

\$12.9 million profit after tax for the 12 months ended 30 June 2004

	2003/04	2002/03
Profit / (Loss) after tax (\$m)	12.9	(0.1)
Cash flow from operating activities (\$m)	8.7	(7.6)
Earnings per share (¢)	8.0	(0.1)

Key Features

- Profit after tax of \$12.9 million (2002/03: net loss \$0.1 million).
- \$11.9 million cash flow from operating activities at Broken Hill.
- Total cash and deposits increased to \$40.7 million from \$34.8 million at 30 June 2003.
- Decline development at Daisy-Milano gold project to reach the unmined extension of the main ore body by November 2004.
- Successful listing of Strike Oil Limited on ASX in August 2004.

Operations

The 2003/04 year was the first full year of production for Perilya from the Broken Hill zinc, lead and silver mine and the first step towards the growth and diversification of cash flow with the evaluation and progressive development of the Daisy-Milano gold project.

Production for the year at the Broken Hill Operations amounted to 282,400 tonnes of zinc concentrate and 79,300 tonnes of lead concentrate. This result was achieved despite a 19 day production downtime in January due to the ore haulage skip jamming in the shaft, and several other independent and isolated events which impacted the operation over the past 12 months. The 19 day downtime in January reduced zinc concentrate production by an estimated 15,300 tonnes and lead concentrate production by an estimated 4,700 tonnes.

Although significant improvements in the performance of the Broken Hill Operations were achieved over the course of the year, the operation did not consistently achieve target production. An ongoing program of project enhancement is expected to result in further improvements in operating performance in 2004/05.

The unit cash cost of production averaged US\$0.36 per pound of payable zinc in the first half of the year and US\$0.43 per pound in the second half. Adjusting for the 19 day downtime, the unit costs in the second half of the year would have been US\$0.35 per pound.

Financials

Profit of \$12.9 million for the 2003/04 year resulted from a combination of the sale of non strategic investments and a before tax loss of \$3.8 million from the Broken Hill Operations. This resulted in earnings per share of 8.0 cents (2002/03: loss per share 0.1 cents) for the Company. The financial effect of the 19 day production downtime at the Broken Hill Operations in January represents a reduction in profit before tax of approximately \$5 million and cash flow of approximately \$7.0 million.

The cash outflows associated with major investment activities comprised \$17.5 million on mine development and plant and equipment at Broken Hill, \$7.5 million on the evaluation and development at Daisy-Milano and \$4.5 million, excluding Daisy-Milano, on exploration and evaluation.

Cash flow from operating activities at Broken Hill amounted to \$11.9 million for the year. Total cash and deposits were \$40.7 million at 30 June 2004 up from \$34.8 million at 30 June 2003.

Subsequent to the end of the 2003/04 financial year, Strike Oil Limited, a successful petroleum exploration company supported by Perilya since 1997, was listed on the ASX in August 2004. Perilya maintains a 20.7% holding in the listed company which is commencing exploration drilling in the Carnarvon Basin in October this year. The market value of all listed investments held by Perilya as at 18 August was \$11.4 million.

Market Conditions

Higher US dollar metal prices were significantly affected by the rising value of the Australian dollar relative to the US dollar, up from an average of 0.58 in the 2002/03 year to 0.71 in the 2003/04 year. Unlike most other base metals, the average Australian dollar zinc price improved only marginally in the 2003/04 year compared to the previous year, up from A\$0.60 per pound to A\$0.62 per pound. The average Australian dollar lead price increased from A\$0.35 per pound to A\$0.45 per pound.

Outlook

Following a comprehensive review of the Broken Hill Operations, undertaken with the experience of two years of operating the mine, the decision has been taken to change the production profile to reduce reliance on the South Mine. The mining rate at the higher grade North Mine will be increased and the rate at the South Mine reduced to 1.8 million tonnes per annum to treat a combined 2.1 million tonnes per annum. The Potosi resource is being permitted for development to provide a third ore source.

An ongoing cost and efficiency review is continuing at Broken Hill, incorporating the change in production profile with the objective of identifying and implementing projects to reduce the unit operating costs and improve head grade.

At the Daisy-Milano gold project decline development is scheduled to reach the 11 level, the deepest part of the existing workings by mid November 2004.

From production records and underground sampling and wide spaced drilling conducted by Perilya, the Daisy-Milano ore body is interpreted to extend down plunge at more than 1000 ounces of gold per vertical metre. The development, trial mining and diamond drilling programme currently underway is designed to confirm this and establish ore continuity and grade.

If, as is anticipated, the ore body continues at depth in the same manner as it occurs in the lower levels of the mine (8 to 11 level) then, on current mining models, an operation producing more than 70,000 ounces of gold per annum, with potential to deliver significant cash flows, could be established.

Exploration and evaluation work will continue at Broken Hill, the Flinders zinc project in South Australia, the Mount Oxide copper project in Queensland, the Woodline Well nickel project in Western Australia, and the gold projects in Western Australia over the coming year.

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