PERILYA REPORTS FULL YEAR RESULT

Perilya (ASX:PEM) today released its financial results for the year ending 30 June 2008, reporting a net loss after tax of $140.2 million after one-off impairment write downs totalling $188.2 million (pre tax) associated primarily with its Broken Hill zinc and lead operation. Excluding the effect of one-off items, the underlying net loss after tax was $22.1 million.

The results reflect the challenging period of the past 12 months that saw metal prices fall significantly giving rise to Perilya’s recent decision to resize the Broken Hill Operation to focus on a lower production and cost profile. (ASX Release 21 August 2008).

KEY POINTS

• Underlying net loss after tax of $22.1 million
• Impairment losses of $188.2 million (pre tax) due primarily to the resizing of the Broken Hill Operation
• Resized and focussed on sustaining a financially viable operation during the low metal prices environment
• Positioning to re-establish increased production and profitability when metal prices increase

Perilya’s Executive Chairman, Patrick O’Connor commented on the past year, saying that it has been a challenging period for zinc producers.

“During the past year Perilya experienced an improved second half of sustainable production, however this was offset during the year by significant cost pressures, a sharp decline and volatility in the price of zinc and lead and a strong Australian Dollar. During the year zinc and lead prices have fallen by 50% and 42% respectively in Australian Dollars terms,” Mr O’Connor reported.

“In light of these challenges and the need to ensure the financial viability of the company going forward, the Board has adopted a conservative financial management approach manifest in significant impairment write downs of $188.2 million. The impairment is primarily due to the recent resizing of the Broken Hill Operation and the closure of the hedge book resulting in the operation being exposed to the current depressed spot metal prices.”

“Importantly, the Board believes that despite these one-off write downs, the operational changes implemented at the Broken Hill Operation will allow it to maintain a production level that is financially viable for at least the next 2 to 3 years at current metal prices without significant compromise to the longer-term life of mine, whilst retaining the ability to re-establish increased production and profitability in the future when metal prices increase.”

“We’ve had to make some very difficult decisions in recent weeks. The decision to reduce our workforce at Perilya, amongst other measures, was the hardest of those. In the long run however, by making the difficult choices now, we have retained 320 jobs in the interim and positioned the Broken Hill Operation to keep its doors open for a further two to three years at current prices.”
“Notwithstanding the impact of commodity prices and exchanges rates, the long-term demand outlook for zinc and lead remains strong and on the back of the recent decision to reduce production at the Broken Hill Operation, the company is well positioned for the future.”

“Going forward we are reviewing the development opportunities for the Mount Oxide copper project, other non-core assets, and Perilya’s capital management. We expect to be in a position to report on these during the next quarter. Ultimately, our decisions on these assets will be made on the basis of maximising value for Perilya shareholders.”

No final dividend will be paid and the company’s Dividend Re-investment Plan will be suspended until further notice.

Further details on the Full Year Results and the performance of the business are set out below and in the Preliminary Final Report.

For further information:

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Financial Overview

Perilya has experienced during the past year an improved second half of sustainable production, however this was offset during the year by cost pressures, a sharp decline and volatility in the price of zinc and lead and a strong Australian Dollar. The results reflect those challenges and the Board’s view to take a conservative financial management approach in the current depressed metals price environment.

The net loss after tax was $140.2 million comprising a net loss after tax of $142.2 million from continuing operations and a net profit after tax of $2.0 million from discontinued operations. The result was impacted by weaker zinc and lead prices, a strong Australian Dollar and higher treatment and refining charges, as well as impairment write downs and other non-recurring items.

Excluding the effect of impairment losses and other one-off items, the underlying net loss after tax attributable to members of the company was $22.1 million. The underlying loss was negatively impacted by the volatility in zinc and lead prices, which have fallen by 50% and 42% respectively in Australian Dollar terms and increasing cost pressures.

Summary of Financial Results for the Year Ended 30 June 2008

<table>
<thead>
<tr>
<th>A$ Million</th>
<th>June 2008</th>
<th>June 2007</th>
<th>% var</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre Tax</td>
<td>Tax Effect</td>
<td>Net After Tax</td>
</tr>
<tr>
<td>Revenue</td>
<td>*237.1</td>
<td>365.8</td>
<td>(35%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>75.0</td>
<td>150.3</td>
<td>(50%)</td>
</tr>
<tr>
<td>Net Profit/ Loss from Continuing Operations</td>
<td>(168.0)</td>
<td>25.8</td>
<td>(142.2)</td>
</tr>
<tr>
<td>Add back significant items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment losses</td>
<td>188.2</td>
<td>(56.5)</td>
<td>131.7</td>
</tr>
<tr>
<td>Adjustment to deferred income (silver sale)</td>
<td>(36.0)</td>
<td>10.8</td>
<td>(25.2)</td>
</tr>
<tr>
<td>Profit on sale of investments</td>
<td>(16.0)</td>
<td>4.8</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Non recognition of deferred tax asset</td>
<td>-</td>
<td>24.8</td>
<td>24.8</td>
</tr>
<tr>
<td>Underlying Financial Net Profit/ (Loss)</td>
<td>(31.8)</td>
<td>9.7</td>
<td>(22.1)</td>
</tr>
</tbody>
</table>

^ revenue excludes an amount of $36.0 million in deferred silver revenue written back

No final dividend will be paid and the company’s Dividend Re-investment Plan will be suspended until further notice.

