Full Financial Report

for the year ending 30 June 2009

30 September 2009

PERILYA RELEASES FULL FINANCIAL REPORT

Perilya (ASX:PEM) today released its full financial report for the year ending 30 June 2009, together with its concise financial report for the same period.

As previously announced, Perilya has reported a second half turnaround to record a net profit after tax of $2.1 million for the second half of 2009 financial year.

Perilya reported a full year result of a loss after tax of $75.1 million after one-off impairments, sale of investments, redundancy costs and write downs totalling $57.2 million (net of tax). Excluding the effect of these one-off items, the underlying net loss after tax attributable to members of the Company was $17.9 million.

The full year results highlight the success of Perilya's response to the difficult economic circumstances it faced during the period, with the financial year being a tale of two halves. The 6 months to 31 December 2008 saw Perilya record a loss after tax of $77.2 million, whilst the 6 months to 30 June 2009 saw Perilya's resized operations and new operating plan take effect with Perilya turning the first half result around to record a profit after tax of $2.1 million for the period.

Cash costs at Broken Hill almost halved from US$1.08/lb of payable zinc in the first half to US$0.58/lb of payable zinc in the second, resulting in significant improvement in cash margins – a 46% drop in C1 costs to US$0.58/lb payable zinc (2008: US$1.08/lb payable zinc). This was achieved largely on the back of lower operating costs and productivity improvements.

Post year end, Perilya completed financial settlement under the terms of the deed of termination of the silver sale agreement with CDE Australia Pty Ltd (CDEA) and Coeur d'Alene Mines Corporation (Coeur) (ASX Code: CXC). Under the terms of the Deed, Perilya paid CDEA US$55 million in consideration for releasing Perilya from its obligation to further deliver approximately 11.2 million ounces of silver to CDEA from its Broken Hill operations. The 11.2 million ounces have a face value of approximately US$157 million (basis US$14.00/oz).

Perilya anticipates further reductions in cash operating costs on the back of the termination of the Company's silver sale agreement, which will further underpin the viability of the Broken Hill operations, with the additional silver credits expected to reduce Broken Hill's cash operating costs by approximately US$0.10-US$0.12/lb of payable zinc at current silver price and USD/AUD exchange rates.

Having built a solid platform for sustainable production and a significantly reduced cost profile at its core operations in Broken Hill, Perilya is now positioned to pursue growth opportunities as they arise in both base and precious metals. This will include pursuing both organic growth and external acquisitions opportunities.

From an internal growth perspective, in light of the termination of the silver sale agreement with Coeur d'Alene, Perilya is re-assessing the potential of mining the higher grade silver deposits on Perilya's Broken Hill tenements including the North Mine, Potosi and North Mine Deeps. In addition, Perilya will evaluate the potential for mining the South Mine upper levels.

Perilya is further pursuing organic growth through a re-activation of its exploration drilling programs, previously reduced to tenement maintenance obligations in response to the adverse economic conditions faced during the financial year just ended. This includes a renewed exploration drilling program at its Mt Oxide copper project to increase the current resources. This may include re-examining the potential for earlier access to ore through the proving up and development of oxide resources. Perilya is also commencing a targeted drilling program in the Flinders region to replace its Beltana ore.

As previously announced, in addition to pursuing organic growth opportunities, Perilya will pursue strategic acquisition opportunities in base and precious metals to complement its existing resource and production base.

Perilya's Managing Director, Paul Arndt, commented on the financial year under review, saying that:

"Despite the adverse economic circumstances of the past year Perilya has been able to place itself into a fundamentally stronger position having transformed the Broken Hill operation through almost halving the unit costs of production and the development of a sustainable long term production plan." Mr Arndt said.

He added "The completion of the silver transaction post the end of the financial year has further re-enforced this and Perilya is now in a position to consider and implement as appropriate organic and acquisition growth opportunities."

"We have successfully met or exceeded the production and operating cost improvement targets we set for ourselves and described to the market in the process of restructuring of Broken Hill and now have a demonstrated skill set that can be applied to these growth opportunities."

"Perilya has the strong support of our major shareholder, as demonstrated by the financing arrangements for the silver transaction and the assistance in opening up improved markets for our zinc silicate ores from the Flinders region. This support, the introduction of a number of new institutions to our register and our solid financial position allows us to enter the new financial year with a high level of confidence around future performance."

For further information:

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