Hole	EOH	From	Width	Grade (g/t Au)
DMRD 1	528.8	449.95	0.55	3.1
		474.65	0.68	1.5
DMRD 2	541.0	417.63	5.97	15.6
		DMRD 3	559.0	459.86
DMRD 4	561.8			475.25
		DMRD 5	696.8	434.60
DMRD 6	351.8			514.00
		DMRD 7	550.5	522.57
DMRD 8	660.9			tested outside of plunge projection
		DMRD 9	696.3	445.36
DMRD 9	696.3			tested outside of plunge projection
		DMRD 9	696.3	no significant intercept
DMRD 9	696.3			– fault complication at target position

Hole DMRD 6 which tested outside of the plunge projection of the Daisy-Milano structure intersected a mineralised structure, 'Far West', approximately 70 metres to the west of the Daisy-Milano structure with the following result:

Hole	EOH	From	Width	Grade (g/t Au)
DMRD 6	351.8	291.78	0.30	35.8

Historically, gold production from the Mount Monger gold field has totalled 400,000 ounces from several structures similar to, and in the vicinity of, the Daisy Milano mine (including the Rosemary, the Western Make, the Haoma and the Dinnie Regio). It is planned to commence evaluating these structures and the wider field early in the coming quarter.