As part of the extensive review of the Broken Hill Operations, which culminated in the decision on 21 August 2008, to reduce the production profile and focus on a lower cost operation, the carrying value of the Broken Hill Operation’s assets was reviewed. As a result of the decisions to resize the Broken Hill Operation and close the company’s hedge book, which exposes the operation to the current spot prices, the carrying value of the Broken Hill operating assets was written down by $135.7 million and exploration assets by $29.9 million.

Importantly, the Board believes that despite these one-off impairment write downs, the operational changes implemented at the Broken Hill Operation will allow it to maintain a production level that is financially viable for the next 2 to 3 years at current prices, whilst retaining the ability to re-establish increased production and profitability in the future when metal prices increase.

Cash flows (before tax and interest) from operations during the year were $15.8 million, with the company investing $77.8 million in mine development and plant and equipment and $22.3 million in exploration activities at Broken Hill, Mount Oxide and Flinders. At year end and as a result of current volatility in world financial markets, the company has reclassified $40.0 million of cash held in commercial paper to ‘current assets - available for sale financial assets’ and booked an impairment write down of $9.8 million these investments, which continue to meet all principal and interest payments.
Cash and available for sale financial assets held at 30 June 2008 total in aggregate $67.4 million. Post balance date the company has committed proceeds from the closure of the company’s hedge book to resizing of the Broken Hill Operation, including the payment of redundancy costs of $20 million, reducing working capital requirements and to repay $10 million in borrowings.

Notwithstanding the impact of commodity prices and exchanges rates, the long-term demand outlook for zinc and lead remains strong and on the back of the recent decision to reduce production at Broken Hill, the company is well positioned for the future.

**Broken Hill Production**

Zinc production was 91,295 tonnes and lead production was 52,412 tonnes for the year. (FY07: 92,100 tonnes of zinc and 60,500 tonnes of lead).

Production in the second half of the year was up 15% on the first half on the back of business improvement programs, increased development and equipment utilisation and improved mine planning.

Cash operating margins at the Broken Hill Operation for the year reduced 78% to US$0.16 (FY07: US$0.72) cents per pound zinc. Net cash costs at the Broken Hill Operation for the year increased 37% to US$1.03 (FY07: US$0.75) cents per pound zinc, largely on the back of higher operating costs, treatment charges and freight and lower lead prices.

In response to the current low metal prices environment and cost pressures, the company announced on 21 August 2008, after an extensive review, the resizing of the Broken Hill Operations. Under the revised operating plan, ore production will reduce from 1.8 to 0.95 million tonnes per annum, which is expected to produce approximately 55,000 tonnes of contained zinc and 50,000 tonnes of contained lead.

In conjunction with the resizing, Perilya also announced it had closed-out its hedge book realising $60.3 million in cash. The hedge book was closed to realise its inherent financial value and to strengthen the company’s balance sheet during this period of low metal prices.

**Metals Markets**

During the period US$ zinc price dropped 43% to US$1,903/tn or US$0.86/lb (30 June 07: US$3,338/tn / US$1.51/lb) on the back of an increase in Zinc stocks to 153,625 tonnes.

The US$ lead price, after rising rapidly in the early part of the period, dropped 34% to US$1,736/tn or US$0.78/lb (30 June 07: US$2,647/tn / US$1.20/lb) on the back of higher lead stocks. Stocks rose 126% from 45,075 tonnes to 101,900 tonnes at year end.

**Outlook**

The Board is currently in the process of finalising a review on its Mount Oxide copper project. The Board expects to be in a position to report on the finalisation of the review, including expression of interest received for its Mount Oxide copper project in September 2008. An ultimate decision on the Mount Oxide project will be made on the basis of maximising value for Perilya shareholders.
Following the outcome of the Mount Oxide process, a review will be undertaken on non-core assets and any surplus capital. After assessing the capital needs of the resized Broken Hill Operation a prudent capital management program will be initiated. It is expected that an announcement regarding future capital management strategies will be made by 31 October 2008, with any required shareholder approvals to be obtained at, or prior to, the company’s Annual General Meeting, which will be held during November 2008.